Utilities & RE

POSITIVE (Maintained)

Pushing Through the Energy Transition

Analyst
Royce Tan Seng Hooi
royce.tan@midf.com.my
03-2173 8461

HIGHLIGHTS

- 13th Malaysia Plan to accelerate shift from fossil fuels to cleaner and greener energy
- Electricity supply to be enhanced through smart grid and BESS deployment
- Green power supply to be enhanced through TPA schemes such as CRESS and CREAM; solar to be the main driver of RE
- Grid interconnection from Sarawak to Peninsular Malaysia
- Introduction of nuclear as a clean energy source

INTRODUCTION

Power, particularly the renewable energy (RE) subsector, stands at a pivotal juncture as government policies accelerates the shift from fossil fuels to cleaner and greener sources of energy. We view that the recently tabled 13th Malaysia Plan seeks to double down on such efforts, with targets to enhance the electricity supply system, empower solar, hydro and waste-to-energy (WTE) projects and to explore nuclear power. This is in line with the long-term roadmap of the National Energy Transition Roadmap (NETR) to achieve a 41% RE mix target by 2035 and 70% by 2050.

Enhancing the electricity supply system. This will be done through the development of a smart grid and the deployment of battery energy storage systems (BESS). In Nov-24, the Energy Commission (ST) initiated a request for quotation (RFQ) for four BESS projects, each with a 100MW/400MWh capacity or a total capacity of 400MW/1,600MWh. Based on channel checks, the RFQ has now progressed to the request for proposal (RFP) stage, where shortlisted developers are now bidding for the four projects. We expect more news flows on this before the end of CY25, as the BESS is expected to achieve commercial operation date (COD) by CY26.

Expanding access to green energy. The resilience of Malaysia's green power supply will be bolstered by broadening the diversity and accessibility of renewable sources, which can be expected from third-party access models such as the Corporate Renewable Energy Supply Scheme (CRESS), regardless of location. Concurrently, the Community Renewable Energy Aggregation Mechanism (CREAM) will be deployed to aggregate rooftop solar installations across clusters of residential properties, enabling distributed clean energy generation via an open-grid framework. On the regional front, green-electricity interconnection project linking Vietnam, Malaysia, and Singapore will facilitate cross-border trade in renewables, directly advancing the ASEAN Power Grid's goal of a resilient, sustainable, and highly integrated energy market.

Solar to be the main driver. Solar power will be the main driver in achieving the country's overarching RE goals. On top of the CRESS and CREAM, we expect the government to maintain its aggressive rollout of large scale solar (LSS) schemes,

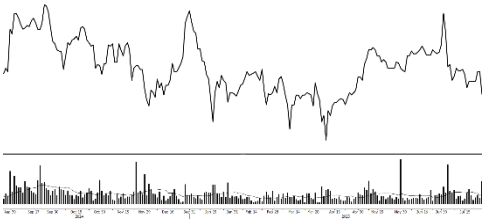
COMPANY *IN FOCUS*

Tenaga Nasional Bhd

BUY | Target Price: RM16.40
Price @ 5 Aug 2025: RM13.16

- Strong electricity demand growth
- The new monthly AFA which replaces the ICPT shields TNB against fuel price fluctuations
- Beneficiary of grip upgrades

SHARE PRICE CHART

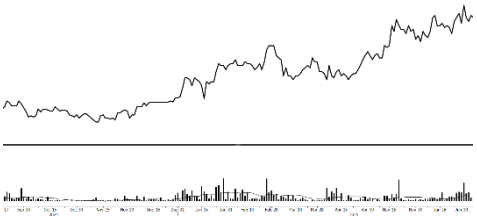


Pekat Group Bhd

BUY | Target Price: RM1.86
Price @ 5 Aug 2025: RM1.49

- Strong order book of over RM600m, benefiting from EPCC of solar rooftops, solar farms and earthing and lightning protection for DCs
- Recently acquired EPE Switchgear, which has consistently won jobs from TNB

SHARE PRICE CHART



starting with the LSS PETRA 5+in 2HCY25, which is set to add another 2GW of solar capacity to Malaysia's energy mix. LSS PETRA 5+ will be allocated under two packages. Package A with a quota of 1.5GW is for land-based solar power plants while Package B is for the remaining 500MW, specifically for floating solar. Following that, we expect the Energy Commission (ST) to announce the bidding for LSS6, which will likely introduce another 2GW of solar capacity with battery energy storage system (BESS) requirements. We have previously estimated that solar will be increasingly dominant accounting for 25%/39%/52%/58% share of the capacity mix in 2035/2040/2045/2050, growing at CAGR of 14% between 2025-2050. This underpins a multi-year growth story for solar EPCC companies and also asset-owners, through power generation over the long-term.

Grid interconnection from Sarawak to Peninsular Malaysia. Sarawak's strategic positioning as a hydro-centric renewable hub will be reinforced through a dedicated grid link to Peninsular Malaysia, further unifying the nation's clean-energy infrastructure. Integrating Sarawak's strength in hydropower balances Peninsular Malaysia's thermal-heavy profile, reducing reliance on coal and gas plants during high-demand periods. This will be a transformative move for the power sector. We expect EPCC contractors and M&E firms to be among the initial beneficiaries from this. In a report last year, ASEAN Energy said the interconnection plan is to connect Peninsular Malaysia and Sarawak through grid-to-grid high-voltage DC (HVDC) subsea cables, with a planned 676km line capacity of 2 x 800 MW, or a total of 1.6GW. The implementing agencies are expected to be Tenaga Nasional and Sarawak Energy.

Nuclear as a clean energy source. Under Strategy A1.5 of the 13th Malaysian Plan, Malaysia will launch a nuclear-power program slated to come online by 2031, integrating nuclear alongside renewables to decarbonise its grid. MyPOWER Corporation will serve as the Nuclear Energy Programme Implementing Organization, responsible for governing the national nuclear program in accordance with International Atomic Energy Agency (IAEA) standards. We view that nuclear power offers Malaysia a powerful lever to secure low-carbon, reliable baseload capacity, which addresses the intermittency concerns and bolsters energy security. However, it comes with steep capital requirements, complex waste and safety obligations. YAB Deputy Prime Minister Dato' Sri Fadillah Yusof, who is also the PETRA minister, had said that the government will proceed to finalise the implementation only when they are satisfied and when the public accepts the use of it. The earliest implementation could be within the next decade. The government is currently exploring new technologies such as small modular reactors (SMRs).

MAINTAIN POSITIVE

We maintain our POSITIVE stance on the Utilities sector and the Renewable Energy subsector, underpinned by the structural policy tailwinds for a deep decarbonisation trajectory in line with the targets under NETR. We view that solar remains a multi-year growth engine, which will benefit EPCC players such as **Solarvest (NR), Samaiden (BUY, TP: RM1.59), Pekat (BUY, TP: RM1.86), Sunview (BUY, TP: RM0.54)** and **Northern Solar (NR). Tenaga (BUY, TP: RM16.40)** will be the key beneficiary in the asset ownership space from both RE capacity expansion and grid upgrade investments. Meanwhile, the recent request for proposal (RFP) for new gas-fired power generation capacity also presents a positive catalyst for the sector. This will be undertaken via two categories, which is the extension of the concession period for existing gas-fired power plants with expiring or expired existing power purchase agreements (PPAs) and through the development of new gas-fired power plants. This is expected to add about 8GW of new capacity. We expect independent power producers (IPPs) such as **Malakoff (NR)** and **YTL Power International (BUY, TP: RM4.51)** to be among the front runners for this new scheme.

MBSB Research (formerly known as MIDF Research) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad) may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology