



20 FEB, 2026

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The Star, Malaysia



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New plant and PPA extensions to boost capacity

ENERGY

PETALING JAYA: Analysts are overall positive on Tenaga Nasional Bhd (TNB) in successfully securing the 1.4 gigawatts (GW) combined-cycle gas turbine (CCGT) plant in Paka, Terengganu, although the impact on the company's earnings will be minimal.

BIMB Research said it views these developments as positive for TNB on two fronts.

"Firstly, the new 1.4GW Paka CCGT plant will increase the company's peninsular gross capacity by 9.3% to 16.7GW, reinforcing its generation footprint.

"Secondly, both the new award and the power purchase agreements (PPA) extensions are earnings-accretive, underpinned by structurally lower generation costs, as Tenaga can secure more competitive capacity charges compared with independent power producers," it added.

Nevertheless, the research house said it expects the impact on TNB to be modest.

Based on TNB Power Generation Sdn Bhd's (TNB Genco) annualised financial year 2025 (FY25) forecast net profit of about RM320mil, the new plant implies an incremental contribution of approximately RM29mil, or less than 1% of the company's total group net profit.

TNB Genco together with Aurora Power Generation Sdn Bhd, has been awarded the 1.4GW CCGT plant in Paka under the NewGen25 Category 2 tender.

In addition, TNB also secured PPA exten-

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sions for three gas-fired plants totalling about 1.3 GW, extending operations until Dec 31, 2029.

Collectively, these wins give TNB a combined 2.7GW, 42.5% of the 6.3GW total awarded.

BIMB Research said earnings forecasts would remain unchanged at this juncture, pending the release of its fourth quarter of financial year 2025 (4Q25) results on Feb 26 and further updates from its analyst briefing scheduled on Feb 27, 2026.

That said, it is maintaining its "buy" call on TNB with an unchanged target price of RM17.84, premised on its defensive cash flow profile, strategic centrality to Malaysia's energy transition, and compelling medium-term growth prospects.

"We view that the resolution of the tax adjustments and the Finance Ministry's approval of the investment allowance remove a key overhang, TNB retains clear multi-year earnings visibility anchored by

an expanding regulated asset base and stable returns," the research house said.

CGS International Research said it views the PPA extensions and new CCGT positively, as these wins are strategically significant for TNB's GenCo business.

It said the plant extensions provide medium-term earnings visibility, while the new CCGT plant should improve the overall quality of its generation portfolio, as a new, more efficient plant should help support higher margins and lower maintenance and running costs.

"We reiterate our 'add' rating on TNB with an unchanged sum-of-parts-based target price of RM16.60, maintaining it as one of our top picks in Malaysia," it added.

"We continue to view the company as the central enabler and key beneficiary of Malaysia's accelerating energy expansion – a structural growth story driven by rising power demand and a new multi-year investment cycle."