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'IPPs NEED RM13.3b TO UPGRADE CAPACITY'

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ENERGY FACILITIES

'IPPs NEED FURTHER RM13b FINANCING'

Local bonds, sukuk markets will be key funding sources, says RAM

KUALA LUMPUR

RAM Ratings estimates that independent power producers (IPPs) require another RM13.3 billion to finance forthcoming facilities, such as large-scale solar plants, with local bonds and sukuk markets as the key funding sources.

The rating agency said this was in line with its projection that Malaysia's grid would increase by about 10,000 megawatts by 2021, based on data from the Energy Commission and an expectation of capacity growth in Sabah and Sarawak.

RAM infrastructure and utilities co-head Chong Van Nee said in a statement yesterday capacity expansion prospects remained favourable for the sector and would largely be dominated by fossil fuel plants as the core of Malaysia's electricity generation despite the push for renewable energy.

Up to RM17 billion bonds and sukuk have been raised for new plants since 2014.

In its commentary on the Malaysian power sector, "Charging Up Capacity", RAM maintained its "stable" outlook, underpinned by the sector's sound regulatory framework.

"We expect power demand to keep increasing by around two to three per cent per annum, in accordance with the country's resilient economic growth.

"RAM envisages Malaysia's gross domestic product to expand 5.4 per cent this year, and this is reflected by the healthy operational and financial performances of Tenaga Nasional Bhd (TNB), Sarawak Energy Bhd and Sabah Electricity Sdn Bhd."

Meanwhile, subsidy rationalisation remained a focal point, as gas prices had been increasing every six months.

However, RAM said TNB remained neutral to fuel cost changes as any fluctuation would be passed on to consumers.

"That said, we expect an upward pressure on electricity tariffs, given the persistent uptrend in fuel costs," it added. **Bernama**