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Right power strategy vital

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THE world tends to move with trends. Artificial intelligence, climate change, remote working and energy transition have been some of the megatrends that have transitioned industry and society over the past decade or so in search of making the world a better place.

Much of the changes that are underway are a result of technology. The science is now sufficiently adequate for conversion into everyday life for the utility of man.

Each of the inventions and changes to protect the environment will entail sacrifice and shifts to our way of life. But there are great risks involved too.

The conflict in Iran has choked a key artery in energy supplied to the world. Some 20% of the world's oil and gas passes through the narrow Strait of Hormuz.

What that has led to has been a supply shock together with a price hike in oil.

When the price of crude oil steadily rose to US\$148 a barrel in 2008, there was no supply shock. Everyone just paid higher prices, which led to a recession.

Today, the situation is a combination of both higher prices and a supply crunch that has affected crude oil, liquefied natural gas (LNG) and even derivatives such as fertilisers which are derived from petrochemicals.

That means the cost of transport and even food is going to go up, as the cost to grow food will rise and so will the cost to transport food.

Apart from higher petrol prices, fuel shortages are already making their rounds. From the Philippines and Thailand to Australia, petrol stations are running out of fuel.

Petrol stations in Johor had reportedly run out of diesel some days ago for a short while.

Then, there are red alert warnings over the supply of LNG to a number of countries, with warnings over the limited number of days of supply. The availability of LNG has become a pressing issue in countries in South-East Asia as the supply crunch and shutdowns

of LNG plants in Qatar have hit supply chains bad.

The supply crunch is having a devastating effect, which is just going to snowball should conditions get more acute.

Economies will grind to a halt if there is no petrol or diesel to move goods around. Technically, electric vehicles (EVs) sound like the solution but that will be of no use should LNG supplies also dry up, given the choke points from the war.

For Malaysia, the fortunate situation is that we are a huge exporter of LNG and the Iranians have allowed crude oil supplies to pass the Strait of Hormuz to Malaysia. That should avoid a supply shock many other countries are facing.

What the crisis from the war has shown us is that being too focused on cutting down on polluting energy can have serious energy security issues.

Malaysia has a target to halve its coal-fired power generation capacity by 2035 and eliminate all coal plants by 2044.

This is in line with the National Energy Transition Roadmap (NETR) which aims to make Malaysia a low carbon emitting

green economy. To achieve that, the country is putting its energy eggs into solar and nuclear power, with hydro power thrown in where possible.

Most of the hydro potential is in Sarawak and so in the Peninsula, the focus will have to be on solar and nuclear as there is little to no wind power potential in this side of Malaysia.

With coal now responsible for about 49% of power generation in Peninsular Malaysia and less in Sabah and Sarawak, cutting that percentage down for the sake of greening the economy has to be weighed against what that power source provides in energy security following the war in Iran.

Long term, slicing that percentage to zero will mean that Malaysia is willing to accept higher risks to its economy to "green" its economy. At the moment, one of Malaysia's great neutralisers against carbon emissions is the vast rain forests we have.

These carbon sinks absorb more carbon dioxide than what is emitted by the energy sector, giving Malaysia leverage in its commitments to reduce carbon emissions.

And by increasing solar generation substantially, the country also has to be aware of the risks this poses long term should there be a shock to the system.

Shocks can come from a sudden outburst of the haze or even the monsoon periods which can diminish solar power efficiency for months. That will mean the country will have to rely on nuclear power or the Asean grid to generate the growing energy demands of the country.

Also, energy demand metrics surely did not fully take into account the huge boom in energy demand from the large number of power-hungry data centres that are being built in the country.

With the NETR only forecasting a 2% rise in energy demand by 2050, the modelling did not take into account the huge rise in demand for electricity from the data centres. Some estimates put energy demand from data centres to account for around 40% of energy demand by 2035, the year when coal powered supply is to be halved.

There has to be a rethink the role of coal is going to play in energy security in Malaysia, given the risk that relying on external desirable sources of power like LNG can have on the economy.

Nuclear power on a very large scale will have its own policy and environmental risks that need to be overcome with confidence and technology.

Until that happens, policy makers have to be pragmatic instead of chasing green targets and headlines. People and industry really don't care how but want power when the switch is flipped.

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