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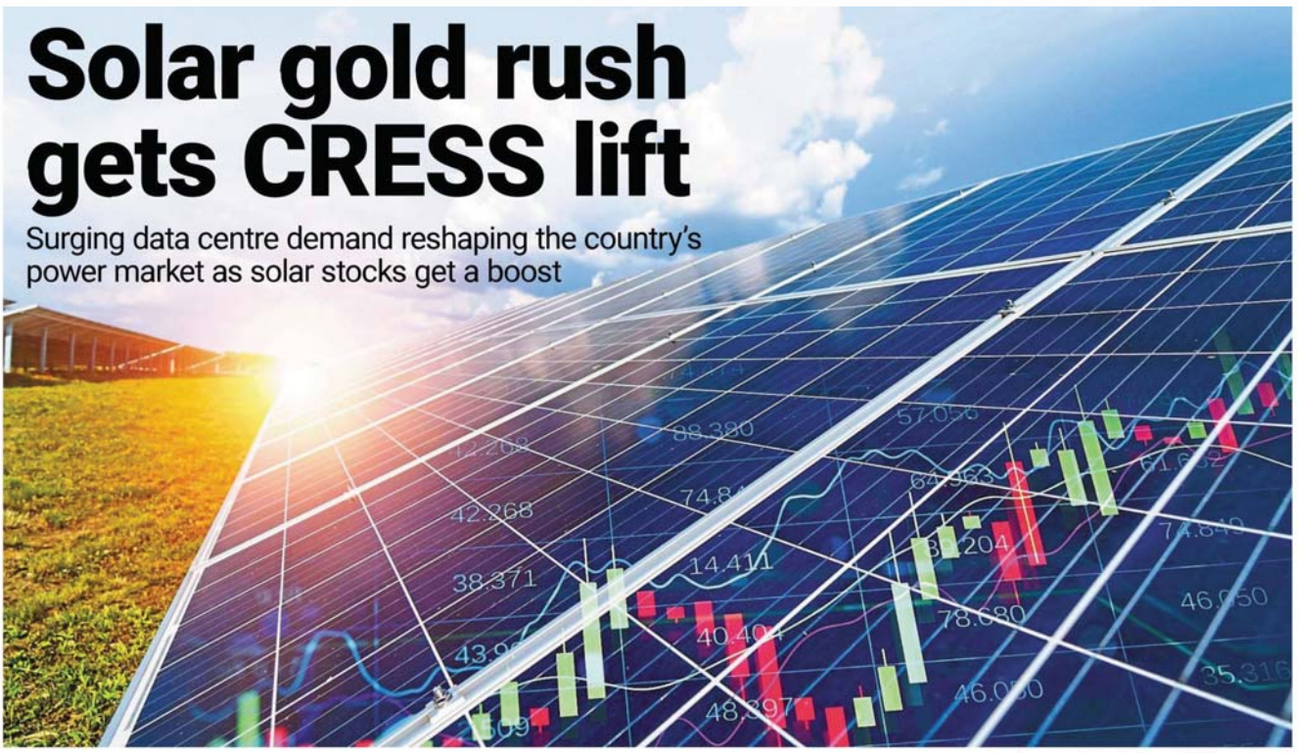
Solar gold rush gets CRESS lift

Surging data centre demand reshaping the country's power market as solar stocks get a boost



ENERGY

By KIRENNESH NAIR
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PETALING JAYA: Malaysia's decision to slash the cost of moving green electricity through the national grid could unlock billions of ringgit in new solar projects, as surging data centre demand reshapes the country's power market.

The market response was immediate, with investors piling into solar stocks following the 30% reduction in the system access charge (SAC) under the Corporate Renewable Energy Supply Scheme, or CRESS.

Shares of solar energy contractors Solarvest Holdings Bhd, Pekat Group Bhd and Samaiden Group Bhd surged to record highs yesterday.

CRESS allows corporate consumers to buy physical renewable energy directly from independent producers using the Tenaga Nasional Bhd (TNB) transmission network.

MBSB Research senior analyst Royce Tan Seng Hooi said the lower SAC had improved the economics and bankability of CRESS projects.

"There is now greater certainty around contract tenure, alongside the lower SAC, which should encourage more projects to progress towards development and execution," he told *StarBiz*.

The CRESS acceleration package lowers the SAC for firm supply to 14 sen per kilowatt-hour (kWh) from 20 sen, while requiring renewable energy developers (REDs) and green consumers (GCs) to sign contracts of at least 10 years.

The SAC was initially set at 25 sen/kWh when CRESS was introduced in 2024, before being lowered to 20 sen/kWh on Aug 29, 2025.

> "There is now greater certainty around contract tenure, alongside the lower system access charge, which should encourage more projects to progress towards development and execution."
>
> Royce Tan Seng Hooi

But the package also comes with a Dec 31, 2028 commercial operation deadline for projects seeking the lower SAC.

Siemens Energy Asia Pacific energy transformation consulting team lead Evan Ng Chee Yang said the lower SAC could improve the commercial viability of solar projects, particularly those already close to being competitive.

He said the six sen/kWh reduction could improve project economics by up to 10%, based on power purchase agreement tariffs of about 55 sen to 60 sen/kWh.

