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## Dire need for energy mix

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WHATEVER the outcome of the war being fought in West Asia, one thing is for sure – governments have to seek energy security.

They can do it either through sourcing for fossil fuels in more politically stable regions, or accelerating the diversification of the energy mix of their economies. These include a more rapid adoption of renewable energy (RE) sources and, as a temporary measure, stepping up the use of coal, at least to avoid supply disruptions.

This is particularly true for Asia. Some four-fifths of its fossil fuel energy needs, whether crude oil or liquefied natural gas (LNG), pass through the Strait of Hormuz, which connects the oil-and-gas rich Persian Gulf region to the Arabian Sea.

The countries surrounding this region are not just producers, but also refiners, with a ripple effect on power generation as well as various industries.

The impact is now being felt, as countries like Bangladesh and the Philippines, which have declared a national energy emergency, have started ramping up coal usage for power generation as a stop-gap measure.

Japan has also announced higher utilisation rates of its coal-fired power plants while South Korea is removing the cap on coal-fired power generation and increasing power generation from nuclear energy.

Whether it is fossil fuel or renewables, these measures will be costly. Even coal, which is comparatively cheaper, has already seen a price surge as Asian demand pushes up prices.

As for renewables, countries which embarked on a policy to pivot away from fossil fuels and diversify their energy mix earlier will benefit compared to those who have done little, as the high upfront capital for RE infrastructure can be challenging.

In Malaysia, the government has announced lowering the RON95 petrol allocation to eligible citizens to 200 litres from 300 litres. The supply volatility and higher prices will drive inflation higher while weighing on growth.

Wherever governments are sourcing their fossil fuels from, crude oil and natural gas prices



FINTAN NG  
fintan@thestar.com.my

# Dire need for energy mix

■ Four-fifths of Asia's fossil fuel energy needs pass through the Strait of Hormuz

■ Countries have started ramping up coal-powered generation as a stop-gap measure

■ Malaysia's RE generation reached 32% last year, higher than the 31% target

will stay elevated for a while, even if the war ends soon and the main protagonists, the United States, Israel and Iran, find common ground for a ceasefire.

The release of strategic oil reserves into the market may only provide temporary relief.

This is because the energy infrastructure that has been targeted across the Persian Gulf will take years to repair or replace. Another major reason is that confidence in the region's peace and security will also be lacking, which means a risk premium will be added to the price of crude oil.

Brent crude's price trajectory over the past month is an indicator of the risk, so are benchmark LNG prices given attacks on Qatar's refineries.

Malaysia, which is a net energy exporter due to natural gas production, has reacted to the volatile crude oil supply by sourcing it from West Africa and Latin America.

According to Maybank Research, crude oil imports from the Persian Gulf accounted for 68.8% of Malaysia's crude oil imports in 2024, with diesel imports from the region accounting for 8.9%.

There are other risk-mitigating measures being taken, such as prioritising the routing of domestically produced crude oil (Malaysia produces an average of 500,000 barrels per day) to domestic refineries and optimising production, hopefully to above the daily average.

Optimising refinery operations to prioritise production of key refined fuels such as petrol, diesel, jet fuel and liquefied

petroleum gas will help buffer the supply volatility.

The National Energy Transition Roadmap (NETR) aims are more clear cut now with an energy security crisis looming. The quest for energy security reinforces the key aims of the NETR, which is 70% RE generation capacity by 2050.

According to the Sustainable Energy Development Authority, Malaysia's RE generation capacity reached 32% last year, higher than the 31% target.

Fossil fuels continue to be the main source of power generation, with coal contributing over 40% and natural gas comprising about a third to the national energy mix.

Solar power contributes just over 2% and hydropower is mostly used in Sarawak.

There are also other factors to consider. While Malaysia

plans to transition away from coal by 2044 through more gas-fired power plants as a bridge towards RE adoption, it faces challenges as gas extraction is said to be plateauing by the end of this decade.

Interestingly, Peninsular Malaysia actually saw more coal-fired power generation in early 2026, according to a Reuters report based on an analysis of data from the Grid System Operator.

Coal remains important, comprising an estimated over 40% to the national energy mix, but 90% of the coal is imported, making it a less than reliable source of power generation.

Malaysia imports an estimated two-thirds of its coal from Indonesia, with Australia being the second-largest supplier, and Russia being another important supplier.

The International Energy Agency, in its 2025 *World Energy Outlook* published last November, said "there is no single storyline about the future of energy", but noted that renewables now account for about one-third of electricity generation compared to a fifth a decade ago, reflecting cost reductions in RE technologies and policy support in many markets.

It is too early to know if Malaysia can achieve the 70% RE target for generation capacity, but what is more important is that the country is well on its way to diversifying its energy mix despite challenges from increasing demand from data centres and volatile geopolitics.

The current energy security issues reinforce the urgency.

