

02 January 2026

Renewable Energy

Keeping the Ball Rolling

OVERWEIGHT



By Peter Kong, CFA | peter.kong@kenanga.com.my

We expect 1QCY26 to usher in a busy period for the renewable energy sector. This could entail potentially the rolling out of bids of solar for LSS6, in our view. This will ensure that LSS construction awards will continue to have strong visibility, now with LSS5+ projects to move into construction awards phase as well. Details of the SOLAR ATAP, which replaces the expired NEM3.0 programme have been unveiled at year-end 2025, which in our view should start to reinvigorate adoption momentum in the retail space given applications to commence from 1 Jan 2026. Aside solar, 1QCY26 will also see from February onwards bidding activity for the additional quota under Feed-in-tariff of 300MW, a holistic acceleration to attain Green targets for the nation.

TENAGA has witnessed new highs in energy sales, on the back of requirements from 7.1 GW of total data centres. The off-take of CRESS to lock in long-term energy at competitive rates would be a compelling proposition for data centres which are typically ultra high voltage customers, with the committed value to CRESS so far reaching 1.3 GW (June 2025). As an aside, we also see demand for Data Centre through switchgear and ELP benefitting PEKAT (MP; TP: RM1.58). Execution remains key, and players that can scale quickly via partnerships and have proven execution track record will be able to pull ahead. Corporates are locking in prices of solar panels to insulate margin pressure ahead.

The renewable energy space is still in a fast-growth phase. Cumulatively, names under our coverage are anticipated to enjoy growth of c.26% in FY26, helping to justify the higher valuations of 20x to 30x. We remain OVERWEIGHT on the sector, with SLVEST (OP; TP: RM3.45) and KJTS (OP; TP: RM2.12) as our top picks to leverage on the National Energy Transition Roadmap (NETR). Discussions on the climate change bill which will shed light on carbon tax implementation is understood to also take place during first parliamentary sitting of 2026 ([link](#)), and could also invigorate interest in this space.

Data centres as catalysts. According to TENAGA, there are 49 projects data centre projects that sum up to 7.1GW. Government has improved the economics for corporates sourcing green power under CRESS programme, which should benefit ultra-high voltage tariff users. On the likelihood of further hikes from TNB to support grid infrastructure upgrades, CRESS with an underlying 21-year fixed PPA provides a compelling long-term hedge for large energy users such as data centres to insulate against future tariff hikes while honouring ESG and RE100 commitments. In the public domain, known deals under CRESS include UEM Lestra's (unlisted) 1GW hybrid solar farm, Gamuda-SD Guthrie developing 1.2GW of solar renewable energy assets and Gamuda-Gentari which has a 1GW solar including battery storage solution catering to data centres.

Recent knowledge that the off-taker for CGPP for Google was via collaboration with SLVEST would in our mind improve the chances for SLVEST to secure Google-related work such as under CRESS programmes in the future. More favourable hyperscaler data centre roll-outs could benefit PEKAT, which would gain from opportunities for its ELP segment. PEKAT through its EPE switchgear segment in our view is also capable of leveraging on data centre growth.

Rolling into LSS6. LSS5 and LSS5+ EPCC awards are set to roll out in the immediate term, with targeting completion by end-2027. Altogether, LSS5, LSS5+ and CRESS would be expected to unlock at least RM15b worth of EPCC opportunities, with another RM6b estimated for LSS6 for the 2GW bids. Our assumption is for LSS6 tenders to open for tender by 1QCY26, adding additional job win potential for renewable energy players. We anticipate that LSS6 will come with requirements for battery, and together with battery installation, but expect that project IRRs won't be materially different, still eyeing at 8%-10% at the developer level.

Relatively insulated; China solar industry dynamic improving could help keep panel prices in check. Swing in panel prices are a potential risk to the solar players. China's anti-involution policy has pushed polysilicon prices up though that have since appear to have stabilized (exhibit 1). We understand that the cessation of export rebate on panel prices in China since 4QCY25 would likely still be borne by Malaysian solar players, inducing solar players to procure early; solar module prices has thus since jumped c.15% from the trough. We anticipate module prices to come in at USD0.11/W in CY26, and while the earnings of solar players are sensitive to panel prices which form bulk of its costs, this would also likely be partially cushioned by a stronger MYR.

From China, solar panel manufacturers losses are narrowing ([link](#)), with losses shrinking 47% in 3QCY25. We expect that there will still be some overcapacity, as we estimate total China installations in 2025 could have peaked after 253 GW was installed in 10MCY25 (due to feed-in-tariff changes and policy for commercial & industrial (C&I) to prioritize selco). Further in support of this view, is that within the 15th 5-year plan China plan (2026-2030), annual increase in renewable energy (not only solar) is expected to range between 200MW to 300MW.

02 January 2026

Local EPCC players have pre-procured >1GW panels (sufficient for LSS5+), backed by fixed-price contracts and front-loaded procurement by way of upfront deposits. For asset owner, the effect on LSS5+ participants could see some pressure on project IRRs, with those that have submitted low bids to be more at risk. Looking ahead, we have earlier estimated LSS6 bidding tariffs are likely to increase to RM0.16–0.20/kWh, with EPCC contract values around RM2.2m/MW (before battery).

