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# How Malaysia's energy transition can attract investment and inspire consumer confidence

The Edge, Malaysia



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A sustainable Malaysia is well underway with a bold aspiration to lead the region in energy transition and become Asean's clean energy hub. Determined to realise this, last month the government launched part two of the National Energy Transition Roadmap (NETR), which outlines plans to achieve net zero emissions and increase the nation's renewable energy generation capacity to 70% by 2050.

Looking at energy markets that are advanced in the energy transition journey, we see that two stakeholder groups are critical for success: private investors who are needed to fund the energy transition, and consumers who pay for it through tariffs, subsidies, levies and new product purchases.

With almost all countries going through the energy transition at the same time, Malaysia is competing for foreign direct investment and investor capital. Research shows that the country needs to carefully balance the differing needs of ensuring it is a globally attractive destination for investors, while maintaining the people's confidence in the energy transition.

### Unlocking investment potential

Navigating the energy transition demands substantial private capital across diverse sectors, encompassing generation, storage, networks, energy efficiency, transport and industrial processes. For Malaysia, this translates into an estimated investment of US\$415 billion by 2050, as outlined by the International Renewable Energy Agency.

As countries and companies move towards their climate change commitments, the competition for private capital intensifies. The dynamics are clear — capital flows across borders in pursuit of the best risk-adjusted returns. This means the more attractive a market is for energy investment, the bigger the investor base competing to fund the projects. The outcome is pivotal to the overall cost and speed of energy transition — benefits such as lower capital costs to fund projects, including renewable generation, result in cost savings to the end consumers, making the energy transition more affordable.

Malaysia appears to be heading in the right direction, ranking No 35 globally and No 1 in Southeast Asia according to the World Economic Forum's Energy Transition Index. Yet, a closer look reveals that while Malaysia scores highly in supply diversity, there are gaps in energy intensity, carbon dioxide per capita and electricity share. From an investor lens, EY's Renewable Energy Country Attractiveness Index places Malaysia at No 5 in Southeast Asia and No 55 globally. This variance highlights room for improvement in making the country appealing to investors.

Countries faced with this challenge have designed market mechanisms to accelerate private sector investment. For example, the UK's Contracts for Difference (CfD) scheme is its cornerstone mechanism for supporting private-led investment in the renewable and low-carbon energy sector. It provides a guaranteed



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price for electricity generated by low-carbon technologies, mitigating the risk associated with market price fluctuations. With budget provisions of £500 million (RM2.9 billion) for the first three rounds in the CfD scheme, the UK government has been able to promote about US\$50 billion (RM234.8 billion) in investment, unlocking about 100 times of private sector investment for government spending.

Other considerations for making Malaysia more attractive to investors could include:

- Stronger policy support for net zero, such as carbon pricing and potentially binding commitments for targets such as carbon reduction;
- Investment in the country's project delivery capability, including supply chain and implementation — for example, nurturing a network of local manufacturers, suppliers and/or service providers; and
- Increasing technology potential by supporting investment in business models to enable a wider range of renewable energy and low-carbon technologies — for example, low speed wind as well as tidal, hydrogen and carbon capture.

### Inspiring consumer confidence

While securing investment is crucial for success, Malaysia should not lose sight of the end user. Consumers are the ones who will ultimately pay for the energy transition, be it through tariffs, subsidies, levies or purchasing new products

such as electric vehicles and rooftop solar.

We know from the field of economics and marketing that consumer confidence is a powerful predictor of future consumer spending behaviour. The potential for Malaysia to accelerate the energy transition will be influenced by the level of confidence the Malaysian energy consumer has and their willingness to spend their hard-earned money.

To understand consumer confidence and the energy transition, EY developed the Energy Consumer Confidence Index. It revealed that as a country progresses through the energy transition, consumer confidence first rises, reflecting positive sentiment about future possibilities, before falling sharply. It seems that as the scale, complexity and disruption of the journey move from theory to reality, the impacts hit home. With time, the realities of the new energy world will take hold and consumers will see its value, and confidence will begin to rise again.

The research identifies five areas that influence consumer confidence in the energy transition.

EY's research found a link between income levels and confidence: lower income consumers have lower confidence in the energy transition, perhaps reflecting an inability to access or afford new energy solutions. To increase their motivation, help them to "save money", rather than telling them to help "save the planet". Accelerating the rollout of products and services that make a stronger connection between their energy use and the cost is key. Smart metering, prepayment offerings and dynamic tariffs are some examples.

Interestingly, the research findings do not connect energy market competi-



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tion with consumer confidence. While competition can offer advantages, many competitive markets have a confusing array of consumer options, price volatility and energy company failures that seem to have eroded confidence. Maintaining a stable energy market provides consumers with the confidence to make investments in the energy transition.

Affordability is an interesting area for Malaysian energy consumers, given the subsidy in electricity tariffs and for certain grades of petrol and diesel. A positive takeaway from the research is that more than half of Malaysians (57%) are willing to pay more for sustainable energy products and services. It is reasonable to assume that if consumers pay more for energy, they will expect more value from their energy providers.

Finally, unlocking the energy transition will require customers to be more engaged in their energy usage. The Intergovernmental Panel on Climate Change estimates that behavioural changes could potentially cut emissions by 40% to 70% by 2050. Enabling investment in energy consumer technology is important to create engaged Malaysians who are willing to adjust their consumption usage to times during the day when renewable power is plentiful and cheap.

By improving both Malaysia's attractiveness for investors and further engaging consumers in the energy transition, the country could achieve the ultimate "win win", delivering the ultimate energy transition both cheaper and quicker. ■

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