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Gas Malaysia feeling the heat from CHP plants

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KUCHING: Despite their immaterial contributions to group earnings, Gas Malaysia Bhd's (Gas Malaysia) two combined heat and power (CHP) plants in Prai provide a boost to its environmental, social and governance (ESG) profile.

One of the CHP plants supplies to Toray Plastics (Malaysia) Sdn Bhd, Penfibre Sdn Bhd and Penfabric Sdn Bhd (Toray cogeneration plant commissioned in Jan 2017 with a power generation capacity of 33MW and steam generation capacity of 130 tonnes per hour or tph).

The other supplies to Fatty Chemical (M) Sdn Bhd (FCM cogeneration plant

commissioned in December 2023 with a power generation capacity of 6.7MW and steam generation capacity of 35tph).

"Despite their immaterial contributions to group earnings, these CHP plants provide a boost to Gas Malaysia's ESG profile given their role in reducing carbon dioxide emission," commented analysts with Kenanga Investment Bank Bhd (Kenanga Research).

"The CHP business is housed under Gas Malaysia Energy Advance Sdn Bhd (GMEA), a 66:34 joint-venture between Gas Malaysia and Tokyo Gas Engineering Solutions Co Ltd.

"It currently operates three plants with a combined capacity to generate 41.7MW of electricity, 165tph of steam and 1,684kW of hot water.

"In FY22 and FY23, this joint venture unit contributed 1.5 per cent to group profit after taxation."

A CHP plant uses gas engine or gas turbine to generate electricity and heat at the same time, powered by a single fuel source.

The key benefits of the system are energy efficiency of 75 per cent (versus 45 per cent of the single-generation system) as it also captures heat from electricity generation.

The system reduces carbon dioxide emission by 72,261 tonnes per annum; and circa one sen per MWh cheaper versus the industrial tariff charged by Tenaga Nasional Bhd and it also produces steam.

"We like Gas Malaysia for its strong market position, being a key natural gas retailer in Malaysia; strong earnings visibility underpinned by its ability to retain customers; and strong free cash flow generation, anchoring a dividend yield of more than six per cent."



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