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17 MAY, 2026

Eye on Sabah's energy complex

The Sunday Post (Kuching), Malaysia

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THE uniqueness of Sabah's energy ecosystem is that it operates with its own regulator, roadmap and supply mix, said Maybank Research. The combination of resource ownership, institutional consolidation and a clear roadmap, positions Sabah as a key node within the Malaysia energy infrastructure.

Sabah's energy value chain is characterised by an interplay between four primary entities, each serving a distinct role in regulation, utility management, midstream distribution, and strategic investment.

Established in 2023, the Energy Commission of Sabah (ECoS) serves as the state's statutory body regulating the energy sector. This move was a landmark in Sabah's quest for energy sovereignty, transferring regulatory power from the federal level to the state.

ECoS is the primary architect of the Sabah Energy Roadmap and Masterplan 2040 (SE-RAMP 2040).

Its mandate includes issuing and managing electricity generation licenses, overseeing tariff structures to ensure economic viability, and strategic sector planning to align state energy production with industrial demand.

Supporting this regulatory framework is Sabah Electricity Sdn Bhd (SESB), the primary utility provider responsible for the state's transmission and distribution infrastructure.

While the ownership structure is split between Tenaga Nasional Berhad (80 per cent) and the Sabah Government (20 per cent), Maybank Research noted that the utility operates under the strict regulatory oversight of ECoS.

"SESB's role is dual-faceted: it manages the physical grid and operates several power plants, while simultaneously acting as the 'Single Buyer' for power generated by Independent Power Producers (IPPs).

"Complementing the utility side is Sabah Energy Corporation (SEC), a state-owned vehicle focused on gas aggregation and energy infrastructure.

"SEC plays a pivotal role in managing natural gas supply via an extensive pipeline network and has recently pivoted toward the development of renewable energy (RE) projects, including solar, hydroelectric, and emerging wind power initiatives."

Rounding out the institutional ecosystem is SMJ Energy, formed following the Commercial Collaboration Agreement (CCA) signed in December 2021 between the State of Sabah and Petronas.

As the state's strategic investment arm, its mandate is to increase 'state revenue capture' by acquiring equity in upstream oil and gas assets and key energy infrastructure.

This ensures that the state is not just a regulator or a landlord, but a direct beneficiary of the value generated from its natural resources.

Sabah's energy transition is guided by the SE-RAMP 2040, which targets an increase in RE installed capacity to 50 per cent by 2035, a significant leap from the 8.9 per cent recorded in 2021.

To bridge this gap, Maybank Research saw that the state is leveraging its diverse natural geography, with potential new capacity identified across three primary fronts: 1.0GW in hydropower, 4.0GW in solar, and approximately 200MW in wind power.

"Following the rollout of 199MW of solar capacity under the LSS Sabah programme in 2024, ECoS has intensified its efforts. A new tender process has been launched for an additional 250MW of solar capacity," it recapped.

"Crucially, this round includes two Battery Energy Storage System (BESS) projects with a total capacity of 200MW/400MWh. These BESS projects are vital for stabilising the Sabah grid, which has historically struggled with intermittency and supply reliability.

"We expect quota allocations to be awarded in 4QCY26."

A notable policy shift in this round is the mandatory participation of Sabah State Entities (SSEs), requiring a minimum of 30 per cent equity ownership across all projects, with SSEs serving as the lead consortium member for BESS initiatives.

Beyond solar, hydroelectricity is poised to provide the baseload stability required for heavy industrialisation. The most significant project in the pipeline is the Ulu Padas Hydroelectric project (187.5 MW).

This project is a strategic

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joint venture between Gamuda Berhad, SEC, and Kerjaya Kagum Hitech JV, with a shareholding split of 45:40:15 respectively.

Targeted for Commercial Operation Date (COD) by the end of 2030, Ulu Padas is expected to increase Sabah's dependable generation capacity by approximately 15%. This project is not only a boost for RE targets but a fundamental necessity for reducing the state's dependence on fossil-fuel-based peaking plants.

In a move that distinguishes Sabah from the rest of Malaysia, the state is positioning itself as a pioneer in wind energy.

While wind speeds in Peninsular Malaysia are generally insufficient for large-scale generation, specific corridors in Sabah show significant promise. Plans are underway to develop a 100 MW wind energy project in Kudat.

SEC is spearheading this initiative following an exhaustive feasibility study conducted in partnership with international technology providers.

This study was critical in identifying micro-climates capable of sustained turbine rotation. Currently in the final stages of regulatory approval, the project is anticipated to reach COD in 2028.

If successful, this will provide a blueprint for wind energy across the region.

SEC plays a pivotal role in managing natural gas supply via an extensive pipeline network and has recently pivoted toward the development of renewable energy (RE) projects, including solar, hydroelectric, and emerging wind power initiatives.
— Maybank Research