SOLAR ATAP details unveiled and momentum would be restarted. As expected, details on the SOLAR ATAP programme have been unveiled by year end-2025 and the clarity obtained should get the momentum started again with interested applicants able to apply from 1 January. Per the document, domestic users enjoy credits based on applicable Energy Charge for unit energy exports. This is 27 and 37 sen/kWh respectively for users consuming <1,500 kWh and >1,500 kWh on a monthly basis. However, network and capacity charges have not been included, meaning the offset is not “one-for-one” unlike under the NEM3.0 programme which had expired in June 2025 whereby the offset came up to cRM0.45/kWh. The returns gap between NEM3.0 and SOLAR ATAP nevertheless can be narrowed via adoption of battery. In line with the focus on encouraging battery storage, it is not surprising that there will be no carry forward of unused credits under SOLAR ATAP, meaning any exported energy that is not utilized to offset in the same billing period is forfeited. Contrasting against NEM3.0, there was a roll-over period of credit for 12 months. Under SOLAR ATAP, Non-Domestic users still receive bill credits based on the Average System Marginal Price (SMP), an area which we see as unchanged.

Encourages larger installations. Under SOLAR ATAP, there is no quota unlike the previous NEM3.0, although there are certain capacity limits set as per table below. For domestic users, the allocation has been improved for homes with 3-phased wiring for domestic users). The change is also likely friendly for adoption by non-domestic customers who are interested to maximize rooftop space more efficiently. For these users, while previously there was a cap on the capacity limit of 1MWac nett offset under NEM3.0, currently SOLAR ATAP allows for 100% of maximum demand (and capped at 1,000 kW).

Exhibit 1: Comparison between NEM3.0 and SOLAR ATAP

	NEM 3.0 plan			SOLAR ATAP
Criteria	Rakyat	GoMEN	NOVA	SOLAR ATAP
Quota	450	100	1,400	Not stated
Offset rate	Gazetted energy rate	Gazetted energy rate	Average SMP	Domestic: Energy Charge Non-Domestic: Average SMP
Mechanism	1 for 1 (12-month rollover)	1 for 1 (12-month rollover)	Average SMP	Not full offset as plan doesn't include network and capacity charges
Offset period	10 years	10 years	10 years	10 years
Capacity limit	Single phase: 5kWac Three phase: 12.5kWac	1MWac	Nett offset: 1MWac Nett offset + Virtual Aggregation: 5MWac	Domestic Single phase: 5kWac Three phase: 15kWac Non-Domestic: 100% of maximum demand

Source: Kenanga; SEDA.Gov.My; Energy Commission of Malaysia

Grid level battery storage awarded. Following Sabah and Sarawak, Peninsula saw its first awarded grid level battery. Gamuda was the largest winner of Malaysia’s first large-scale BESS tender under MyBeST, whereby Gamuda was in among 2 of the 4 winners to supply 100MW (or 400MW-hour) of battery each, whereby one through Gamuda in partnership with 30%-owned ERS and another via ERS alone. To be commissioned by 2027, this will also allow Gamuda to uplift recurring income, serving as well as a reference for future CRESS and grid-related opportunities. Other winners were Leader Energy and Universal Peak.

Separately, for non-solar projects, under Budget 2026, it was also announced that an additional 300MW quota under the Feed-in Tariff (FiT) scheme had been allocated to biogas, biomass, and mini-hydro projects. These are projects that are expected to commence operations by 2028, and thus we expect further awards in these areas. This should benefit **BMGREEN** and **WASCO** (OP; TP: RM1.17), which has 62.5% stake in **WASCO GREENERGY** (GENERGY, N-R).

Exhibit 2: Polysilicon Price (USD/kg)



Source: Bloomberg, Kenanga Research

Exhibit 3: Solar Module Price (USD/W)



Source: Bloomberg, Kenanga Research

Top picks. Unchanged.

- SLVEST** for its strong market position, execution track record, clientele and value proposition of its PV system financing programme, and its strong earnings visibility backed by sizeable outstanding order and tender books, and recurring incomes from a growing portfolio of solar assets. A favourable outcome vis-à-vis crystalizing its CRESS deals in 1QCY26 or 2QCY26 could help us re-examine our order book growth potential. Upside to our TP is from CRESS earnings under the Brookfield JV of which we have yet to impute into EPCCC earnings forecast – by fully incorporating earnings from Brookfield from FY28 into our solar EPCC forecasts (to reflect a full financial year), TP could be uplifted by c.RM1.
- KJTS**, being Malaysia’s only listed energy efficiency player, allows investors to tap into a RM41b cooling energy market, which is seeing a new wave of spending due to regulations. Pivoting from one-off EPCC to cooling as a service, the game-changing RM1.5b Stonepeak JV boosts KJTS’s ability to solve upfront capex needs of its clients, allowing quicker scale-up beyond its current project sizes, all while securing recurring income at mid-teens IRR.

This section is intentionally left blank

02 January 2026

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
KJTS Group Bhd	OP	1.46	2.12	45.2%	1,006.7	Y	12/2025	2.3	4.0	20.8%	71.1%	62.2	36.3	10.7	16.4%	0.5	0.3%
Pekat Group Bhd	OP	1.58	1.68	6.3%	1,115.9	Y	12/2025	7.2	8.5	109.0%	17.5%	22.0	18.7	3.9	24.0%	0.0	0.0%
Samaiden Group Bhd	OP	1.40	2.08	48.6%	700.1	Y	06/2026	6.9	8.4	24.0%	21.6%	20.2	16.6	5.6	29.8%	0.0	0.0%
Solarvest Holdings Bhd	OP	3.30	3.45	4.5%	3,104.7	Y	03/2026	10.3	14.3	51.9%	39.2%	32.0	23.0	6.5	22.7%	0.0	0.0%
Swift Energy Technology Bhd	OP	0.205	0.470	129.3%	205.2	Y	09/2026	1.3	2.0	-29.3%	53.8%	15.8	10.3	2.6	19.1%	0.0	0.0%
Sector Aggregate					6,132.6					41.4%	35.0%	32.6	24.2	5.8	22.4%		0.1%

Source: Kenanga Research

*Note that Sunview numbers based on Bloomberg consensus

This section is intentionally left blank

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my