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Rachel Lau
racellau@theborneopost.com

KUCHING: Analysts at Midf Amanah Investment Bank Bhd's research arm (Midf Research) are positive on the recent announcement of a 100MW renewable energy (RE) export Singapore but maintain a 'neutral' stance on the utilities sector in general as they reckon valuations are currently stretched due to strong share performance in the past year.

To recap, The Ministry of Energy Transition and Water Transformation (Petra) had announced on April 15 that Malaysia has set up its very own energy exchange, Energy Exchange Malaysia (Enegem), for cross-border trading of RE.

And to kick-start Enegem, a pilot 100MW export to Singapore will be auctioned out to interested purchases that have generating and or retailing licenses for the Singapore electricity market.

According to the research arm, the Single Buyer (SB) as the operator of Enegem will be the principal body aggregating RE supply from Malaysia and managing the energy export to purchasers in Singapore.

"The SB will also act as the verifier and issuer of Renewable Energy Certificates (REC) associated with the RE export.

"Under the latest Cross Border Electricity Sales (CBES) guideline, RE exports will utilize existing Peninsular Malaysia-neighbouring countries interconnection," the research arm shared.

For RE export to Singapore specifically, it is understood that up to 200MW interconnection capacity will be allowed via the Johor-Singapore interconnection.

Export tariffs will include energy prices, RECs, grid services, transaction fees and contribution to a fund that aims to facilitate energy transition for the Malaysian utilities sector.

And while there was not mention of details on the supply of RE yet, Midf Research reckons that the amount may be substantial as Singapore has previously announce that they are looking to import up to 3.5GE of RE by 20235.

Overall, the research arm notes that this is a positive development for the power and utilities sector but they are still maintaining their 'neutral' call on the sector as they view the current valuations of the sector to be stretched when compared to its historical mean.