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Kenanga IB keeps `overweight` call on renewable energy sector

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KUALA LUMPUR: Kenanga Investment Bank Bhd has maintained its 'overweight' call on the renewable energy (RE) industry, citing positive prospects as the government raises its RE target to achieve 40% (23 gigawatts, GW) capacity by 2035, up from the current 27% (12GW).

In a note yesterday, the investment bank said solar energy is expected to account for more than 80% of the 11GW growth needed by 2035.

To support this transition, it noted the government has launched a new wave of large-scale solar projects, including an additional two GW of capacity under the large-scale solar five (LSS5+) programme.

Under the LSS5+ programme, developers can bid for up to 500 megawatts (MW), with operations expected to commence in 2027.

The shortlisted bidders will be announced in July 2025, and bid rates are anticipated to be similar to LSS5, ranging between 14 sen per kilowatt-hour (kWh) and 18 sen per kWh, yielding an estimated project internal rate of return of 8%.

"We estimate at least RM5 billion in additional engineering, procurement, construction, and commissioning (EPCC) contracts for photovoltaic systems from LSS5+," it said.

The bank noted that the total value of EPCC contracts in the market has risen to RM12.4 billion from RM7.4 billion, ensuring sustained activity in the sector through the end of 2027.

The bank also highlighted near-term opportunities, particularly in EPCC contracts linked to the corporate green power programme, which are expected to see increased awards in the coming months. – Bernama