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Sunny outlook for renewable energy

Government initiatives set to propel RE sector

ENERGY

KUALA LUMPUR: The slew of renewable energy (RE) initiatives and programmes announced by the government last week has further brightened the outlook of the RE sector in Malaysia.

Analysts note the strong pipeline of RE projects will in particular be a significant boost for companies in the solar industry.

In their reports, analysts listed engineering, procurement, construction and commissioning (EPC) solar players, namely Solarvest Holdings Bhd, Samaiden Group Bhd and Sunview Group Bhd, as well as Pekat Group Bhd, as main beneficiaries of the latest government initiative.

To recap, the Energy Transition and Public Utilities Ministry last week unveiled a cumulative 2.8 gigawatt (GW) of new RE quotas and 400 megawatt-hour of battery energy storage system (BESS) pilot project.

These included the continuation of the net energy metering (NEM) programme with additional quotas of 400 megawatt (MW); fifth bidding cycle of the Large Scale Solar (LSS) programme with quotas of 2GW; and low carbon energy generation programme of 400MW to be undertaken for non-solar energy such as wind, mini-hydro, biogas, biomass and hydrogen, among others.

RHB Research, which maintained its “overweight” stance on the overall power sector, noted it was full steam ahead for the RE industry.

“We are positive on the integrated clean energy programme 2024 as it continues to anchor the domestic RE ramp up, while providing sustainable job flows to contractors amid rising competition.

While the BESS pilot project’s rollout is essential for better RE integration, project returns remain unknown,” it said.

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RHB Research

Solarvest, Samaiden, Sunview and Pekat as the main beneficiaries, as the programme would inject a potential RM5bil worth of contract opportunities.

It noted that Reservoir Link Energy Bhd would also stand to benefit from sub-contracting jobs and more mounting structure orders.

“With the allocation to a single developer up to 500MW, we believe this will attract more established players with strong war chests such as Tenaga Nasional Bhd (TNB) and Petroliam Nasional Bhd’s green energy arm Gentari to participate more aggressively,” RHB Research said.

“Other potential winners will be asset owners of past LSS rounds, given their track records,” it added.

Hong Leong Investment Bank Research (HLIB Research) said the cumulative 2.8GW of new RE quotas through various programmes would significantly uplift the sector and stocks under its coverage.

“This sets in motion the government’s 2050 70% RE share target as outlined in the National Energy Transition Roadmap (that was) unveiled last year.

“In our view, the key highlight was the comeback of the LSS competitive bidding programme with a significantly larger quota size of 2GW,” the brokerage said.

“We are conservatively estimating solar

EPC opportunities of about RM7bil from the LSS5 programme. While granular details were by and large missing, quota awards for LSS5 could come in the first half of 2025 with EPC contracts to be formalised thereafter,” it added.

HLIB Research maintained “overweight” on the power sector, citing strong structural themes as well as positive earnings growth cycle.

It said both Solarvest and Samaiden would be key winners from the slew of programmes announced last week.

MIDF Research noted the announcement last week signified a strong visibility of RE pipeline in the next 24 months.

It maintained a “positive” stance on power utilities premised on a firm policy layout on the energy transition which should drive improved growth and environment, social and governance profile for the sector.

MIDF Research’s top picks were Samaiden, Sunview and Pekat, viewing them as key immediate-term beneficiaries of the various RE programme rollouts.

It added that TNB would be one of the key beneficiaries in the asset ownership space, as it was the sole operator of the grid, which would likely see a step-up in capital expenditure to accommodate RE supply expansion.