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Bright outlook for energy sector in 2026

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Renewable projects, gas extensions to lift earnings

ENERGY

PETALING JAYA: The energy sector is poised for another exciting year in 2026 given major projects in the pipeline, which should drive news flow on renewable energy (RE), says RHB Research.

These projects include the Corporate Renewable Energy Supply Scheme (Cress), large-scale solar 6 (LSS6), Solar Accelerated Transition Action Programme (Solar Atap) and gas-powered plant extensions.

For Cress, which is a third-party access model that allows offtakers to purchase electricity directly from an RE developer, RHB Research said the lower system access charges (SAC) by 11% to 20% will make Cress projects more viable.

"We believe Cress will be more attractive, as off-takers will be able to pay a fixed energy cost over 21 years with no exposure to rising grid prices, and the green energy is 100% guaranteed," added the research house.

Assuming Cress rates of 62 sen (5% higher than current grid prices), RHB Research said, "We estimate Cress projects with battery storage will generate an internal rate of return (IRR) of 9% to 12%."

"With the SAC rate finalised, we expect more Cress project announcements this year."

According to RHB Research, Tenaga Nasional Bhd (TNB) will benefit from this, as all Cress projects are required to sign energy supply agreements with the utility giant.

Cress projects could also trigger contingency capital expenditure (capex) approvals for TNB.

Note that UEM Lestra is also working with Bursa Malaysia to develop a Cress auction by 2028.

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>
> RHB Research

Meanwhile, RHB Research envisaged more gas plant extensions in 2026.

In November 2025, TNB won the bid to extend the 1.3GW power supply for three gas-fired plants.

"Given the expected 4GW to 5GW demand shortfall until 2030, we do not discount the possibility of the government extending the tenures of more gas plants in the first half of financial year 2026 (1H26).

"We estimate 4.3GW of existing gas plants that could be extended – resulting in potential 4% and 8% earnings per share upsides for TNB and Malakoff Corp Bhd, respectively, if their remaining capacity is renewed," the research house noted.

In addition, RHB Research expects the government to announce the winners of the 6GW to 8GW new gas-fired plant tender in first quarter of financial year 2026.

Given their track records, the research house believes that TNB, YTL Power International Bhd and Malakoff are the frontrunners of the Energy Commission's Category 2 tender bids.

Assuming TNB wins a bid to build a new 2,800MW gas plant (RM9.8bil capex, 70% debt funding and weighted average cost of capital: 8.2%), RHB Research said that "we estimate a 12% project IRR and a RM1.66 (up 11%) accretion on our stock's target price."

In addition, the research house highlighted opportunities in LSS6 and Solar Atap.

It expects 2GW of LSS6 tenders to be announced in 1H26, presenting up to RM10bil of engineering, procurement, construction and commissioning opportunities for solar contractors.

The recently unveiled Solar Atap initiative is also deemed positive in driving order book replenishment for the likes of Solarvest Holdings Bhd and Samaiden Group Bhd.

RHB Research has an "overweight" call on the energy sector with top "buy" picks namely TNB, YTL Power, Solarvest and Samaiden.

"We like TNB as its stable regulated earnings support a 4% yield, with upside from a lower tax rate and contingency capex approvals.

"Solarvest and Samaiden are beneficiaries of more solar projects being rolled out, and we expect maiden contributions from YTL Power's 10MW artificial intelligence data centre project to mitigate its weaker Power Seraya earnings," the research house added.