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OVERWEIGHT CALL KEPT ON RE SECTOR

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RENEWABLE ENERGY

'OVERWEIGHT' CALL KEPT ON RE SECTOR

Power consumption by data centres may rise nearly 600pc from 2026 to 2035

KUALA LUMPUR

MALAYSIA may need RM176 billion in investments in new solar and gas-fired power generation capacity over the next decade to support its ambition of becoming a sustainable regional data centre (DC) hub, according to CIMB Securities Sdn Bhd.

In a note, the firm estimated that 24 gigawatts (GW) of new solar capacity and up to 15 GW of gas-fired power generation capacity would be required between 2026 and 2035.

It said the government's ambition to establish Malaysia as a regional DC hub would reshape the country's electricity demand profile, with power consumption by DCs projected to increase by nearly 600 per cent between 2026 and 2035.

DCs are expected to account for 31 per cent of Peninsular Malaysia's total electricity demand by 2035, up from six per cent in the first half of 2026.

To accommodate the growing demand while reducing emissions, Malaysia plans to double the share of renewable energy (RE) in Peninsular Malaysia's energy mix to 22 per cent by 2035, from 11 per cent in 2025.

Gas-fired generation is expected to account for 59 per cent of the mix, up from 37 per cent, while coal's share will decline to 10 per cent from 52 per cent.

Coal-fired generation emits 1.8 times more carbon dioxide equivalent per megawatt-hour than gas-fired generation.

The Single Buyer expects the transition to lower the grid emission factor by 55 per cent between 2024 and 2034.

CIMB Securities estimated that developing 24 GW of new solar capacity would require RM93 billion in investment, potentially benefiting renewable energy developers such as Solarvest Holdings Bhd and Samaiden Group Bhd, as well as engineering and mechanical and electrical specialist Kee Ming Group Bhd, which is 23.85 per cent owned by Solarvest.

On conventional power generation, it projected that RM83 billion would be needed to develop up to 15GW of new gas-fired capacity over the next decade to maintain a firm reserve margin of 25 per cent.

However, the required investment could be lower if the power purchase agreements of four coal-fired power plants expiring between 2029 and 2033 are extended. In that case, only 7GW of additional gas-fired capacity, involving an estimated RM42 billion in investment, is needed.

CIMB Securities expects Tenaga Nasional Bhd (TNB), YTL Power International Bhd and Malakoff Corp Bhd to be among the key players in the gas-fired capacity expansion.

The growing concentration of DCs and renewable energy sources will require upgrades to electricity transmission and distribution infrastructure.

These upgrades are expected to sustain TNB's regulated capital expenditure into Regulatory Period 5, covering 2028 to 2030.

Potential beneficiaries among its contractors and suppliers include MN Holdings Bhd, Southern Cable Group Bhd and Pekat Group Bhd.

CIMB Securities kept an "overweight" call on the sector.

Meanwhile, CIMB Securities noted that the electricity tariff framework introduced on July 1, 2025, requires DC operators to pay a tariff 33 per cent above the base rate, reflecting unsubsidised generation costs.

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