

Opening Speech By
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Deputy Minister of Energy, Green Technology and Water
At the
International Sustainable Energy Summit 2012
(7th November 2012, 9.30 AM
Putrajaya Marriott Hotel)

Y.B. Tan Sri Dr Fong Chan Onn
Chairman of Sustainable Energy Development Authority, Malaysia

His Excellency Zeljko Bosnjak
Croatian Ambassador

Y.B. Dato' Dr. Mah Hang Soon,
Committee Chairman of Health, Local Government, Consumer Affairs,
Environment, Transport and non-Muslim Affairs, Perak State
Government

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

Y.Brs. Pn Badriyah Abdul Malek,
Chief Executive Officer of Sustainable Energy Development Authority
Malaysia

Y. Bhg. Dato' