

Headline	`RM13b more debt funding needed for power sector`		
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'RM13b more debt funding needed for power sector'

KUALA LUMPUR: RAM Ratings expects an additional debt funding of RM13.3 billion is required for the local power sector, particularly to fund the large-scale solar plants.

A total of 10,000 MW of capacity will be added to Malaysia's grid by 2021, based on the Energy Commission's data as well as the expectation of capacity plant-up in Sabah and Sarawak.

"We envisage the local bond and sukuk markets to be key funding sources for the sector, and estimate that independent power producers would require another RM13.3 billion of debt funding to finance most of these upcoming facilities, including large-scale solar plants," RAM's co-head of infrastructure and utilities Chong Van Nee said in a statement yesterday.

The rating agency said the capacity-expansion prospects remain favourable for the power sector and will largely be dominated by fossil-fuel plants, which will remain at the core of Malaysia's electricity generation despite the push for renewable energy.

To date, up to RM17 billion worth of bonds and sukuk has been raised for the new plants since 2014.

RAM, in its special commentary on the Malaysian

power sector "Charging Up Capacity", maintains the industry's stable outlook, underpinned by its sound regulatory framework. All RAM-rated sukuk issued by IPPs, except for one, carry a stable outlook.

In line with the country's resilient economic growth, it expects power demand to keep increasing at around 2%-3% per annum.

RAM Ratings said Malaysia's power sector delivered yet another steadfast performance in 2016, recording a 5.6% year-on-year rise in electricity demand for the year, mainly driven by the commercial segment and partly due to the increase in electricity consumption for cooling amid the warming effects of the El Nino phenomenon in the middle of the year.

It noted that the market also welcomed the debut of the country's first H-Class combined-cycle, gas-turbine plant owned by TNB Northern Energy Sdn Bhd (1,071 MW) in Seberang Prai, and Tanjung Bin Energy Sdn Bhd's 1,000-MW ultra-super critical coal-fired power plant in Johor.

Taking into account the commencement and retirement of plants owned by the utility companies, Malaysia's collective installed capacity totalled up to about 29,000 MW as of end-2016.