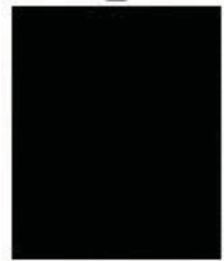


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MediaTitle	The Edge CEO Morning Brief		
Date	14 Oct 2021	Language	English
Circulation	25,910	Readership	77,730
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TNB assures that Malaysia's coal inventory in 'good position' despite tightening global supply

KUALA LUMPUR (Oct 14): Tenaga Nasional Bhd said Malaysia is in a "good position" in terms of coal inventory, which makes up 59% of the country's power generation resource in 1H2021.

This is because proactive measures such as securing additional shipments have been made in anticipation of a "very tight" supply situation in the fourth quarter of 2021, TNB told *The Edge* in an email when contacted about concerns over the tightening supply of coal globally.

The coal supply of local independent power producers or IPPs is 100% imported by TNB's wholly-owned unit, TNB Fuel Services Sdn Bhd.

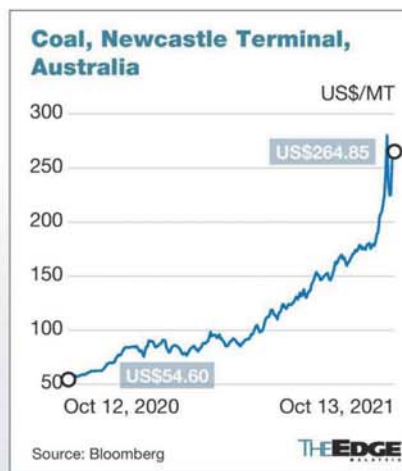
"The coal stocks for the respective power plants are sustainable, with 25-30 days of inventory at all times. As of Sept 30 2021, our coal stock level (total) is at 3.333 million tonnes, i.e. 99.1% of the required coal stock level.

"In addition, seven vessels are currently anchored at stations with about 490,000 tonnes of coal waiting to be discharged, which will add to the stock level," TNB said.

Coal supply, especially coming out from Indonesia, has been tightening as major buyers like China and India moved earlier to actively restock their supplies for the winter season.

According to TNB, the tighter coal supplies ahead of the winter months is a

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seasonal trend, but the situation has been compounded by the ongoing global energy crunch, with oil, gas, and renewables having their share of supply issues and price inflation. "Decreased supply of competing fuels to produce energy adds to the pressure on physical coal supply and its market price," it said.

There has also been flooding in a key coal-producing province in China, which is the world's largest coal consumer as well

as producer, that has worsened the supply outlook, *Reuters* reported on Tuesday. And just a week earlier, it was reported that the Indian government was pushing miners to boost coal output as the country grapples with an escalating energy crisis, after more than half its plants were on alert for outages amid surging electricity demand and a slump in local coal output that have eroded stockpiles.

TNB, however, assured that some 77% of the coal Malaysia needs for next year has been contracted, with the remaining 23% to be contracted in the second half of 2022, depending on demand.

TNB Fuel Services' coal is sourced from Indonesia, Australia, South Africa, and Russia, it added.

"The coal is sourced on a long-term basis from reputable coal suppliers. The planning involved to deliver the coal is performed on a long- (five-year), medium- (one to three years) and short-term (less than three months) basis together with each power plant," it said, adding that the planning is also updated on a regular basis.

TNB expects coal price to retreat in 2022

Coal price for the 6000NAR kcal/kg Newcastle coal currently hovers at US\$220/MT, up nearly four-fold from US\$58/MT a year ago.

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NAR stands for Net As Received and refers to net calorific value, whereby a higher value translates to higher energy content.

In the second quarter of 2021, TNB's coal price averaged US\$92/MT, up 51.8% from US\$60.60 seen in 2020.

TNB admitted that procurement cost for the fuel stock has increased significantly, following the sharp rise of the commodity's price in the spot market, as contracts use "index-linked pricing". This means the underlying contract price is linked to prevailing market indices, besides negotiated annually.

Fuel costs make up over 40% of the current base electricity tariff. As the base tariff is due for a revision for the 2022-2024 period, there is concern that elevated coal and gas prices could make its way to end-users in the form of a base tariff hike.

However, prices are expected to remain elevated only until the first quarter of 2022, before retreating as production picks up, TNB said.

"Seaborne coal supply is expected to start tracking closer to pre-Covid levels in

2022, putting downward pressure on coal prices. All parties involved (Single Buyer, Grid Operator, TNB, TNB Fuel Services and the power plants) are working together to ensure that there is no supply disruption," it added.

Single Buyer is the ring-fenced entity who purchases all electricity produced, while the Grid System Operator is another ring-fenced entity which schedules the dispatch of the respective power plants.

On a related matter, TNB said Malaysia's gas supplier Petronas Energy & Gas Trading Sdn Bhd (PEGT) has not declared any gas supply interruption to the power sector.

"As Peninsular Malaysia is privileged to have domestic gas sources, it is expected that pipeline gas will form the bulk of PEGT's supply for Peninsular Malaysia (and it will be) enough to meet the demand by all sectors," it said.

5 gigawatt RE expansion in 2021-2030

TNB also reiterated that it is committed to ensuring security of energy supply, affordability and sustainability, partly with the expansion of reliable and affordable

renewable energy (RE) sources.

"In keeping with the government's RE aspirations and TNB's journey towards sustainability, TNB is committed to ensuring that the country's long term power generation mix will include 30% of hydropower," it said.

"The diversification of fuel resources and healthy reserve margin of the system has enabled the power sector to minimise the impact of the shortage in coal supply.

"The 3000MW Nenggiri Hydroelectric Project in Gua Musang, Kelantan is a high impact project that will further strengthen the nation's security of electricity supply, once it is ready in 2026," it added.

There is still a long way to go for Malaysia's RE capacity installation. Solar, which makes up 2.3% of total installed capacity as of August 2021, merely produced 1% of power in 1H2021.

Including the Nenggiri hydro project, the government anticipates installing an additional 5,047MW of RE generation that can meet one-fourth of peak demand by the end of this decade.