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A bountiful year for renewable energy initiatives

Ronnie Too

KUCHING: The reveal of renewable energy (RE) initiatives and programmes last week by the Ministry of Energy Transition and Public Utilities (METPU) underpins a strong visibility of RE pipeline for the power sector this year.

The team behind MIDF Amanah Investment Bank Bhd (MIDF Research) believe RE EPCC players such as Samaiden Group Bhd, Sunview Group Bhd, Pekat Group Bhd and Solarvest Holdings Bhd are among the immediate term beneficiaries given a potential step-up in demand for RE EPCC services.

"The 2.4GW combined solar quota under the latest LSS and NEM program translates into an estimated RM7.2 to RM8.4 billion worth of EPCC jobs which we expect to be tendered out in the next 12 to 24 months, providing significant orderbook expansion opportunities," it commented yesterday.

"This is on top of upcoming tenders for 800MW CGPP power plants which we expect to come within the first half of 2024 entailing RM2.4 billion worth of EPCC jobs; and the first 500MW of the UEM-Itamas 1GW hybrid solar NEM flagship project in Johor entailing potentially RM1.5 billion worth of EPCC jobs."

Within the asset owner space, MIDF Research believed the big players within the utilities sector such as Tenaga Nasional Bhd and YTL Power Bhd are likely to come in as anchors in its consortiums, especially for



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larger capacity bids.

"One of the key changes in the latest LSS is the rise in capacity bid limit to 500MW which is five times the previous 100MW limit for LSS3 and 10 times the 50MW limit for LSS4.

"We reckon a project of such size could entail a huge capex of some RM2 billion to RM2.3 billion

which requires fairly demanding balance sheet capacity.

"Having said that, we note that prior LSS winners also included non-utilities players from the property, plantation and construction sectors."

Landowners could come in as strategic partners given huge requirement for landbank

specifically, a 500MW solar farm is estimated to require at least 2000 acres of total landbank.

It is uncertain at this point if the regulators will allow multiple locations for each LSS bid pending official details of the program.

"One of the key pain points in prior LSS programme was the

excessive competition to supply energy to a single buyer which has driven down returns to single digit levels," it said.

"The Corporate Green Power Program model in our opinion is a more liberalised model allowing players to seek their own offtaker, thereby allowing better price discovery in the

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market.

"Having said that, we also take note of the fact that the CGPP are essentially exclusive arrangements between solar power producers and their offtaker that requires a fair allocation of grid upgrade costs (to accommodate more injection of intermittent RE sources to the grid), which is currently absent.

"Once such fair cost allocations and third-party access to the grid (TPA) are established, we believe a more liberalised model for large scale RE could be expected."