17 APR, 2024

Renewable energy emerges as growth driver

The Star, Malaysia

Renewable energy emerges as growth driver

Exchange set up to aid cross-border trade of RE

UTILITIES

PETALING JAYA: The setting up of the Energy Exchange Malaysia (Enegem) platform to facilitate cross-border trading of renewable energy (RE) is being viewed positively.

This is because RE exports are potentially a new revenue source and a driver of capacity growth for the industry, said analysts.

A pilot plan to export 100 megawatt (MW) of RE to Singapore was announced although details on a timeline and the source of RE supply were not disclosed by the Energy Transition and Water Transformation Ministry on Monday.

Interested RE bidders, who hold generation licences and/or retail electricity supply licences in Singapore, have been invited to register their interest on Malaysia's Single Buyer website.

"The establishment of the Enegem platform represents another milestone achieved for the eventual cross-border trading of RE.

"We note that RE exports are potentially a new revenue source (via RE sales and other charges) and capacity-growth driver for Malaysia's RE sector, which is currently reliant on domestic large-scale solar (LSS) and Corporate Green Power Programme (CGPP) schemes," said Maybank Investment Bank Research (Maybank IB Research).

While the pilot 100MW export capacity is small, analysts noted that Singapore is looking to import up to 3.5 gigawatts (GW) of green electricity by 2035.

As for potential beneficiaries, Maybank IB Research said local solar players like Solarvest Holdings Bhd, Cypark Resources Bhd, Sunview Group Bhd, Pekat Group Bhd and Samaiden Group Bhd would benefit from increased job flows from RE-capacity growth.

> "The establishment of the Enegem platform represents another milestone achieved for the eventual cross-border trading of renewable energy."
>
> Maybank Investment Bank Research

The research house added that utility majors such as Tenaga Nasional Bhd (TNB) and YTL Power International Bhd could also benefit from RE exports via RE sales and "wheeling charges", the amount charged by one electrical system to transmit energy to another system.

"Overall, we remain positive on the RE sector, for which engineering, procurement, construction and commissioning (EPCC) order book replenishment from the 800MW CGPP and 2GW of LSS5 projects."

Meanwhile, CGS International Research (CGSI Research) said the establishment of Enegem adds to the good progress being made on initiatives under the National Energy Transition Roadmap (NETR), which was launched eight months ago, and this should help address investor qualms about its implementation.

"It also marks a key step towards realising the country's energy-export potential.

"We see TNB, via grid upgrade requirements, and YTL Power via ownership of a generation/retail licence in Singapore as potential key beneficiaries," said CGSI Research, which maintained an "overweight" rating on the Malaysian utilities space with the NETR having introduced a structural growth element to a sector that has traditionally been viewed as more defensive.

However, MIDF Research keeps its "neutral" stance on the sector. Although the development is positive, it said valuations are stretched, relative to the historical mean following the strong share price performances in the past year.

"But we still like the RE EPCC sub-sector, with Samaiden, Pekat and Sunview as key immediate-term beneficiaries of Malaysia's RE initiatives.

"In the asset-owner space, we still like YTL Power for a potential earnings recovery at its British subsidiary Wessex Water Services Ltd, expansion into data centres and as a potential beneficiary of LSS5 and RE exports," added MIDF Research.

The research firm added that the extent to which TNB will benefit from grid-upgrade requirements in the mid-term hinges on the approved capital expenditure under Regulatory Period 4, as well as allowable returns which will be determined towards end-2024.