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Infrastructure, Energy & Resources

# Malaysia Announces Renewable Energy Programmes in Line with the National Energy Transition Roadmap

## Introduction

Malaysia makes promising moves towards achieving net zero greenhouse gas emissions by 2050, in line with global roadmap goals which is in turn embedded in the National Energy Transition Roadmap ("NETR"). Minister in the Ministry of Energy Transition and Public Utilities, Datuk Seri Fadillah Yusof, recently announced a series of energy transition programmes and initiatives for 2024, which we will highlight in this Update.

## Large Scale Solar (LSS) Programme Makes a Comeback After More Than Three Years

Large Scale Solar photovoltaic programme, or more commonly known as "LSS" in the industry, is a competitive bidding programme to drive down the Levelised Cost of Energy (LCOE) for the development of large scale solar photovoltaic plant, with the Energy Commission as the implementing agency for this scheme.

The LSS programme has now made a comeback for its 5<sup>th</sup> cycle after a long hiatus of more than three years. On 26 January 2024, the Government announced that it will soon open up the bids for the 5<sup>th</sup> LSS programme ("LSS5"), with a quota of up to 2GW. The last LSS programme was the 4<sup>th</sup> cycle which bidding closed in October 2020.

This announcement is in line with the National Energy Transition Roadmap published in August 2023 by the Ministry of Economy, which revised the target for installed renewable energy capacity in Malaysia from 40% in 2040 to 70% by 2050.

The Energy Commission aims to issue the request for proposal (RFP) documents from 1 April 2024.

The LSS5 looks to introduce a new category of floating solar with a quota of up to 500MW. A bidder will be able to bid for up to 500MW this round, which is a significant increase from the limit of 50MW in the 4<sup>th</sup> LSS programme. The bidding limit is increased to ensure a developer selection process that is transparent and fair, as well as to obtain power generation tariff offers at the most competitive rates.

The extent to which foreign players can be involved in LSS5 remains to be seen. To recap, the 4<sup>th</sup> LSS programme was only open to locally-incorporated companies which are 100% owned by Malaysians or a company listed on Bursa Malaysia which has at least 75% local shareholding; while the 3<sup>rd</sup> LSS

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programme allowed participation of bidders with foreign shareholding of up to 49%. It is estimated that engineering, procurement, construction and commissioning (EPCC) works from LSS5 alone will hit RM7 billion, with quota winners likely to be announced in the first half of 2025.

## **New Low Carbon Energy Generation Programme Announced**

The Government has also announced a Low Carbon Energy Generation Programme ("LCEGP") with 400MW total quota, under the New Enhanced Dispatched Arrangement ("NEDA") mechanism. NEDA is a programme which allows non-Power Purchase Agreement ("PPA") / Service Level Agreement ("SLA") power generators (such as co-generators, renewable energy generators/producers, embedded generators and expired PPA/SLA generators) to sell energy to the Single Buyer by bidding their variable costs (fuel cost and operation and maintenance cost) against those stated in the PPAs and SLAs. NEDA is designed to enhance competition and cost efficiency of the Single Buyer market.

The LCEGP opens up opportunities for other low-carbon power generation, such as small hydro, biogas, biomass, hydrogen and the likes. Participation in the LCEGP will be on a "first come, first serve" basis and application can be made from 5 February 2024 on the official website of the Single Buyer.

## **Increased Net Energy Metering ("NEM") Quota From 5 February 2024**

In addition to the above, the Government has also announced an additional quota of 400MW under the NEM programme from 5 February 2024 to 31 December 2024, with 100MW additional quota allocated to the NEM Rakyat (for household) and 300MW allocated to the NEM Nova (for commercial and industrial). The previous quota of 150MW for NEM Rakyat and 800MW for NEM Nova have almost been taken up.

The NEM programme allows the energy produced from the solar photovoltaic installation to be consumed first, and any excess will be exported to Tenaga Nasional Berhad (TNB) at prevailing displaced cost. The implementing agency for the NEM programme is the Sustainable Energy Development Authority (SEDA) Malaysia.

