

SAREF 4.0: Aligning Policy, Power, and Progress

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The Sustainability and Renewable Energy (SAREF 4.0) convened policymakers, financiers, and industry leaders to discuss Southeast Asia's energy transition. Kenanga participated in the biennial forum that took place earlier and the below are our takeaways. While the forum articulated strong regional ambition, Kenanga views that the region continues to face execution and bankability gap. Despite clear decarbonisation commitments, there remains much more upside in the ability to convert ambition into investable, de-risked project pipelines.

In our views, the next phase of ASEAN's transition will require:

- greater policy coherence;
- transparent and investable regulatory frameworks, and;
- shared responsibility between governments and private-sector capital providers.

Malaysia, supported by increasingly mature ESG frameworks and deep domestic capital markets, is well positioned to accelerate bankable clean-energy deployment both domestically and regionally.

1. Policy Direction and Regional Integration

- **Forum Highlights**

The forum stressed that ASEAN's energy transition depends on a unified regional policy vision. The ASEAN Power Grid (APG), which seeks to interconnect national grids and facilitate cross-border electricity trade, was repeatedly identified as the structural foundation of the region's clean-energy future. Forum modelling suggested that a fully integrated grid could increase ASEAN's GDP by up to 7%, while enhancing resilience and lowering emissions intensity. Out of 18 interconnection projects under APG, 9 are operational, delivering roughly 7.7 GW of cross-border transmission capacity.

Nevertheless, progress remains slow due to fragmented regulations, uneven grid readiness, and differing national priorities. Sarawak's cross-border developments, particularly its interconnection with Singapore which was signed in October, and the project was granted Conditional Approval by Singapore's Energy Market Authority. This highlights as tangible evidence that regional integration is technically and politically feasible. Participants emphasised that harmonised grid codes, tariff structures, and governance frameworks are critical to avoid duplicated investments and accelerate decarbonisation.

- **Kenanga's View**

Kenanga observes that while technical ambition is high, implementation remains uneven. We are of the view that predictable regulation, clear market design, and transparent policy signals are essential to unlock cross-border renewable flows. We believe the primary emerging opportunity lies in **transmission and interconnection infrastructure**, which is evolving into a long-duration, infrastructure-as-an-asset-class investment theme.

2. Financing the Transition: Turning Commitments into Capital

- **Forum Highlights**

Speakers consistently highlighted a key tension: global capital is available, yet the supply of bankable projects in ASEAN remains limited. Many renewable initiatives remain stalled at early stages due to inconsistent regulatory frameworks, insufficient project preparation, and unclear risk allocation.

Investors called for more structured de-risking mechanisms, including guarantees, blended-finance structures, and well-defined public-private partnerships. The Just Energy Transition Partnership (JETP) initiatives in Indonesia and Vietnam were referenced as prototypes of blended-finance architecture, although implementation has been slower than anticipated. The JETP is a coordinated financing platform through which international partners provide concessional and commercial funding to help a country accelerate its transition from coal to cleaner energy sources.

Malaysia was cited as having the institutional capability to develop a home-grown variant of JETP, supported by its mature capital markets. Such a framework could complement the National Energy Transition Roadmap (NETR) by enabling structured participation from pension funds, insurers, and institutional investors.

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- **Kenanga's View**

Kenanga's assessment is that bankability, rather than capital availability, is the core constraint. We view financing innovation as the decisive factor that will determine the success of ASEAN's transition. Clear tariffs, transparent risk allocation, long-term offtake commitments, and governance credibility are required before institutional investors can deploy capital at scale.

Malaysia's deep financial ecosystem provides a competitive advantage. We see opportunities in sustainability-linked bonds, renewable energy certificates (RECs), blended-finance platforms, and investable transmission or storage-related structures. We gathered that the banks are seeing an increasing proportion of sustainable financing in their books, given their rising acceptance within their clientele as well as a conscious effort to reward borrowers with better rates for meeting sustainability-linked criteria.

Banks' Porportion of Sustainable Financing to Group

	Sustainable Financing (RM b)	Total Gross Loans (RM b)	
3QCY25			
AFFIN	9.3	76.1	12.2%
ABMB	17.0	63.9	26.6%
AMBANK	14.6	138.9	10.5%
BIMB	28.8	73.4	39.2%
CIMB	100.0	448.2	22.3%
HLBANK	4.5	211.8	2.1%
MAYBANK	156.3	680.5	23.0%
MBSB	4.8	44.0	10.8%
PBBANK	67.9	441.2	15.4%
RHBBANK	56.0	245.4	22.8%

Source: Companies

By the banks' definitions, sustainable financing could include: (i) lending to the lower-income groups, (ii) hire purchase to energy efficient and/or electric vehicles; (iii) mortgages on sustainably built homes; (iv) financing solar energy projects; and (v) corporate loans linked towards sustainable developments.

3. Technology Pathways: Hydrogen, Hydropower, and Grid Modernisation

- **Forum Highlights**

Hydrogen

Hydrogen was discussed as a critical future technology. Sarawak's hydrogen roadmap aims for more than 100MW of electrolyser capacity by 2030, with plans to export hydrogen, including in solid form (magnesium hydride) to Singapore and regional markets. Current production costs remain elevated (USD5–7/kg), though forecasts from agencies such as the International Energy Agency (IEA), Bloomberg NEF (BNEF), and the International Renewable Energy Agency (IRENA) suggest that costs could fall below USD2/kg by around 2035 as supply chains mature.

Barriers highlighted included the absence of defined offtake frameworks and limitations in hydrogen-ready logistics. Early opportunities are concentrated in enabling infrastructure such as terminals, storage, and pipeline systems.

