

# Shifting away from fossil fuels

## Malaysia urged to prioritise renewable energy

**PETALING JAYA:** The concern raised by the International Energy Agency (IEA) that the world is facing a serious energy crisis should serve as a push for Malaysia towards renewable energy.

Sunway University economics Prof Dr Yeah Kim Leng said fossil fuels overwhelmingly dominate Malaysia's primary energy supply, forming an estimated 94%.

He said renewable energy contributes a sizable 25% of installed electricity capacity.

"Greater electrification will help to reduce the country's dependency on fossil fuels.

"The National Energy Transition Roadmap (NETR) would need to accelerate to boost the share of renewable energy, diversify energy sources and introduce new policies to promote energy efficiency and incentivise investment in renewables with a carbon tax phase in," he said.

Citing nuclear technology and increasing deployment of safe and scalable reactors, Prof Yeah said there is now increasing optimism that it will become an important source of renewable energy in the near future.

"It is a positive development that it has now been included as a new clean energy source to be explored under the 13th Malaysia Plan," he said.

Recently, IEA executive director Fatih Birol said the energy crunch due to the US-Iran conflict exceeded the 1973 and 1979 oil shocks and the gas shortages stemming

from Russia's 2022 invasion of Ukraine put together.

Association of Water and Energy Research Malaysia president S. Piarapakaran said almost 40% of the final energy demand is in the transportation sector, which is highly unsustainable.

"Fuel usage is aggravated by bad road designs and traffic management. The energy transition is also banking on natural gas as a major energy mix," he said, adding that the fundamental lies in the slow implementation of energy efficiency across the board.

Piarapakaran also said the NETR faces a structural shortfall by over-relying on solar which effectively generates only four to six hours daily and without a viable strategy for de-carbonising the baseload.

"This intermittency forces the grid to maintain fossil fuel plants on standby, a practice that not only undermines emission target but also facilitates a socialisation of costs.

"The public bears the hidden tariff burden of grid stability while project owners secure insulated profits," he added.

He said the geopolitical instability in Iran has introduced significant volatility into global energy supply chains, driving up the cost of goods and services and inflating the capital requirements for an accelerated energy transition.

"It is a critical oversight to view the transition as decoupled from the oil and gas sector as the logistical and material components of

renewable infrastructure remain highly sensitive to fossil fuel market fluctuations," he said.

Solar industry expert Ko Chuan Zhen said Malaysian markets would be ready to rely more on renewable energy if the price of fuel-based energy increases as a result of the Middle East conflict.

"Market sentiment towards renewable energy such as solar is still very much there.

"Malaysians, especially the younger generations, are also showing they are increasingly more cost-conscious.

"So if fuel prices and energy rise, we could see many people switching to renewable energy.

"The main hurdle now is the solar panel prices are increasing globally due to a hike in price of raw materials," he said while urging the government to provide better incentives for renewable energy such as rebates or expanding the Solar For Rakyat Incentive Scheme.

Ko said another option was to revert the Solar Accelerated Transition Action Programme like it was in the Net Energy Metering 3.0 where excess power produced from home owners solar panels were sold back to Tenaga Nasional at a 1:1 offset.

He also said there is already growing energy demand in the industrial sector, making it the perfect opportunity to increase adoption of solar through lowering the Corporate Renewable Energy Supply Scheme billing rates.

## Short-term solutions, long-term reform

**PETALING JAYA:** Measures to help businesses manage rising costs linked to the Middle East conflict should go hand in hand with structural reforms aimed at strengthening long-term economic resilience, say economists.

Socio-Economic Research Centre executive director Lee Heng Guie said businesses need to diversify supply chains and focus on digitisation and automation to improve resilience.

He said while large corporations may be able to absorb higher costs, small and medium enterprises can risk being squeezed out if support is not extended.

"Subsidy support should be targeted, particularly towards smaller businesses which are more vulnerable to cost shocks," he said, adding that businesses must

also adapt to a new economic reality shaped by repeated global shocks and geopolitical conflicts.

"Policy measures must take into account the duration of the energy shock, fiscal capacity and the needs of key industries," he added.

Agriculture economist Prof Datuk Dr Nasir Shamsudin said targeted fertiliser and diesel subsidies are among the most effective short-term intervention measures for the agricultural sector.