## **Concluding Words**

The initiatives above are active steps towards achieving the goals outlined in the NETR launched in 2023, in particular to increase the country's installed renewable energy ("RE") capacity from 40% in 2035 to 70% by 2050.

The increased RE quota, new programmes and the expanded allowance for uptake are all steps greatly welcomed, given the high capital expenditure and potential risks of lower tariffs impacting returns.

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However, it remains to be seen if the energy market, in particular RE projects, is to be liberalised to attract investors, foreign and new.

To view our previous updates on NETR, please refer to the following:

- [Malaysia's National Energy Transition Roadmap: Part 1 \(Flagship Catalyst Projects and Initiatives\)](#)
- [Malaysia's National Energy Transition Roadmap: Part 2 \(Roadmap in Full\)](#)

Should you require further information or any advice on the above or on any other matters pertaining to projects, energy and infrastructure, please feel free to reach out to any member of our team listed below.

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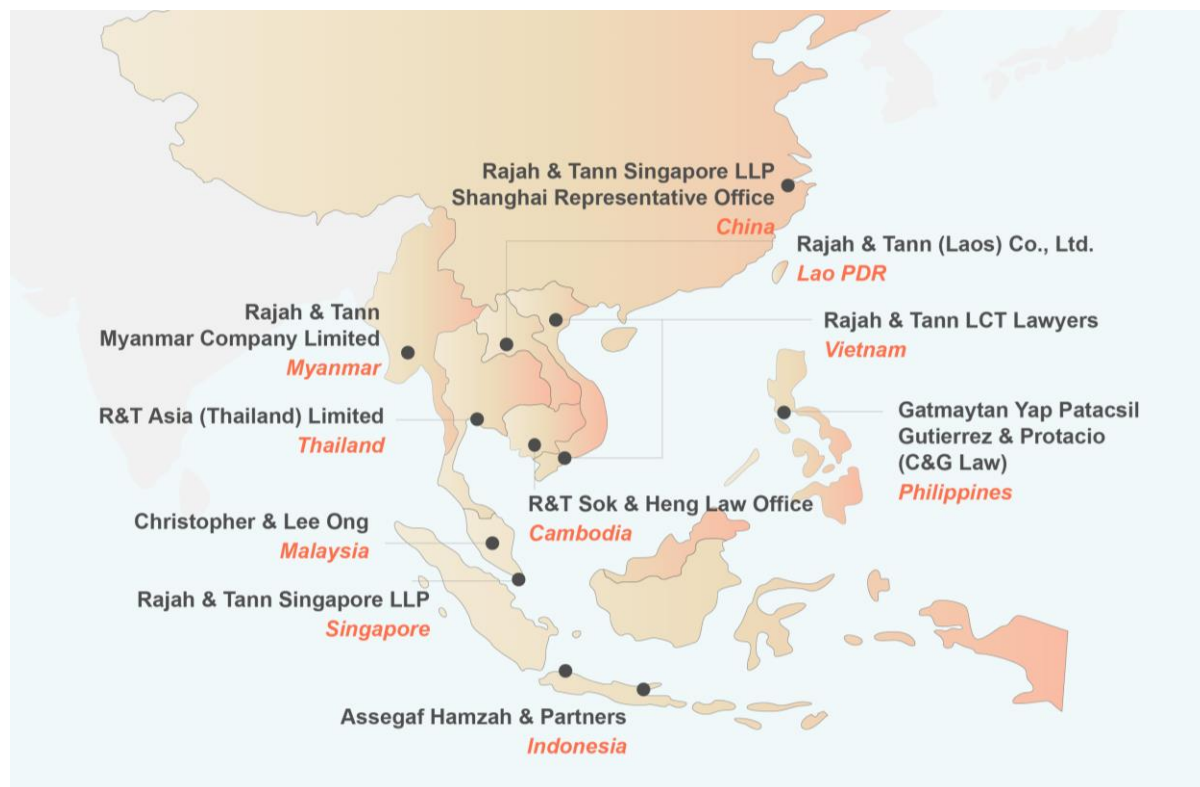
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