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## Demystifying sustainability

# Revisiting the strategy for effective NETR

For the NETR to realise its ambitious goals, a paradigm shift towards encouraging free-market activities through adaptive policies and guidelines is crucial.

THE initiatives set forth by Deputy Prime Minister and of Energy Transition and Water Transformation Minister, Datuk Seri Fadillah Yusof, in support of the large-scale solar (LSS4) players mark an epochal leap in confronting the challenges of renewable energy (RE) development in the country.

In particular, the extension of power purchase agreement (PPA) tenures by four years and the innovative proposition allowing developers to retain their projects' green attributes for trading through renewable energy certificates (RECs) mechanisms deserve commendation.

These strategic moves not only signify a proactive governmental stance but also represent a pivotal shift towards enhancing the economic landscape of the RE sector.

### Shift towards a more inclusive understanding of RE benefits

A poignant reflection on the second initiative regarding Environmental Attributes reveals a profound evolution in policy focus.

Drawing on my experience as the general manager of customer services at Tenaga Nasional Bhd (TNB) during the enactment of the Renewable Energy Act 2011, the historical context underscores the transformation towards a more inclusive understanding of RE benefits.

### FiT instrumental in facilitating economic feasibility

Globally, the adoption of State Renewable Portfolio Standards (RPS) and Feed-in Tariff (FiT) programmes are two primary mechanisms fostering RE growth. Malaysia's strategic selection of the FiT programme has played a pivotal role in promoting early-stage RE sources.

By facilitating economic feasibility through long-term agreements and production-cost-based pricing, this approach has significantly mitigated investment risks, encouraging the robust expansion of the RE sector.

The successful integration of various

technologies such as rooftop/ground-mounted solar, hydro, biogas and biomass into Malaysia's energy generation landscape through the FiT programme, funded by the RE fund, exemplifies its efficacy.

### LSS bidding matches grid parity prices

Illustrative of the government's forward-thinking approach are the bid prices witnessed in the LSS tenders, particularly LSS3 and LSS4.

LSS3 saw bid prices matching grid parity prices with offers ranging between 17.7 sen per kilowatt-hour (kWh) and 24 sen per kWh from 112 bidders, including international consortiums.

This trend continued in LSS4, with competitive bids reflecting the sector's maturity and the effectiveness of policy interventions in driving down costs and fostering sustainable development.

### Malaysian REC marketability internationally

To further enhance the marketability of Malaysian RECs internationally, creative strategies can be implemented.

These may include establishing single buyer as a third-party verifier to avoid double accounting, certifying under an international standard (for example, IREC), and appointing a local issuer such as the Sustainable Energy Development Authority (Seda).

This would undoubtedly elevate Seda's prominence as the RE Development Authority in Malaysia.

Moreover, introducing tiered incentives for projects exceeding certain environmental benchmarks could incentivise developers to pursue higher standards of sustainability, thereby accelerat-

ing the sector's growth.

### Incentives for accelerated growth in RE

A graduated, incentive-based system that encourages continuous improvement and innovation in environmental sustainability can be achieved through tiered incentives.

By offering greater rewards for higher levels of achievement, developers are motivated to invest in more advanced technologies, adopt more efficient practices and pursue more ambitious sustainability goals, ultimately leading to faster growth and development in the RE sector.

The introduction of RECs represents a pivotal development in the market-based promotion of RE. These certificates embody the environmental, social and other non-power attributes of renewable electricity generation, providing a versatile mechanism for trading and supporting the RE market.

The decision to allow RE developers to retain their projects' green attributes enhances the economic viability of future solar projects and contributes positively to the National Energy Transition Roadmap (NETR).

### Paradigm shift fosters free market activities

For the NETR to realise its ambitious goals, a paradigm shift towards encouraging free-market activities through adaptive policies and guidelines is crucial. This strategy will facilitate the rapid maturation of Malaysia's electricity market, stimulate innovative growth in the sector and position Malaysia as a frontrunner in the Asean RE transition.

The announcement of the fifth competitive bidding round for the LSS pro-

gramme (LSS5) with an impressive quota of 2000 megawatt (MW) is a further testament to the government's commitment to advancing the RE agenda.

Additionally, the NETR's vision to enable RE export to Singapore signifies a strategic move to position Malaysia as a leader in the Asean RE transition. This initiative should promote broader market participation and leverage deregulated markets to maximise economic benefits.

The current retailing of RECs at US\$65 per megawatt hour in Singapore highlights the potential for significant financial returns and underscores the importance of innovative marketing strategies in reducing project costs and supporting green financing.

### Malaysia: Frontrunner in Asean RE transition

The proactive and visionary approach of the Deputy Prime Minister in addressing green energy attributes, as evidenced during the LSS4 and anticipated in future initiatives, positions Malaysia as a frontrunner in the Asean RE transition.

This forward-looking strategy emphasises the role of the government as a policymaker and the regulator and utility for effective deployment of policy rather than an active market participant.

It ensures that the utility sector is focused on enhancing grid resilience and facilitating market entry for the increasing RE participants.

In conclusion, the recent measures by Malaysia's government, particularly the extension of PPA tenures and the innovative approach to Environmental Attributes, signify a progressive shift towards a sustainable and economically viable RE sector.

Coupled with the encouragement of free-market dynamics and visionary leadership in RE policy formulation, these strategies are critical in achieving the objectives of the NETR and positioning Malaysia as a leader in the regional RE transition.

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