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NETR enhances sector appeal to investors

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Blueprint affirms Msia's path to sustainability, growth

UTILITIES

PETALING JAYA: The clear details and goals revealed under the second phase of the National Energy Transition Roadmap (NETR) has further affirmed that Malaysia's power sector is on the right track of sustainability and growth.

Citing emerging opportunities from the blueprint, analysts are optimistic that utility companies in the country will be able to expand and enhance their appeal to investors.

The government on Tuesday unveiled Phase 2 of the NETR, with further details of the renewable-energy (RE) mix targets, energy-efficiency initiatives and hydrogen and carbon capture utilisation and storage (CCUS) development.

It also outlined key investments of some RM1.3 trillion required for the energy transition, along with financing and policy initiatives.

MIDF Research reiterated its "positive" stance on utilities premised on a firm policy layout on the energy transition, which it said, should drive improved growth and the environmental, social and governance or ESG profile for the sector.

"One of the NETR's potential game changers is the introduction of the grid third-party access, which we reckon could drive the growth of the willing buyer-willing seller power purchase agreements at potentially better returns compared to previous large-scale solar programmes, while a transparent mechanism for wheeling fee calculation will be introduced," the brokerage wrote in its report.

Similarly, RHB Research has maintained

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RHB Research

its "overweight" stance on the power sector, noting the Phase 2 of the NETR came with clearer goals and funding requirements for various projects. It expects further concrete framework and mechanisms to be announced in the coming months.

"The successful implementation of the NETR is projected to uplift gross development product value at a compounded annual growth rate of 8.4% from RM25bil in 2023 to RM220bil and generate 310,000 jobs in 2050," RHB Research noted.

"Apart from the widely mentioned key targets of 70% RE installed capacity, coal free by 2050, we saw targets involving CCUS, hydrogen and bioenergy.

"Furthermore, these targets are being further broken down into several milestones by 2030 and 2040, coupled with potential investment opportunities at different phases," it added.

RHB Research expects local solar engineering, procurement, construction and commissioning (EPCC) contractors such as Solarvest Holdings Bhd, Samaiden Group Bhd, Sunview Group Bhd and Pekat Group

Bhd as direct beneficiaries of such a structural uplift.

It added that Reservoir Link Energy Bhd, a sub-contractor and mounting structure provider, would also benefit from higher job flows given the aggressive expansion in domestic RE capacity.

RHB Research pointed out that existing power producers such as Tenaga Nasional Bhd (TNB) and Malakoff Corp Bhd were likely to see new gas plant expansion in the future following their retirement of existing coal plants.

Meanwhile, MIDF Research expects YTL Power International Bhd to be an immediate prime beneficiary of potential RE exports to Singapore, having an advantage of existing generation and retail operations in the city state.

It said EPCC sub-sector players, namely, Samaiden, Sunview and Pekat, would be key beneficiaries of the corporate green power programme, or CGPT, project rollout, while TNB would be a key beneficiary in the asset-ownership space from both RE capacity expansion and grid upgrade investments.