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KUALA LUMPUR: Malaysia's utilities sector is seen as relatively insulated from current geopolitical energy shocks compared with many Asean peers, both from a system reliability and sector earnings perspective, according to CGS International Securities.

In a note yesterday, CGS International said that while the country's coal- and gas-heavy generation mix exposes the power system to global fuel price movements, the impact is mitigated by a regulated tariff framework with fuel-cost pass-through mechanisms, partially capped gas prices, and a strong domestic gas supply base.

"As such, higher coal and gas prices may translate into some upward tariff

adjustments over time, but we see these as manageable, with limited direct earnings impact for utilities and low risks of power supply disruptions.

"The main exception is YTL Power International Bhd, whose exposure to the Singapore merchant power market means earnings are more sensitive to fuel price movements," it added.

CGS International said it estimates that 85% of Malaysia's gas supply is sourced domestically (including 5% to 10% from the Malaysia-Thailand Joint Development Area), with the balance supplied via liquefied natural gas (LNG) imports.

"Over the past six years, Malaysia has primarily sourced its LNG imports from Australia, which accounted for 96% of

LNG imports in 2025, while Brunei has emerged as a secondary supplier.

"Notably, Malaysia has not imported LNG directly from the Middle East in recent years, limiting its exposure to potential geopolitical disruptions in that region," it said.

Overall, the securities firm said Malaysia's strong domestic supply base provides a high degree of insulation from global gas supply shocks, for now.

"Although reliance on LNG imports, we expect, will gradually increase as domestic gas fields mature and gas power plant installed capacity expands alongside the coal-to-gas transition for baseload under the National Energy Transition Roadmap (NETR).

"Our broader investment thesis on the sector remains intact. We expect rising electricity demand and strong policy momentum led by the NETR to drive a multiyear investment cycle, while several company-specific headwinds that weighed on share prices and earnings in 2025 are beginning to reverse," it said.

CGS International maintained an Overweight call on the Malaysian utilities sector, noting that the country is entering its most investable power sector cycle in over a decade, evolving from a solar-led transition to a broader capacity-expansion cycle spanning gas-fired generation, renewables, battery storage, gas infrastructure, and grid upgrades. – Bernama