

SPEECH BY
Y. B. DATO SRI PETER CHIN FAHKUI
MINISTER OF ENERGY, GREEN TECHNOLOGY AND WATER
AT
THE OFFICIAL LAUNCHING OF SEDA MALAYSIA'S OFFICE
SEDA MALAYSIA, GALERIA PJH,
ARAS 9, JALAN P4B,
PERSIARAN PERDANA, PRESINT 4,
62100 PUTRAJAYA
TUESDAY, 22 NOVEMBER 2011, 12.00 NOON

Yang Berhormat Tan Sri Dr Fong Chan Onn
Chairman of SEDA Malaysia,

Y.Bhg. Datuk Loo Took Gee
Secretary General
Ministry of Energy, Green Technology and Water

Puan Badriyah Abdul Malek
CEO of SEDA Malaysia,

Members of the Authority

Datuk-Datuk,

Distinguished Guests,

Members of the Press,

Ladies and Gentlemen,

Salam Sejahtera dan Salam 1Malaysia.

1. Today we are here to inaugurate a significant milestone for Malaysia as the country takes a step closer towards charting a systematic path of renewable energy development in the country. As the Chairman, Tan Sri Dr Fong Chan Onn has just mentioned, Sustainable Energy Development Authority Malaysia (or SEDA Malaysia) is established to anchor and facilitate the implementation of the National Renewable Energy Policy and Action Plans which was approved by the Government early last year. The Plan is the blueprint for Malaysia in our quest to achieve green energy generation to diversify our energy mix in line with the principles of sustainable energy for our country.

2. The idea of implementing the feed-in tariff was first mooted in June 2005 when my present Secretary-General, Datuk Loo Took Gee (then the Undersecretary of Sustainable Energy Division) lead a small team from the Ministry of Energy, Water and Communications to Germany for a study tour. They were there to understand and investigate how Germany's policy had enabled their country to be the world leader in driving the growth of RE today. It took the Ministry 2 years to complete the National Renewable Energy Policy and Action Plan for Malaysia and we are well on our way in our journey towards a cleaner and greener future.

Ladies and Gentlemen,

3. Malaysia's move to RE is certainly not new. The move started way back in the 8th Malaysia Plan when the Government launched the Five Fuel Policy in 2001. The Policy main objective was to diversify our fuel sources which were dependent on conventional sources such as fossil fuels and hydro. The fifth fuel or renewable energy (RE) sources identified are biomass/biogas, mini hydro, solid waste and solar. We created the Small Renewable Energy Power Programme (SREP) as mentioned by Tan Sri Fong just now to spearhead the RE industry growth, however till today, the outcome of RE targets set in both the 8th and 9th Malaysia Plans has been very insignificant.

4. It is a matter of great urgency for any nation to seek alternative forms of energy sources because the cost of fossil fuel is on the rise and the resources are finite. Coupled with fact that the energy sector contributes the highest amount of carbon dioxide to the atmosphere and deemed to be the major contributor to the global warming phenomenon, the prospect of looking at other alternative sources of energy could not be denied anymore. The commitment of the Government of Malaysia in charting the growth of renewable energy is proven with the implementation of the feed-in tariff mechanism. This is a move decided by the Government towards achieving energy security and sustainable development after years of study and preparation for a day like this.

5. At this juncture, I want to impress you on the findings of a report by Renewable Energy Policy Network for the 21st Century (REN21) which is on RE global performance that was recently published. According to the report, renewable sources have grown to supply an estimated 16% of global final energy consumption in 2010. Renewable energy accounted for approximately half of the estimated 194 GW of new electric capacity added globally during 2010. Renewable energies delivered close to almost 20% of global electricity supply in 2010, and by early 2011, REN21 believed RE will comprise 25 % of the global power capacity from all sources.

Ladies and Gentlemen,

6. RE policies continued to be a driving force behind the increasing shares of renewable energy around the world. Nearly 200 countries have RE policy targets or support policies, and the feed-in tariff (FIT) remains the most widely implemented policy tool because more than 90 jurisdictions around the world now use or have used FiTs to pay for renewable generation. As more and more RE policies are adopted in various countries, the landscape of RE use is also changing. Although RE policies started largely in Europe and the United States, a report by UNEP, *Global Trends in Renewable Energy Investment 2011*, stated that developing countries collectively have more than half of global renewable power capacity.

7. One of the hallmarks of a sound RE policy is the ability of the policy to create new industries and generate new jobs. Globally, there are more than 3.5 million direct jobs in the RE industries. European Union alone has more than 400,000 personnel employed in the RE sector today. Total investment in RE reached \$211 billion in 2010, up from \$160 billion in 2009, and is still experiencing a steady annual increase.

Ladies and Gentlemen,

8. Against this backdrop, I hope I have drawn your attention and understanding as to why the Government of Malaysia through my ministry has agreed to commit to this long term plan of implementing the FiT scheme. This journey has been a long and challenging one because of the unique position of the electricity industry in the country. As we are all aware, the industry is highly subsidised by the government and thus using alternative sources of generating electricity is not a welcomed option initially. This is why we had sadly failed in our first attempt to grow the renewable energy portfolio in the fuel mix for electricity generation.

9. With the passing of both the Renewable Energy Act 2011 and the Sustainable Energy Development Authority Act 2011 where I am pleased both the Acts had received bipartisan support in the Parliament in April this year, we are poised on a new era of renewable energy development in the country. This major milestone we have achieved is the most notable achievement in the Green Technology Sector when it became a prominent Government agenda since 2009. This undivided support from the Parliamentarians has allowed my ministry to establish the idea which was conceived way back in 2005. Just to quote, the late Dr Hermann Scheer, the pioneer of the feed-in tariff in Germany whom I had the privilege of meeting in 2009, “nothing is more powerful than an idea whose time has come”.

