



15 JUL, 2024

Tenaga Nasional Bhd Hold. Target price: RM13.50

The Sun, Malaysia



Source: Maybank Investment Bank

**VANTAGE RE** (Vantage) is Tenaga's renewable energy (RE) platform in the UK and Europe. While not a material earnings contributor, its presence at the forefront of mature RE markets plays an important role in Tenaga's RE talent development and the longer-term fulfilment of Tenaga's ESG (emission) targets.

Headquartered in London, Vantage (wholly owned by Tenaga) currently owns, operates and manages a portfolio of solar and wind (both onshore and offshore) assets in the UK and Ireland. Current gross capacity of operational assets total 806MW, with another 102MW under construction, and 307MW (including battery storage) in the pipeline (planning) stage. Vantage aims to grow its capacity to >2GW by 2030. Tenaga recently hosted site visits to the Blyth Offshore wind farm and Bunkers Hill solar project.

Wind and gas are the main fuel sources for electricity generation in the UK. RE as a whole, has accounted for 50% of UK's electricity generation in recent quarters. The government has developed various support schemes over the years to encourage RE investments. The prevailing scheme is the "Contracts for Difference" where developers receive a top-up payment equal to the difference between an awarded strike price and the market reference price. Corporate PPAs are also available.

With the commissioning of Jimah East, Malaysia's diversification into coal plants over the past decade has ended. New plants going forward will be gas or solar-based. The unit cost of generation for both gas and solar plants is for now still higher than coal, although this is essentially borne by consumers via the IBR tariff framework.

Maintain HOLD with an unchanged DCF-based TP of RM13.50.