16 JUN, 2025

CRESS green energy commitments reach 1.3GW

The Star, Malaysia

CRESS green energy commitments reach 1.3GW

PETALING JAYA: The total take-up under the Corporate Renewable Energy Supply Scheme (CRESS) now stands at about 1.3GW, following the latest energy supply contract with data centre firm DayOne.

CGS International (CGSI) Research said the development underscores Malaysia's strong momentum in energy transition.

On June 11, Tenaga Nasional Bhd (TNB) inked a bilateral energy supply contract with DayOne under the CRESS programme, committing to deliver up to 500MW of green energy over a 21-year term.

The supply will begin with an initial 200MW, powering DayOne's hyperscale data centre campuses at Nusajaya Tech Park and Kempas Tech Park in Johor.

"With this latest agreement, we estimate that a total of around 1.3GW of green electricity supply agreements (ESAs) have been inked under CRESS since its official launch in September 2024."

The other two notable green ESAs signed over the past six months included TNB's 400MW deal with Bridge Data Centers for the latter's facility in Ulu Tiram, Johor, and UEM Lestra Bhd's contract with ESR Group Ltd to supply power to the latter's planned 360MW data centre in Nusajaya, Johor.

CRESS facilitates third-party access to the national grid, enabling corporate off-takers to contract directly with renewable energy (RE) developers.

CGSI Research said this market-driven model could improve returns for new RE projects by shifting tariff negotiations to a "willing buyer, willing seller" model – a departure from quota-based bidding, which often led to intense competition and low tariffs.

The programme also speeds up the rollout of RE capacity by removing quota allocation bottlenecks.

Beyond CRESS, the government has floated around 4GW of new large-scale solar capacity over the past 18 months – nearly double the total launched between 2016 and 2021.

"This rapid RE expansion, in our view, strengthens the case for TNB to accelerate grid-related investments, supporting the need to execute RM16.3bil in contingent capital expenditure (capex) budgeted under Regulatory Period 4 (RP4) to bolster grid stability.

"Notably, the system access charge collected under CRESS could, in our view, serve as a potential funding source for the yet-to-be-determined remuneration mechanism for the contingent capex," CGSI Research said in a report.

It noted that the tender for battery energy storage system development is progressing well, with bids closing in July and awards expected in the fourth quarter of 2025.

"These developments could generate RM15bil to RM18bil in construction opportunities for solar engineering, procurement, construction and commissioning players and construction companies.

"We reiterate 'overweight' on Malaysian utilities as the National Energy Transition Roadmap (NETR) has created a structural growth element to a sector that has traditionally been viewed as largely defensive," said CGSI.

The research house noted that the government's consistent and timely execution of key NETR initiatives should continue to build investor confidence in the country's energy transition ambitions and drive sector earnings.

It has "add" ratings on TNB and Malakoff Corp Bhd, with target prices of RM19.10 and RM1.15, respectively.

CGSI Research said TNB is a critical enabler of the NETR and a key beneficiary of the emerging power sector investment cycle, as well as an indirect play on Malaysia's data centre theme. It believes the market is underestimating TNB's earnings upside from significantly higher capex under RP4.

As for Malakoff, CGSI Research sees the company as a potential beneficiary of the need to keep gas assets in operation to cope with rapidly rising power demand due to the mushrooming of data centres. The stock also has upside potential from new greenfield power projects in the pipeline.