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NEEAP 2.0 to spur energy-efficiency spending

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PETALING JAYA: The country's new energy-efficiency push is set to create a new pool of mandatory spending, as large energy users move from voluntary conservation measures to compliance-driven investments.

The Energy and Natural Resources Ministry has introduced the National Energy Efficiency Policy and Action Plan 2026-2035 (NEEAP 2.0), a 10-year roadmap targeting a 12% reduction in energy demand against the business-as-usual scenario by 2035.

Kenanga Research said in a report that the programme is cumulatively is expected to deliver RM85bil in energy cost savings over 2026 to 2035. "Sector-wise, the industrial, commercial and domestic sectors are targeted to reduce energy demand by around 12%, 3% and 9%, respectively."

The NEEAP 1.0 was largely voluntary. Coming to NEEAP 2.0, non-compliance with certain Energy Efficiency and Conservation Act 2024 requirements can carry fines of up to RM50,000.

An analyst with a bank-backed brokerage told *StarBiz* the move from voluntary adoption to mandatory compliance is significant because it gives energy efficiency a much stronger implementation mechanism.

"Malaysia is now moving closer to the approach taken in other markets, where large energy users are required to monitor consumption, undertake audits and implement efficiency measures rather than relying solely on voluntary commitments."

NEEAP 2.0 estimates total investment of about RM37bil between 2026 and 2035, comprising RM560mil in public funding and RM36bil in private investment.

This means about 99% of the investment is expected to be privately funded, with the domestic sector accounting for the largest share at approximately RM27bil, according to Kenanga Research.

The bank-backed brokerage's analyst said the heavy reliance on private funding could make incentives, financing support and energy-performance contracting important in encouraging companies to undertake the required energy-efficiency investments, particularly where upfront costs are significant.

Coming to listed stocks, Kenanga Research expects NEEAP 2.0 to have a broadly neutral impact on Tenaga Nasional Bhd (TNB), which has an average annual energy savings equivalent to about 15% of its financial year 2025 electricity sales.

It said strong data centre demand should support TNB's capital expenditure (capex) plans, while the Incentive-Based Regulation framework should cushion the impact on earnings.

The research firm said the framework is expected to directly benefit companies involved in cooling, energy management and retrofits such as KJTS Group Bhd.

Kenanga Research said stocks not under its coverage like Solar District Cooling Group Bhd, Kinergy Advancement Bhd and AWC Bhd are also likely beneficiaries.

It added that solar engineering, procurement, construction and commissioning players could cross-sell energy-efficiency solutions.

For real estate investment trusts and mall operators, energy-efficiency upgrades could require additional upfront capex.

However, Kenanga Research said the impact is expected to be neutral for now, as the higher upfront costs could be partly offset by lower electricity and operating expenses, although the extent to which these costs can be passed through to tenants remains unclear.

Meanwhile, it added that the estimated RM27bil domestic investment requirement should support a longer-term replacement cycle for higher-efficiency appliances, potentially benefiting listed consumer electrical and appliance companies.