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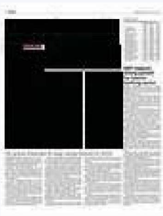

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Prospects for renewable energy to shine this year

The Star, Malaysia

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Growing demand, green agenda to drive new projects

ENERGY

PETALING JAYA: The outlook for Malaysia's renewable energy (RE) and utilities landscape appears positive this year, as capital deployment, regulatory resets and corporate decarbonisation converge to redefine sector priorities.

After a volatile period marked by operational disruptions and policy transitions, analysts now expect this year to bring clearer earnings visibility, steadier demand drivers and a fresh cycle of project awards across both RE and regulated utilities.

Hong Leong Investment Bank (HLIB) Research, for one, sees this year as an inflection point anchored by scale, technology and cost optimisation.

"This year, we foresee utility-scale opportunities picking up, driven by large scale solar 5+ (LSS5+), LSS6, the 300 megawatts feed-in tariff 2.0 programme and also more standalone battery energy storage system (Bess) programmes," HLIB Research said.

"The former three we estimate could generate about RM20bil in engineering, procurement, construction and commissioning (EPCC) opportunities," it added.

HLIB Research also pointed to progress in the Corporate Renewable Energy Supply Scheme (Cress), noting that this year could translate into tangible developments in the programme as data centre (DC) companies could reduce electricity costs per unit by 5%.

The research house highlighted DCs as a key swing factor, with rising artificial-intelligence (AI) investments accelerating energy demand.

"The capital-intensive AI race will incentivise robust Cress adoption with more DCs approaching completion this year," the research house said, citing the growing presence of large DCs here.

While corporate green power purchases have gained traction, HLIB Research argued that Cress demand could be potentially stronger, as it offers a clearer "double benefit" of lowering delivered electricity costs while simultaneously delivering green attributes.

It maintained its "overweight" stance on the renewable-energy sector, pointing to strong structural themes as well as positive earnings growth cycle.

> "Ongoing support from LSS5 and LSS5+, the upcoming LSS6 programme and higher power costs for data centres under the ultra-high voltage tariff should keep demand for renewables strong over the medium term."
>
> An analyst

Additionally, HLIB Research identified catalysts ranging from contract rollouts to fresh renewable quotas, while flagging execution risks and slower-than-expected DC builds.

It reiterated "buy" calls on Solarvest Holdings Bhd and Gamuda Bhd, citing their positioning for an extended order book upcycle driven by large projects.

Speaking on the promising prospects for Malaysia's RE sector, one analyst told *StarBiz* that with rising electricity costs under Regulatory Period 4 (RP4), adopting Bess and solar photovoltaic would make even more sense.

"Ongoing support from LSS5 and LSS5+, the upcoming LSS6 programme, and higher power costs for DCs under the ultra-high voltage tariff should keep demand for renewables strong over the medium term," he said.

He added that utility-scale solar activity would be underpinned by LSS5 and LSS5+ projects, with EPCC awards expected to accelerate this year.

Beyond utility-scale developments, HLIB Research expects a rebound in commercial and industrial as well as residential installations.

"Having slowed down dramatically in the second half of last year due to the absence of replacement quota for Net Energy Metering 3.0, we expect installation to rebound this year," the research house said.

It attributed this to the recovery of the Solar for Agricultural, Commercial and Industrial Applications on Rooftops programme.

Meanwhile, Maybank Investment Bank Research (Maybank IB) adopted a more measured view on the broader utilities space.

"Following a troubled 2025, we see utilities heading into this year on a clean slate," it said, maintaining a "neutral" stance despite elevated electricity demand growth.

The research house noted that regulatory insulation limits downside risks and that recent resolutions, including Tenaga Nasional Bhd's (TNB) tax prepayment, should render any subsequent developments incrementally positive.

"Furthermore, sector valuations are not compelling, but we do not foresee any material negative catalysts," the research house said.

Maybank IB's top sector pick is TNB.

The research house highlighted that this year represents the start of a new three-year regulatory cycle for regulated gas entities.

"Both the pipeline divisions of PETRONAS Gas Bhd and Gas Malaysia Bhd saw an unexpected base tariff hike in RP3.

"Regulatory details have not been disclosed, thus it is unclear whether the higher tariff is due to higher weighted average cost of capital/capital expenditure (earnings-accretive) or merely just higher operating expenditure (earnings neutral)," it said.

"Given the downward trajectory of Brent prices last year, we expect domestic gas prices to trend lower this year, possibly leading to lower retail profit for Gas Malaysia," the research house further added.