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Malaysia steps on gas, cuts coal use as power demand surges to record

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SINGAPORE/KUALA LUMPUR (May 28): Malaysia is tapping its offshore gas reserves to meet record power demand driven by a searing heatwave and data centres, even as countries across Asia burn more coal to make up for liquefied natural gas (LNG) shortages due to the US-Israeli war on Iran.

Electricity demand in Peninsular Malaysia — which accounts for about 80% of national demand — increased 11.5% annually in April and was largely met by a 50.5% surge in gas-fired power, data from Malaysia's Grid System Operator (GSO) showed.

Gas-fired output grew at the fastest pace since at least 2018 to a record 5.54 terawatt-hours (TWh) in April, while coal-fired generation fell at the steepest pace in more than three years to 6.67 TWh, the data showed. From May 1 to 27, gas-fired power rose 28.3%, while coal-fired output was 4.8% lower.

"In Peninsular Malaysia, an increase in gas-fired power generation has led to higher gas demand," state-run PETRONAS told *Reuters* in a statement.

To address the rising demand, the world's fifth-largest LNG exporter shipped 446,000 tonnes of LNG from its offshore gas fields to Peninsular Malaysia this year, nearly three times the 150,000 tonnes that

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Reuters

were shipped in all of 2025, Kpler data showed.

"Domestic gas needs are primarily met through the peninsular gas utilisation system which channels gas from offshore fields and supplemented by LNG imports," PETRONAS said, without providing specifics.

Malaysia's strategy marks a departure from decades of high reliance on imported coal to keep costs low and comes as other Asian gas users including Japan and South Korea boost coal use to offset lower LNG supplies due to the Middle East conflict.

Addressing growing local demand and maintaining exports

The rapid pivot to gas has pushed its share in April power output to 42.6% —

the highest since October 2019, as coal's share slipped to 51.2% from 62.2% in April 2025, GSO data showed.

Malaysia prices gas for its power sector below international LNG benchmarks to keep prices low, which has incentivised data centre investments, Energy Aspects analyst Keshar Sumeet said.

"We expect overall power demand to grow by around 4% annually in the coming years, driven largely by data centres currently at various stages of construction," Sumeet said.

PETRONAS said last year Malaysia would import significant quantities of LNG by the end of this decade due to surging data-centre-driven power demand.

This year, the country's energy commission expects warmer weather and data centres to continue to drive power demand, while Southeast Asia's weather office expects hotter-than-usual temperatures to persist through July.

Still, Malaysia boosted LNG exports 14.6% annually to 12.81 million tonnes in the year-to-date period, Kpler data showed.

"We predict post-2028 to be firmly in the LNG oversupply world," ICIS analyst Alex Siow said. "By that time, it may be better for PETRONAS to continue to export LNG through long-term contracts and buy much cheaper spot LNG to fulfil domestic demand."