



17 JAN, 2023

TNB's possible foray into Nusantara could expedite its green energy expansion

Borneo Post (KK), Malaysia



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KUCHING: Tenaga Nasional Bhd (TNB) has expressed its interest in green energy projects for the development of Nusantara and should TNB clinch the project, it should expedite its renewable energy expansion programme, analysts observed.

Last week, TNB said through the Ministry of International Trade and Industry (MITI) Minister, Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, had handed over a Letter of Intent (LOI) to the chairman of the Nusantara Authority (Otorita Ibu Kota Nusantara).

The LOI expressed TNB's interest in exploring and participating in the development and operation of energy solutions in IKN Nusantara, Indonesia across various available technologies such as gas, solar, wind, hydro and battery storage. TNB also said it is keen to explore any opportunity in the Grid interconnection business through collaboration with PT Perusahaan Listrik Negara (PLN) to develop a secure and reliable

high-voltage transmission infrastructure in the Global City for All, IKN Nusantara.

The handing over of the LOI was witnessed by Prime Minister, Datuk Seri Anwar Ibrahim who was on a two-day visit to Indonesia earlier this month.

"It is still too early to conclude potential contract win given that this is merely a LOI. However, as it is one of the 11 LOIs which Malaysian companies submitted during the PM's visit, it could be an G2G collaboration, thereby increasing TNB's chances of participating in the green project.

"So far, Indonesia is not one of TNB's renewable energy focus markets (its focus markets in Southeast Asia are Thailand, the Philippines and Vietnam). TNB has projected the New Energy Division (which houses renewable energy portfolio) to have installed renewable energy capacity of 7.2GW by 2030 from 0.7GW in 2022.

"This will further increase to 9.9GW in 2040 and 14.3GW in 2050.

Should TNB clinch the project, it should expedite TNB's renewable energy expansion programme to achieve net zero emission by 2050," the research team at Kenanga Investment Bank Bhd (Kenanga Research) commented in a report.

While information pertaining to its utility infrastructure is scarce, it noted that the new capital city which sits on a 632,850-acre site is a green field development project from 2022 to 2035 with Indonesia targeting of becoming a developed country by 2045.

"It also aims of having 100 per cent of renewable energy goals achieved at its installed capacity and becoming the first city in the world with a population of more than 1m to achieve this target.

"According to Asean Briefing, with Nusantara, East Kalimantan province possesses huge potential for clean energy with renewable energy sources that could reach 20GW comprising 65 per cent solar energy and 26 per cent hydro power," it noted.



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All in, Kenanga Research maintained its 'outperform' rating on the stock. It said: "We remain optimistic on its effort to address lingering ESG concerns. On the other hand, we are also optimistic on its earnings resiliency as the ballooning under-recovery of fuel costs will eventually be recovered under the IRB framework. The 20.0 sen/kWh surcharge in 1H FY23 should likely see the reduction of ICPT under-recovery in the future."