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TNB can do more for renewable energy

National power company can boost sector by allowing increase in FIT programme

➔ **WITH** the 15% electricity tariff hike due by next year, the Sustainable Energy Development Authority (Seda) is pushing for an increase in the number of renewable energy suppliers. However, the government authority says Tenaga Nasional Bhd (TNB) can do more to increase the Feed-in-Tariff (FiT) programme, and not hinder the growth of the renewable energy sector in Malaysia.

At the recent Malaysian Investment Development Authority's (Mida) boardroom session on Green Technology in Kuala Lumpur, Seda COO Dr Ali Askar Sher Mohamad says TNB is against any increase in FiT contribution which would subsequently increase renewable energy in the grid.

"We have tried asking the Ministry of Environment, Green Technology and Water (KeTTHA) to increase the quota from renewable energy by another percent [to 2%] but TNB doesn't want to. The only leeway we got was half a percent [0.5%]," Ali says, adding that most of the renewable energy generated in Malaysia is from small solar energy producers.

He adds that the payment for



renewable energy was only 19 sen a kilowatt hour (kWh), a far cry from its current price paid to independent power producers (IPPs).

"If you go to the Malaysian Energy Commission website, the cost for generating electricity alone is already 24 sen for just generation, not including distribution. Plus, power generation is already heavily subsidised. Gas is currently subsidised, costing the government RM30 bil. But electricity is still sold cheap. But with the [FiT], TNB is delaying it because it would lower cost of electricity," he adds.

Ali says there are other policies being implemented by the government that will encourage the growth of renewable

energy, especially the rationalisation of fuel prices.

"In addition to this, small hydro power generation is getting cheaper, and so is biomass and biogas energy production. Solar power generation is still expensive but it is on the way down," he says.

On the capacity of solar energy generated to be fed into the grid based on the licences issued by Seda, Ali says solar power generation is still the main contributor compared with the other renewable energy generation methods.

"We are targeting that by 2015 at least 65 megawatts (MW) would be generated through solar energy methods. But based on the number of licences issued we would be able to generate some 190MW. There is close

Seda says TNB will not allow an increase in the FiT programme which would fund the renewable energy sector

to no interest in the rest," Ali says.

Meanwhile, MyPower CEO Datuk Abdul Razak Majid says an increase in FiT would affect the "financial viability" of the national power company.

Gradual step-up the way to go

"Let's say TNB has invested into assets of about RM60 bil. What would happen to the assets now if we were to step up the contribution by another RM1 bil? Now it has loans and obligations to fulfil and such. How do you balance that?" he asks.

Abdul Razak says TNB is not the final decision-making party on the amount of contribution Seda gets.

"I'm not siding with TNB, but I'm testing the logic of whether you would allow a huge amount to go into the FiT unchecked that might upset the total potential of TNB to finance its debts and make itself financially viable. Logically, there has to be a balance," he says.

Abdul Razak says when it comes to renewable energy, a gradual step up is the way forward for the country.

"We have to appreciate that this is not an overnight affair. Germany took many, many years to reach the level it is at now. I can say that if I'm not mistaken, KeTTHA wants 5% from renewable energy by 2020," he adds.

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by Hafidz Baharom

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New policies to encourage renewable energy

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While criticising TNB's actions in limiting the FiT, Ali is hopeful that the government would come up with better policies to encourage the growth of renewable energy generation.

"We have only 1% for the renewable energy fund so the quota is not much. The government is drafting new policies such as that for residential areas to generate electricity for self-usage. This is because a solar photovoltaic power plant on a large scale is expensive. There are a lot of parties interested but the quota system is limiting the market," he adds.

Meanwhile, Green Technology Corp of Malaysia CEO Ahmad Hadri Harris says while there are limited opportunities in Malaysia for foreign investors, interested parties should instead explore the potential of using the country as a platform for growth in the Asean market.

"The more players we have in Malaysia, the more competitive renewable energy becomes compared to fuel-based generation.

"This would reduce the price tremendously, and thus, you should position your manufacturing in Malaysia and look to other markets such as Thailand and Indonesia," he says.

Hadri adds that the government through the Ministry of Finance and Bank Negara Malaysia has established a green technology financial scheme.

"This is because when it comes to banks, the high capital expenditure involved in renewable energy makes it difficult for these institutions to see the value of such projects. So in 2010, we established this scheme with a 2% interest soft loan," he says.

Hadri says the scheme has managed to assist the development of 115 companies by 2010, with RM1.5 bil allocated this year and thus far, RM500 mil has been disbursed.

"It has been a journey and we have learned a lot from South Korea. We need to expand further, and encourage business opportunities. We have to look at how big the industry can be expanded and Mida leads this," he says. **FocusM**