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RE a potential new revenue source, capacity growth driver

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KUALA LUMPUR: Investment banks believe that the establishment of the Energy Exchange Malaysia (Enegem) platform is a positive development, foreseeing renewable energy (RE) export as a promising avenue for new revenue streams and a catalyst for industry capacity expansion.

Maybank Investment Bank Bhd (Maybank IB) said Malaysia currently relies on the domestic large-scale solar scheme and corporate green power programmes.

“The energy exchange platform represents another milestone achieved for the eventual cross-border trading of RE.

“We note that RE export is potentially a new revenue source (such as RE sales and wheeling charges) and capacity growth driver for Malaysia’s RE industry,” it said in a note.

The Energy Transition and Water Transformation Ministry has set up the eagerly-awaited Enegem platform to facilitate cross-border trading of RE, kicking off with the announcement of a pilot 100 megawatts (MW) RE export to Singapore, although details on timeline and source of RE supply were not disclosed.

Similarly, MIDF Research views the announcement as a positive development.

It said based on details in the latest Cross Border Electricity Sales guideline, local RE plants are expected to enter into power purchase agreements with a single buyer (a unit currently under Tenaga Nasional Bhd) for the supply of energy for RE export.

“The pilot 100MW export capacity is small, but in the longer term, we note that Singapore is looking to import up to 3.5 gigawatts of green electricity by 2035,” it said in a separate note.

Overall, Maybank IB maintained its ‘positive’ call on the RE sector, while MIDF Research kept its ‘neutral’ call on the utilities sector, backed by their current strong share price performance and stretched valuations. –Bernama