AUTHOR: Jagdev Singh Sidhu SECTION: STARBIZ AUDIENCE : 175,986 PAGE: 13
PRINTED SIZE: 1061.00cm² REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 53,762
WORDS: 856 ITEM ID: DP0121673985

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15 AUG, 2026

Energy rolled out right

The Star, Malaysia

THE rollout of energy projects is inevitable, given the country's needs. But are we approaching the rollout in the best possible way?

For the longest time, energy projects were awarded to companies that can meet Malaysia's energy mix. The dishing out of projects initially created large utility companies such as Malakoff Corp Bhd and YTL Power International Bhd.

In the 1990s, there were two incidents that left Peninsular Malaysia without power for a long period of time, the first for two days.

It became clear then that the supply of power was paramount – and that gave birth to the independent power producers (IPPs) in the country.

The initial four IPPs had the best power tariffs as the priority was supply, not cost. Owners of the IPPs made a lot of money and created a long-standing business model that has superceded that period of IPP ownership.

IPPs continued to generate power from new concessions, but the new rates they received were nowhere close to the first generation IPPs.

The consideration then was raw power output regardless of emissions. The world has since changed. Renewable – or green – power is now the priority.

Today, there is a new generation of power players emerging in Malaysia. Renewable energy (RE) players.

Our cover story on LSS (large-scale solar) 6 illustrates that new dynamic, but questions are now

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emerging on whether the business model chosen is the best for the country.

The LSS6, the latest in the series, includes batteries to store power that solar panels generate. It is important that energy is stored and delivered when demand mechanics change. The power generated can be seen as more useful.

But as the shift to power generation shifts more towards renewables, there is scant concern that the solar panels are being placed on fertile land that could be used for food production and other sustainable production.

The idea behind the sustainability mantra is defeated if power is not generated on idle, non-productive rooftops, but instead occupies land that can be used to plant crops or used in other productive ways.

As it is, plantation companies do appear to be ready to sell land to house solar panels. It is a lucrative business.

- From giving contracts to enlarge the supply of power, cost of power should be the main consideration
- Cost of power needs to be low to entrench Malaysia's competitiveness
- Nuclear power is costly and can only be undertaken by larger players

Then there is the cost element. Solar with batteries costs more than generating power from coal.

The cost of power should now be the main consideration, given that higher costs will have ramifications on the competitiveness of Malaysian industry. Just look at Europe to see how uncompetitive power pricing is affecting industry there.

With the huge surge in data centres here, high energy cost will also erode Malaysia's advantage.

Having cheap power is one of the reasons why data centres decided to converge in Malaysia.

But as more data centres are built, the cost of power will start to rise and that can have a knock-on effect on other industries in Malaysia. According to a report, the cost of power in Malaysia is now comparable to peer countries.

Having cheaper power is essential, given that Malaysia employs millions of cheap – and, at best, semi-skilled – foreign workers to keep production costs down. Unless that practice changes and we follow what Singapore has done, having more expensive power just erodes Malaysia's competitiveness.

Splicing contract sizes to smaller players can develop the expertise needed, but that will come at a higher cost. Although 85% of residential players will be subsidised against the higher costs, the effect will be seen in the higher price of goods and services being delivered by unsubsidised businesses

Larger players with financial muscle can deliver power at lower costs because of economies of scale. The Energy Commission (EC) should take that into consideration when awarding contracts.

This will become pertinent with the long-term move towards nuclear power.

Under the 13th Malaysia Plan, Malaysia intends to pursue nuclear power at the start of the next decade. Nuclear power is also seen as green power.

The unit cost of nuclear power during the operational stage of a nuclear power plant is low, but building that plant is very expensive.

Even Tenaga Nasional Bhd, which has the largest balance sheet among energy players in the country, will need some sort of government assistance in building a nuclear power plant.

For the EC, which wants to diversify and deepen the power generation ecosystem, breaking up contracts will prove to be unfeasible when it comes to driving nuclear power in the country.

Malaysia should move to emphasise low cost of power as the main priority when it comes to the rollout of power plants.

Having RE might by nice on the ESG (environmental, social, and governance) scorecard, but it can come at a higher cost. When it comes to overall job creation and the cost of doing business, the economics of power will be the key consideration for those investing in the country.