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KUALA LUMPUR: At least 14-17 gigawatts (GW) of additional installed generation capacity, or up to RM95 billion of investment, will be required by Tenaga Nasional Bhd (TNB) and independent power producers (IPPs) over the next 10 years to meet the incremental demand.

In a research note, Moody's Ratings said this estimate assumes that demand will be met predominantly through firm capacity gas-fired generation operating at a plant load factor of 50 per cent-60 per cent.

"In the medium term, investment requirements could be lowered if a larger proportion of demand is predominantly met by solar and storage, given the declining cost of solar relative to combined cycle gas turbines capacity," it said.

Moody's Ratings said delays in commissioning power infrastructure could compress reserve margins and weigh on supply reliability. Cost overruns or delays to generation projects could also put pressure on the credit quality of TNB and IPPs.

It said power purchase agreement (PPA) extensions with existing generators should support near-term supply while new capacity is being developed.

The agency said the government projects data centre power consumption in Peninsular Malaysia to grow to 31 per cent of total consumption by 2035, up from four per cent in 2025, and six per cent in the first half of 2026.

"This underpins long-term electricity demand growth, although the scale and pace of growth will be subject to market and execution risks. The separate tariff category for data centres and demand-based charges introduced in 2025 should facilitate targeted cost recovery from the sector," it said.

The agency expects the capacity expansion to require an annual capital spending of RM4 billion-RM5 billion over the next five years.

It said in line with Sarawak's Post COVID-19 Development Strategy 2030, Sarawak Energy Bhd (SEB) targets power exports to contribute 15 per cent of revenue by 2030, up from around 4.5 per

cent in 2025, and is in discussions to export around one GW of renewable electricity to Singapore via submarine cables.

The timing and scale of export-related earnings growth will depend on commercial arrangements, project execution and the development of cross-border transmission infrastructure, it stated.

Beyond meeting the incremental demand growth, Malaysia's power sector will also need to replace a significant volume of ageing generation capacity.

Around 13GW of generation capacity is scheduled to reach PPA expiry over 2026-2035, including 7GW of coal-fired and 6GW of gas-fired capacity.

It said timely commissioning of replacement capacity, or continued extension of selected PPAs, will likely be necessary to maintain supply adequacy.

Malaysia will also need to manage the replacement requirements alongside its energy transition goals. Malaysia's stated policy direction under the National Energy Transition Roadmap (NETR) does not envisage the development of any new coal-fired plants, with stated intentions to phase down coal-fired generation with natural retirement timelines.

"The need to replace retiring capacity, while supporting the transition toward a lower-carbon generation mix, will drive an additional layer of investment requirements for the sector," it said. -Bernama