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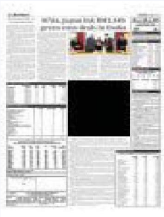

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HLIB optimistic on RE sector

Daily Express (KK), Malaysia

HLIB optimistic on RE sector

KUALA LUMPUR: Hong Leong Investment Bank Bhd (HLIB) is optimistic about Malaysia's renewable energy (RE) sector due to its strong structural themes and positive earnings growth cycle, maintaining its 'overweight' call on the industry.

In a note, the investment bank said that key catalysts include contract rollouts and fresh RE quotas.

It noted that Malaysia has ambitious targets, but the sector is suffering from nascent recycling infrastructure, and that regulations are lagging behind those of leading markets.

"The country is in the midst of drawing up new guidelines based on existing regulations to specifically manage solar panel waste.

"According to Minister of Natural Resources and Environmental Sustainability Nik Nazmi Nik Ahmad, several measures under consideration to be incorporated into the new guidelines include a buyback system, specialised collection centres and/or an Extended Producer Responsibility (EPR) system as seen in other countries," it said.

HLIB noted that at present, it is not exactly clear-cut whether solar waste falls under the category of e-waste, as defined under the Environmental Quality (Scheduled Wastes) Regulations 2005.

Overall, the investment bank has maintained its 'buy' call on Solarvest Holdings Bhd, with a target price of RM2.25, as it is a major beneficiary of an extended order book upcycle phase, driven by large-scale projects leveraging its dominant positioning.

It said the company is strongly committed to the proper recycling of defective or damaged solar panels, which aligns with broader environmental, social, and governance goals, reducing potential long-term risks.

"At Solarvest, due process is given to prevent and minimise waste and, wherever possible, repurpose these panels.

"Failing which, these panels are sent to licensed and approved vendors for recycling – these vendors utilise methods like cementation, solidification, and recycling, depending on the material," it said.

Going forward, HLIB said that in the event EPR is implemented, panel manufacturers could engage Engineering, Procurement, Construction and Commissioning (EPCC) players (or Operations and Maintenance providers) and local recycling specialists to comply with guidelines, thereby supporting the development of a domestic recycling ecosystem.

Nevertheless, HLIB believes that the cost-benefit analysis of local recycling versus shipping panels back to manufacturers' home countries (with most panels produced in China) for large-scale recycling could limit potential revenue streams for local players. –Bernama