Hydropower

Hydropower continues to anchor ASEAN's renewable mix. However, the forum emphasised that sustainability governance is becoming increasingly critical. Sarawak Energy's adoption of the Hydropower Sustainability Standard (HSS), including third-party audits and biodiversity monitoring, was presented as an example of responsible hydropower development. The consensus was that measurable ESG performance, rather than nominal "green" classification which now drives access to international capital.

Grid Modernisation and Energy Storage

Battery Energy Storage Systems (BESS) are being piloted in Sarawak and Peninsular Malaysia, with models such as storage-as-a-service under exploration. Regulatory constraints, outdated grid codes, lack of dynamic pricing, and unclear revenue mechanisms were identified as the primary barriers preventing scale. Reform is required to officially recognise storage as a revenue-generating asset class, when compared to mature markets.

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- ***Kenanga's View***

Kenanga believes that technology adoption will accelerate if accompanied by **predictable long-term commercial frameworks**.

- Hydrogen requires credible offtake structures.
- Storage has room for tariff reform, as the current tariff structure distinguish the grid-stabilisation services that BESS provides (such as frequency regulation, peak-shaving, and reserve capacity). Without defined payment mechanisms for these services, storage assets cannot generate predictable revenue, limit the interest and slow down deployment.
- Hydropower requires independently verified ESG performance.

Our view is that enabling infrastructure will attract capital ahead of generation assets, particularly in ports, transmission, storage, and digital grid technologies.

4. Industrial and Digital Transformation

- ***Forum Highlights***

ASEAN's industrial base faces increasing pressure from international carbon-pricing measures such as the EU Carbon Border Adjustment Mechanism (CBAM). Forum estimates indicated that Scope 3 emissions represent 60%–70% of manufacturing emissions, yet many companies lack the systems necessary for measurement and disclosure.

Two opportunities were highlighted:

- industrial decarbonisation as a new impact-investment vertical, and
- valuation premiums for companies with credible transition plans and transparent value-chain data.

Digitalisation was also emphasised. Utilities employing predictive analytics (e.g. thermal imaging, vibration sensors) reported fewer outages and improved asset reliability. Yet interoperability, cybersecurity, and standardised data frameworks remain underdeveloped.

- ***Kenanga's View***

Kenanga views industrial decarbonisation to become a significant investment theme. We foresee increasing demand for emissions-traceability platforms, digital monitoring tools, and CBAM-aligned disclosure systems. The industrial sector's growing exposure to carbon regulations presents both risk and opportunity.

5. Urban Transformation and Sustainable Cities

- ***Forum Highlights***

Cities account for more than 70% of ASEAN's energy consumption and emissions. Malaysia's participation in C40 Cities and the work of Think City illustrate how data-driven urban planning can integrate decarbonisation with broader social and economic objectives.

Key discussions included district cooling, electric-bus deployment, transit-oriented development, and the 15-minute city blueprint. Urban-cooling strategies such as green roofs, tree-canopy corridors, and heritage-building retrofits were presented as examples of interventions that deliver both environmental and community benefits.

- ***Kenanga's View***

Kenanga views sustainable urban infrastructure as a credible and scalable investment class. We see strong potential in district-cooling systems, EV charging networks, green-building retrofits, waste-to-energy development, and nature-based urban interventions. These assets offer stable long-term returns and measurable social impact.

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6. Regional Power Trade and Transmission Infrastructure

- **Forum Highlights**

The forum concluded with a unifying message: regional energy transition cannot occur without significant investment in transmission infrastructure.

The proposed Sarawak–Singapore interconnector which is supported by the Asian Development Bank (ADB) and the UK government was highlighted as ASEAN's first large-scale renewable-export route, capable of enabling up to 1 GW of power trade by 2035. The project could catalyse the formation of a more integrated ASEAN power market, similar to Europe's.

To operationalise this vision, harmonised standards, market rules, and investment guarantees are required. The Enhanced ASEAN MOU (2025) seeks to streamline grid development through shared roadmaps and unified technical standards. Transmission and interconnection developments were characterised as strategically essential investments, fundamental for enabling renewable power flows and enhancing regional grid stability.

- **Kenanga's View**

Kenanga concurs that transmission will define ASEAN's next investment cycle. We expect increasing capital allocation towards interconnectors, high-voltage transmission lines, grid reinforcements, and digital-grid systems. Malaysia's geographic and political positioning gives it strong potential to play a central role in expanding cross-border power trade.

7. ESG Integrity and Social Inclusion

- **Forum Highlights**

Forum discussions emphasised that the credibility of ASEAN's transition depends on accountability, transparency, and inclusion. Projects incorporating third-party audits, grievance mechanisms, and community participation were highlighted as models of good governance. Nature-based solutions, including forest conservation and mangrove restoration, were cited as examples of interventions that deliver both climate and social value.

The overarching message: ESG integrity is increasingly central to financial resilience.

- **Kenanga's View**

Kenanga believes that ESG integrity is becoming a core determinant of cost of capital and project bankability. We expect investor scrutiny of disclosure quality, social-licence practices, and biodiversity safeguards to intensify. Projects that demonstrate verifiable environmental and social outcomes will attract stronger institutional interest.

Conclusion

SAREF 4.0 reaffirmed that ASEAN's energy transition is advancing, but its success will depend on three interdependent pillars:

1. **Policy coherence** to align national strategies with regional systems.
2. **Financing innovation** to bridge the gap between ambition and investability.
3. **Technological inclusivity** to ensure that industries and communities are not left behind.

Our view is that the transition is inevitable, but investability depends on clarity, collaboration, and credibility. ASEAN's next decade will be defined by its ability to convert climate ambition into bankable, scalable projects, and by how decisively capital aligns with this transition.

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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