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Lower charges may spur fresh awards

ENERGY

PETALING JAYA: A potential reduction in the system access charge (SAC) under the Corporate Renewable Energy Supply Scheme (Cress) could improve the economics of renewable energy (RE) projects and unlock fresh opportunities for solar engineering, procurement, construction and commissioning (EPCC) players, says UOB Kay Hian (UOBKH) Research.

The research house said its channel checks indicated that the charge could be reduced from 20 sen to 15 sen per kilowatt-hour (kWh) for firm renewable power backed by battery storage, potentially lifting project returns and spurring new contract awards.

"Solar is expected to be the fastest-growing energy source in the energy mix by 2035, supporting the government's target of achieving net-zero greenhouse gas emissions by 2050.

"With continued government support for RE, the SAC for the Cress programme could see a further reduction," UOBKH Research said in a report post the recent Energy Regulatory Insights 2026 conference, which was organised by the Energy Commission.

It said the potential reduction would be a key re-rating catalyst for solar EPCC players, as the market awaits new Cress project awards from data centre operators.

UOBKH Research's sensitivity analysis shows that every 50 megawatt (MW) Cress win could lift the market capitalisation of Solarvest Holdings Bhd, Pekat Group Bhd and Northern Solar Holdings Bhd by 5%, 10% and 55%, respectively.

"At present, to maintain competitiveness, solar EPCC players must benchmark their Cress tariff against Tenaga Nasional Bhd (TNB)'s ultra-high-voltage charge of 55 sen/kWh for DCs.

"A 15-year Cress, based on current SAC charge of 20 sen/kWh, will yield a project internal rate of return (IRR) of 7%.

"We believe this is not attractive enough for the likes of Solarvest and Pekat given the higher funding costs of 5% to 6%."

On the other hand, the research firm said it does make sense for large players

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UOB Kay Hian Research

like TNB, who have stronger funding leverage.

A five sen/kWh reduction in SAC will lift Cress project IRRs to 9%, making it more attractive for solar EPCC players to enter into a long-term Cress agreement.

The Data Centre Task Force under the Malaysian Investment Development Authority requires new DC developments to source at least 30% of their electricity consumption from RE.

Based on TNB's 13GW data-centre project pipeline, about 4GW of new capacity would need to be developed through the Cress pathway.

At an estimated project capital expenditure of RM3.5mil per MW, this translates into a potential order book of at least RM14bil over the next decade.

The main DC clusters expected to drive Cress implementation are in Johor and the Klang Valley.

"In fact, the grid system operator (GSO) expects peak demand to surge by 50% in 2035, driven largely by DC plant ups."

To keep pace, GSO expects solar capacity to grow by five times over the next decade. The analyst said the utilities sector would continue to benefit from accelerating data centre development, driven by geographical shifts that are supporting sustained growth in electricity demand.

"For solar players, the growing renewable energy requirements from data centres could translate into stronger order book replenishment and provide a potential boost to earnings over the medium term," he said.