"Providing input vouchers, concessional financing and efficient distribution systems will also enable farmers to sustain production and avoid reducing fertiliser use, which could result in lower yields and tighten food supply," said Prof Nasir of the Putra Business School.

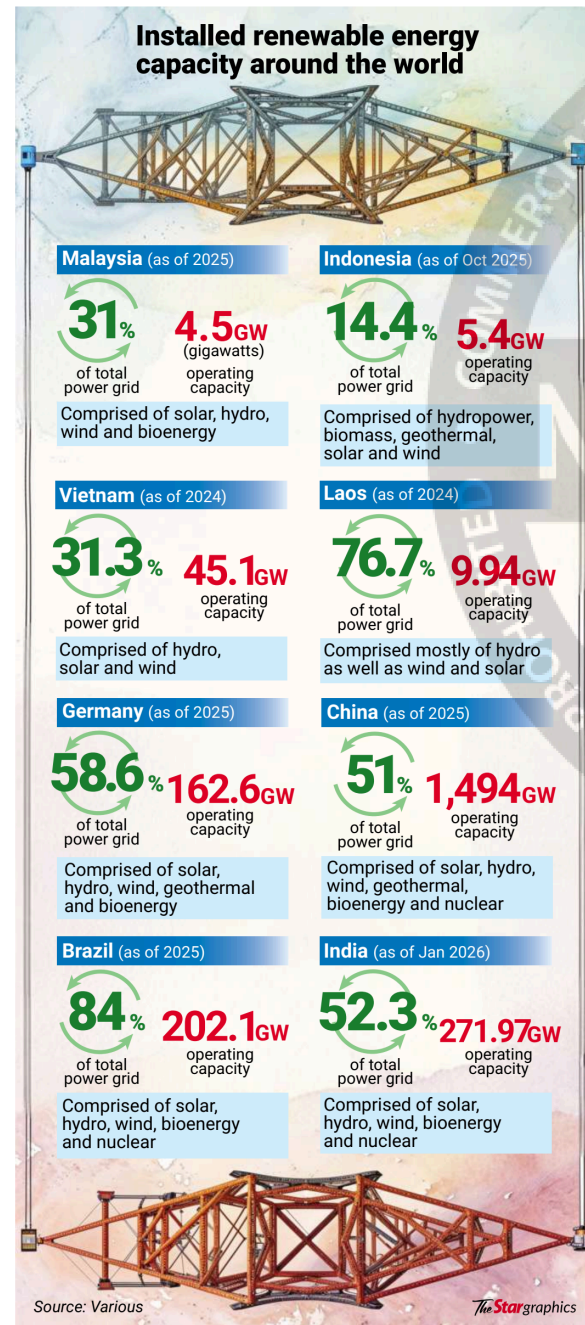
He said Malaysia must invest in precision agriculture and domestic input production in the long-term.

"This helps to reduce dependence on energy intensive imports.

"Strengthening logistics, cold-chain infrastructure and regional cooperations within Asean will further enhance supply-chain efficiency and resilience," he said.

While subsidies for RON95 petrol and diesel have helped consumers, Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said prolonged price pressures could force the government to reassess its subsidy approach.

"Retargeting subsidies based on income level could be a low-hanging fruit," he said, noting that



higher-income groups tend to consume more fuel.

Mohd Afzanizam added that businesses could be supported through soft loans to ease working capital pressures, alongside tax incentives to encourage the adoption of fuel-efficient or electric vehicles.

Prof Dr Yeah Kim Leng said reforms can include diversifying towards renewable energy sources, cultivating new trade partners through free trade agreements and strengthening supply chains.

He said another measure could be investing in domestic agricultural productivity to reduce food import dependence.

"A balanced strategy must be done in tandem, which can include providing immediate relief to vulnerable groups, food assistance and fuel subsidies.

"Micro, small and medium enterprises could be further supported by temporarily lowering tariffs on essential imports, soft loans and guarantees for working capital, alongside possible wage subsidies if economic conditions worsen," said Prof Yeah.

He also said domestic spillover effects from the conflict could be increasingly harder to contain if global oil prices remain above US\$100 per barrel for more than two months.