This would make CRESS cost-competitive compared with the roughly 60 sen/kWh effective electricity rate paid by data centres under the ultra-high voltage tariff category, he added.

Ng said the lower SAC could also help move forward more mature projects that had been held up by discussions over SAC escalation risk sharing.

"The lower SAC gives both developers and offtakers more headroom to absorb potential SAC increases without undermining project economics," he said.

Ng noted that the lower SAC could also broaden the addressable market for CRESS beyond large electricity users such as data centres, with some competitive projects potentially becoming attractive to high-voltage and medium-voltage users.

This could open up opportunities among sectors such as semiconductor manufacturing and other large electricity users seeking green power, he added.

Analysts expect the tighter timeline for the lower SAC to accelerate CRESS negotiations, with solar engineering, procurement, construction and commissioning (EPCC) awards potentially starting to materialise from the fourth quarter of financial year 2026 (4Q26).

Kenanga Research said CRESS currently has 11 REDs and eight GCs registered with the Single Buyer, representing about 3.15GW of project capacity.

Based on an estimated RM5mil per MW of EPCC value, Kenanga Research estimates this translates into a potential addressable market of about RM16bil.

"We view the announcement positively as the six sen/kWh SAC reduction should foster CRESS adoption by allowing developers to offer more favourable tariff terms to offtakers, particularly DC operators," it said.

For firm-output projects, assuming a developer tariff of 35 sen/kWh and a 14 sen/kWh SAC, the research house estimated equity internal rates of return (IRRs) of about 10% to 13%.

Meanwhile, Hong Leong Investment Bank (HLIB) Research Research said CRESS could also offer better project economics than the large scale solar (LSS) programme, as developers can negotiate tariffs directly with corporate offtakers.

It estimated CRESS projects could generally generate IRRs of about 9% to 11%, depending on factors such as power purchase agreement tenure, contracted tariffs, land and financing costs.

"According to TNB, the DayOne CRESS project could generate an attractive 12% project IRR, above our estimated 6% to 8% IRR for the past LSS projects," the research house said.

The Dec 31, 2028 commercial operation deadline is expected to speed up negotiations and project awards, with CRESS deal announcements likely in 4Q26 and 1Q27, it added.

In particular, the research house expects Solarvest and Samaiden to secure their first CRESS project in the next three months.

Meanwhile, Tan said solar EPCC players should be among the most immediate beneficiaries, with CRESS adding to existing project flows from LSS5, LSS5+ and the upcoming LSS6.

"We expect their execution pipelines to become increasingly busy over the next two years, as CRESS comes on top of an already strong order book from LSS5, LSS5+ and the upcoming LSS6. Therefore, CRESS represents an additional source of job flows rather than the sole driver of the sector's growth," he said.

The wider opportunity, however, could

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Ministry projects data centre power demand to surge

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extend beyond solar projects as Malaysia's data centre sector continues to expand and major technology companies place greater emphasis on building green data centres.

The Energy Transition and Water Transformation Ministry projects Malaysia's data centre power demand to reach about 21GW by 2040, compared with about 8.35GW of maximum demand currently secured.

HLIB Research said the Data Centre Task Force had approved an additional 5GW of data centre capacity.

Both HLIB Research and Kenanga Research, citing industry channel checks, said newly approved data centre projects could be subject to a minimum 30% renewable energy requirement.

HLIB Research said this could turn the additional data centre pipeline into a sizeable total addressable market for renewable energy and provide another catalyst for CRESS adoption.

Legacy projects with signed electricity supply agreements may be exempted from the requirement, it added.

Assuming 30% renewable energy usage, Kenanga Research estimated the incremental 12.7GW of data centre demand could translate into about 3.8GW of green energy demand, representing about RM19bil in potential solar EPCC opportunities.

"We believe this could provide another sizeable source of CRESS demand as new DC capacity comes online," it said.

AQ Energy director Lum Chean Jeeng said the CRESS acceleration package could create opportunities for banks, manufacturers and contractors across the renewable energy and power sectors.

"CRESS enables private players to take part in the generation of electricity while using TNB's transmission to transmit the power to data centres," he said.

The scale of the demand is already becoming more apparent, with data centres accounting for 9.28% of total electricity consumption as at mid-August 2026, according to MBSB Research, up from about 6% in the first half of the year.

The research house noted that data centres could account for as much as 35% of Peninsular Malaysia's electricity demand by 2035.

As at June 2026, TNB had 61 secured data centre projects with a combined maximum demand of 8.35GW, MBSB Research said.

Of these, 42 projects totalling 5.65GW were already connected to the grid, although actual utilisation was only 1.26GW, as power demand is expected to rise as facilities fill up and IT equipment is deployed.

Another 16 projects totalling 2.21GW were under construction, while three projects totalling 0.49GW had signed electricity supply agreements.

Despite the strong share-price reaction, BIMB Research analyst Nurzulaikha Azali said the lower SAC should initially be viewed as a catalyst for project conversion and order book replenishment rather than an immediate earnings uplift.

She said developers still needed to conclude PPAs, secure financing and complete construction before earnings could be recognised.

She also flagged uncertainty over the future SAC adjustment mechanism, as the latest announcement did not explicitly clarify whether the existing three-year review and 15% maximum adjustment would continue.