

Headline	Energy consumption reeling from Covid-19 and MCO		
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Energy consumption reeling from Covid-19 and MCO

KUALA LUMPUR: The fallout from Covid-19 has resulted in a significant impact on various sectors across the board, especially energy consumption, as the economy is operating at only about 45% capacity amid the movement control order (MCO) that grips the country.

The International Energy Agency estimated that electricity demand in countries with partial and full lockdown has declined by around 15% in markets where strong confinement has been adopted.

"This is a huge amount for a sector that tends to be highly predictable and where planners seek to precisely forecast energy demand in real time in order to match with supply," Institute for Democracy and Economic Affairs senior fellow Dr Renato Lima de Oliveira told *Bernama*.

Energy is a key input of all economic activities, and when business suffers, such as during recessions, it hurts the demand for energy consumption.

"The major difference this time is that, the shock has been less gradu-



al than a typical economic recession and it has impacted much more oil than electricity consumption," said de Oliveira.

Malaysia, a ringed-fenced entity entrusted to manage, planning and procurement of electricity, recorded 25,245.902 megawatt (MW) of current installed capacity as of Feb 9, 2020 but current demand stood at 12,729 MW as of April 13, due to business closure amid the MCO.

De Oliveira said the Malaysian economy is increasingly based on the services sector, so a hit to the power industry as manufacturing is halted during the MCO would be smaller than what would be the case some years ago.

"Since 2004, the share of power

"This is a huge amount for a sector that tends to be highly predictable."

Dr Renato Lima

industry in the gross domestic product (GDP) has been going mostly down. The good news is that in the services sector, it is easier to work from home, as many of us have been doing lately, increasing our electricity consumption at the household level," he added.

Comparatively speaking, the hit to the economy would be even worse if most jobs required to be at the factory floor, said de Oliveira.

State-owned utility provider

Tenaga Nasional Bhd (TNB) has reported that electricity demand may drop due to Covid-19 but expects its earnings to be largely unaffected as the group is shielded by the regulated asset-base structure for power transmission and distribution, as well as the power purchase agreement schemes for electricity generations.

Hong Leong Investment Bank Bhd said TNB would be compensated in the upcoming imbalance cost pass-through review to address the shortfall of earnings due to lower than assumed power demand.

In light of Covid-19, TNB's 51%-owned subsidiary Southern Power Generation Sdn Bhd (SPG) has made a force majeure declaration due to the MCO and restrictions in countries where the engineering, procurement and construction specialists supporting the project reside.

Force majeure refers to unforeseeable circumstances that prevent a party from fulfilling a contract.

The force majeure declaration would incur a possible impact to SPG's 2x720MW combined-cycle

gas-fired power plant project in Pasir Gudang, said Malaysian Rating Corp recently.

The construction of the power plant is at 99.5% as of end-February 2020, with the remaining minor works related to road pavement and drainage. The commissioning works stood at 77% and the scheduled commercial operation date is July 1, 2020, which is likely to be delayed.

The first phase of the MCO from March 18 to 31 required non-essential businesses to stop operations, while the public was ordered to stay home to curb the pandemic. It had been extended twice, with the third extension from April 15 to 28.

De Oliveira said the continuation of the measures to keep people at home would affect the demand for energy.

"It is a high price we are paying for what hopefully will be a greater good with the control of Covid-19, less crowded hospitals and the possibility of fully re-engaging in economic activities without the shadow of a growing number of infections," he added. — *Bernama*

VALUATOR

Company(Brand)	Mention	Tone	ROI
CIMB Investment Bank Berhad (CIMB - Banking & Finance Industry)	1	0	RM 0
CIMB Investment Bank Berhad (CIMB - Economy News)	8	0	RM 0
Construction Industry Development Board (CIDB) (Industry News - Covid- 19 - Malaysia (Covid- 19 - Malaysia)	2	0	RM 0
Economy (Gross Domestic Product (GDP))	1	0	RM 0
Hong Leong Investment Bank (Hong Leong Investment Bank)	6	0	RM 0
Industry News - Energy Commission (EC) (Industry News - Institute for Democracy and Economic Affairs (IDEAS) (Institute for Malaysia Projects (Malaysia Projects)	3	0	RM 0
Malaysian Rating Corporation Bhd (MARC) (Malaysian Rating	2	0	RM 0
Ministry of Energy, Science, Technology, Environment and Climate MyCC-Pricing (MyCC-Pricing)	1	0	RM 0
Pertubuhan Berita Nasional Malaysia (Bernama)	2	0	RM 0
Pertubuhan Berita Nasional Malaysia (Pertubuhan Berita Nasional	2	0	RM 0
PLUS - MCO (PLUS - MCO)	6	0	RM 0
PUB - Johor River Water Works (PUB JRWW) (Immigration & Randstad - Manufacturing (Industry - Manufacturing)	1	0	RM 0
Star Reacher - Coronavirus (Star Reacher - Coronavirus)	1	0	RM 0
Sustainable Energy Development Authority Malaysia (Sustainable	6	0	RM 0
Tenaga Nasional Berhad (TNB) (Tenaga Nasional)	1	0	RM 0
	4	0	RM 0