

Malaysia

Kadir Andri & Partners

**Renewables
forging ahead**

Following the Renewable Energy Act 2011 (RE Act) which came into force in December 2011, the implementation of the feed-in tariff (FIT) mechanism under the RE Act has been an overwhelming success. After the FIT mechanism was implemented in Peninsular Malaysia over a period of two years, Malaysia had a cumulative total of 119MW of renewable energy connected to the grid as opposed to only 61.2MW of renewable energy capacity connected to the grid from the implementation of the earlier, small renewable energy power programme, which spanned a period of 10

years.

To further encourage the implementation of renewable energy projects, the Malaysian Government has taken further action by increasing the surcharge collected to fund the cost of electricity generated through renewable energy from 1% to

1.6%. The surcharge is payable not only by electricity consumers (other than those whose consumption does not exceed 300kWh per month) in Peninsular Malaysia but also in the state of Sabah and the Federal Territory of Labuan in East Malaysia. Effective from January 1 2014, the FIT mechanism, based on a yearly quota, will also extend to the implementation of renewable energy projects in the state of Sabah and the Federal Territory of Labuan in East Malaysia.

In ensuring the further growth of renewable energy projects, the Malaysian Government, through the Ministry of Energy, Green Technology and Water, has also revised the subsidiary legislations to the RE Act. Such revisions include the recognition of renewable energy installation which uses geothermal, for it to be entitled to participate in the FIT mechanism; the increase of displaced cost (being the cost of supply of electricity) to allow additional

quotas for renewable energy to be granted; the reduction of degression rates for both biomass and biogas from 0.5% to 0% to incentivise the implementation of renewable energy installation using either; the increase of the bonus rate for the use of locally manufactured or assembled biogas and biomass technology from RM0.01 (\$0.003) per kWh to RM0.05 per kWh; and, the bonus rates for the use of locally manufactured or assembled solar photovoltaic modules of RM0.03 per kWh and solar inverters of RM0.01 per kWh have been increased to RM0.05 per kWh.

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