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TNB may seal RE deals by year-end

Cross-border assets in line with sustainability blueprint

ENERGY

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PETALING JAYA: Tenaga Nasional Bhd (TNB) is expected to reveal details of its long-term sustainability blueprint later this week and hopes to acquire some new cross-border renewable energy (RE) assets before year-end.

The powerhouse is pushing forth its environmental, social and governance (ESG) agenda and views its international business as a

key growth area since the domestic power market is relatively small and totally electrified.

"We are in the midst of reaching closure on some of our acquisition deals that we are currently pursuing aggressively," TNB chief international officer Shahazwan Harris said.

Without elaborating on the deals, he said "we are optimistic that we can end 2021 with a few good wins in Britain, Europe and South-East Asia. These wins will be important for TNB to achieve our RE target of 8,300 megawatts (MW) by 2025."

This will also help contribute towards the government's own target of having 31% of the

country's electricity generation mix from renewable sources by 2025.

He said some of the "assets to be acquired (are) via competitive bidding, in which we are actively participating as well".

Last month, it set up Vantage RE Ltd, an RE investment and asset-management company based in London. The idea is to own, operate and manage a portfolio of RE assets in Britain and throughout Europe.

It had also injected its existing RE assets in Britain (Vortex Solar and Tenaga Wind Ventures) into Vantage RE.

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Acquisitions fastest way to achieve size and growth

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TNB has since established a strategic partnership with Singapore's Sunseap Group for solar development in Vietnam and the cross-border supply of RE to Singapore's corporate RE100 customers.

"We realise acquisitions, especially cross-border, are the fastest way for us to achieve size and growth. It also allows us to acquire resources, capabilities, knowledge and technology, especially if these acquisitions are done right," Shahazwan said.

Besides asset purchases, TNB is open to exploring opportunities with strategic investors/partners who are keen to invest in the RE business, as it is not only a good cash yielding platform but also meets the sustainability ESG criteria TNB has set.

"In order to work well in a foreign market, we do not only need to partner with the local developers, but also other investors or partners who are looking into expanding in the particular market as well," he said.

He added that this has worked well for it in Vietnam and it is seeing a growing interest for

Vantage RE from investors and believes it can replicate this approach in other markets.

Its current RE capacity in the international market is 666MW.

"Despite the Covid-19 pandemic and its effect on the world, the United Kingdom RE assets have remained resilient throughout the year, contributing solid operational margins through active asset management initiatives," he said in replies to queries from StarBiz.

He added that the Vantage RE portfolio would expand beyond subsidised solar and onshore wind renewables.

"While onshore wind and solar assets will form the foundation of Vantage RE's portfolio, other technologies (such as offshore wind, emerging technologies) will be considered as the portfolio expands," he added.

Over time, it expects Vantage RE to also have the capability to enhance asset performance through the application of new technologies such as batteries/energy storage and applying new business and revenue models, such as corporate power purchase agreements (PPAs) with private clients.

The strategy to grow the green/RE portfolio aggressively helps TNB to rebalance its existing portfolio, which is heavily dominated by conventional thermal plants.

Hopefully, the new blueprint expected to be revealed on Friday, mostly to analysts, will spell out details to address investor's concerns on its ESG initiatives with regards to carbon emissions and affordability of electricity access as it still has some coal-fired plants.

"TNB is a utility, and not a financial investor, and therefore any businesses that we grow must add value to the existing businesses and operations, as well as leverage on our existing capabilities and experience," he said.

Last Friday, TNB also signed PPAs with nine companies that are developing solar generating facilities in four states in the country that will have a collective capacity of 450MW.

A research report said upon achieving the RE target, TNB's RE revenue will be 10% of its total revenue (2020: 4% of total revenue) and 32% of its total installed generation capacity by 2025. "We gather the total capex needed will be RM6.5bil," it noted.

