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TNB strengthens overseas green shift

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Greater Bess deployment expected to support grid

UTILITIES

PETALING JAYA: Tenaga Nasional Bhd's (TNB) strategic investment in its London-based wholly-owned subsidiary Vantage RE Ltd will further strengthen the utility giant's renewable energy (RE) diversification overseas, according to Hong Leong Investment Bank (HLIB) Research.

Based on a recent site visit to Vantage in the United Kingdom, the research house said the company provides valuable expertise in RE development, grid integration, financing, technology and environment, social and goverance (ESG) practices to support TNB's RE growth in Malaysia as well as the country's National Energy Transition Roadmap and Net Zero Emissions target by 2050.

Furthermore, the UK's strong policy push toward net zero, rising RE penetration and significant grid investment also underpin the energy sector's long-term growth potential.

On advanced ESG sustainability, HLIB Research said Vantage, as an RE developer, must ensure environmental sustainability (including biodiversity) and protect surrounding communities' livelihoods, ensuring they are not negatively impacted but instead benefit from various projects under UK regulations, which "we believe should also be practised in Malaysia".

> **"The portfolio of Vantage provides relatively stable generation throughout the year, as the seasonality of solar is partly offset by wind generation."**
>
> Hong Leong Investment Bank Research

Vantage currently has 906 megawatts (MW) of operational RE capacity across solar, onshore and offshore wind, and the battery energy storage system (Bess), with a further 114.5MW of onshore wind in Scotland and 245MW of Bess across England, Wales and Scotland in its development pipeline.

"The portfolio provides relatively stable generation throughout the year, as the seasonality of solar is partly offset by wind generation," HLIB Research noted.

Going forward, growth in the UK electricity market is expected to be driven primarily by offshore and onshore wind, solar and nuclear power.

Thus, the increasing penetration of intermittent RE will also require greater deployment of Bess to support grid flexibility and stability.

"Furthermore, this points to significant long-term investment opportunities across the UK RE sector," added HLIB Research.

In the meantime, the research house expects TNB to post stronger earnings for the second half of its financial year 2026.

This will be well supported by higher electricity demand driven by El Nino, haze conditions, and data centre growth, alongside a normalised tax rate falling below 25%.

HLIB Research maintained a "buy" call on TNB with an unchanged target price of RM18.15 a share.

It noted the utility group is well positioned to benefit from resilient economic growth in 2026, supported by the implementation of the new return mechanism for contingent capital expenditure and a lower effective tax rate projected for financial year 2026 (FY26) to FY28.

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