10. In Malaysia, the RE target under this FiT scheme is target to achieve a total capacity of 2,080 megawatt by 2020 and 4,000 megawatt by 2030. From the economic perspective, RE is seen as a growth sector that will help propel Malaysia into a high-income economy. The RE industry is estimated to generate at least RM70 billion worth of revenue for the private sector and this will translate to tax revenue of at least RM1.76 billion for the Government by 2020. Another economic and social benefit arising from the sector is job creation. Economists have made a conservative estimate that Malaysia can generate at least about 50,000 jobs from the construction, operation and maintenance of RE plants in the country by 2020. On another perspective, the renewable energy generation target would be able to avoid 42.2 million tons of carbon dioxide emission by the same period which would contribute to about 40 percent of emission reduction in the line with the pledge made by our Prime Minister in Copenhagen in 2009.

Ladies and Gentlemen,

11. I have shared with you the numerous benefits of the FiT and the empirical proof that FiT has been and is still a successful RE policy mechanism engaged throughout the world. The question that is often posed is “who will pay for the FiT”?

12. Worldwide, there are many strategies adopted by different countries to pay for the premium in FiT such as green tax, environmental tax etc. It is a common fact that generating electricity from renewable sources costs more than fossil fuels and hydros. The current principle adopted in Malaysia is a cost pass-through mechanism for electricity generation. Thus, the same principle is being adopted here for renewable power generation. This method would result in a very small increase in the price of electricity paid by electricity consumers, but at the same time, the consumers may benefit from revenues derived from RE generation. This is the most common and acceptable method for funding the FiT which involves sharing the costs among electricity consumers and should not be labelled as a subsidy.

13. Hence, the FiT in Malaysia is not financed from tax revenue, instead, it will be financed by a Renewable Energy Fund which is contributed by the electricity consumers. The Government has decided electricity consumers will contribute 1% of the total electricity tariff bills issued by Tenaga Nasional Berhad to the RE Fund. Nonetheless, 75 % of the TNB’s customers who consume less than 300 kWh per month will be exempted from contributing to this Fund and the collection of 1% will be effective from 1st December 2011 onwards. I am in full support of this strategy because apart from getting the public/industries to participate and contribute to green energy development, it also promotes all parties to use energy efficiently to reduce their electricity consumption because heavy consumers of electricity would contribute more to the RE Fund.

14. I would like to mention about how Sabah could benefit from FiT here. Currently Sabah consumers are not contributing to the RE Fund. I, thus will be proposing to the Government a special RE Fund for Sabah will be created. This special RE Fund is needed because there are many RE players who comes from Sabah and there is a lot of potential for renewable energy in

the state. This will thus protect the Ministry from subjected to criticisms of using RE Fund collected from Semenanjung consumers for Sabah RE developers.

Ladies and Gentlemen,

15. Since the Government made the announcement Malaysia is going to adopt the feed in tariff mechanism, I had been approached by many parties wanting to secure the feed in approval which will enable them to par take in the quota that has been determined. I had been informed by SEDA Malaysia the quota is 190MW, 190MW and 250MW for 2011/2012, 2013 and 2014 respectively. Thus, there is critical need to create a fair and transparent system when opening the quota to be applied by interested renewable energy players. I am privileged to inform you today SEDA Malaysia has developed the e-FiT online system to process applications for the feed in tariff approval. The e-Fit online system will be accessible via efit.seda.gov.my. The e-FiT is an intelligent system developed to ensure the process of approving the FiT is a fair and transparent process.

16. As the Chairman had mentioned just now, SEDA Malaysia had conducted a training session for everyone to learn how to apply for FIT on line. Thus, I am sure everyone is prepared with the knowledge and information of how to apply for the FiT on the implementation date. I had been informed that solar energy had created the most interest, thus, to ensure a fair distribution, the FiT application for solar photovoltaic technology is limited to a maximum of 5 MWp rated capacity. The maximum limit is determined because SEDA Malaysia need to manage the RE Fund required for all the different RE sources under the FiT and avoid over subscription. There is a need for fair competition and transparency in the implementation of the feed-in tariff system as stipulated under Section 3 of RE Act 2011.

Ladies and Gentlemen,

17. The enforcement of the RE Act 2011 is on 1st December 2011 and the collection of the RE Fund will commence on the same day. Although this 1% contribution pales in comparison to other countries which had become leaders in renewable energy growth, the acceptance of this form of RE contribution calls for a paradigm shift among the *rakyat*. In general, the maturity of a country is marked by a greater acceptance due to an understanding of the need for the country to wean reliance on a depleting and environmentally damaging fuel source. This calls for a united vision of 1Malaysia to achieve the national objective of being truly autonomous in the realm of sustainable energy

18. I wish to close this speech by thanking in particular the Attorney General's Chamber who gave their fullest support to finalize the subsidiary legislations, the Ministry of Finance, Central & States Economic Planning Units, MAMPU, Energy Commission, PEMANDU, Distribution licensees such as TNB, SESB, and members of the public for their support in the development of the renewable energy policy framework including the FiT mechanism and the institutional structure. I am full of anticipation and excitement to see the fruits of our labour in the years to come and for us to be on the same level as other renewable energy champions around the world and our quest to make this world a better place for us and the generations to come.

19. With this, I officially declare the opening of SEDA Malaysia's office.