



KEMENTERIAN TENAGA DAN SUMBER ASLI

KERATAN SURAT KHABAR

SURAT KHABAR	:	STARBIZ		
TARIKH	:	22/7/2021 (KHAMIS)	MUKA SURAT	: 8
JABATAN	:	TNB		

UTILITIES

PETALING JAYA: Tenaga Nasional Bhd (TNB) is expected to unveil its sustainability blueprint, which will detail its long-term commitments and targets, in the second half of 2021.

The national utility giant is cognisant that investors' major environmental, social and governance (ESG) concerns for the group were carbon emissions, affordability of electricity access and the government's growing emphasis on environmental sustainability.

TNB said the majority of its investors were constantly engaging with the group to understand its efforts to address the ESG issue; only a few funds were shying away due to the group's coal-related exposure.

According to CGS-CIMB Research, TNB is ranked average among its regional peers, and slightly slower than some of its leading peers, in terms of ESG progress due to its business model, where it has to balance sustainability, affordability and energy security of the electricity supply.

"TNB is currently working on its sustainability pathway, which is expected to be announced in the second half of 2021, where more details such as its long-term commitments and key performance

TNB to roll out sustainability blueprint

Starbiz, 22 Jul 2021_8

Carbon emissions, electricity affordability major thrusts

"TNB is trying to address this ESG issue by ensuring its revenue from coal generation plants does not exceed 25% of total revenue."

CGS-CIMB Research

indicators to monitor its sustainability performance annually could be disclosed," the brokerage said in a report following an ESG engagement session with TNB's management.

CGS-CIMB shared that TNB was currently working on reducing its coal exposure.

"TNB is trying to address this ESG issue by ensuring its revenue from coal generation plants does not exceed 25% of total revenue," it said.

"TNB has pledged not to invest in greenfield coal plants after Jimah East Power, which was commissioned in 2019," it added.

With major coal plants gradually going offline, TNB's coal-related revenue should not exceed 20% of total revenue by the financial year ending Dec 31, 2030 (FY30) versus 22.1% in FY21, as per TNB's forecast, CGS-CIMB wrote.

The brokerage reiterated its "add" call on TNB, with a target price of RM13.40, based on 15 times the FY22 price earnings ratio.

"We expect TNB to benefit from growing opportunities in renewable energy (RE) as it expands its RE capacity domestically/internationally as a power generator, potential thermal plant bidding in the future due to growing electricity demand from digitalisation, and robust investment for electricity grids to cater to energy transition, which will grow its regulated asset base," CGS-CIMB explained.

According to the brokerage, TNB

is in a sweet spot to benefit from additional grid investments.

"TNB is proposing RM25bil regulated capital expenditure (capex) for the upcoming regulatory period three (RP3, 2022-2024), which is higher than RP2's approved capex of around RM19bil, with more regulated capex to be allocated to facilitate energy transition (from RP2's 12% of total capex to 19% for RP3)," it said.

"With its natural monopoly position in Malaysia's transmission and distribution, we believe TNB will likely benefit from this trend as these ongoing investments should be part of TNB's regulated asset base, supporting its regulated earnings in future," it added.

CGS-CIMB noted the existing grid infrastructure could dispatch up to 27% of RE. Currently, only 5% of its dispatched power comes from RE.

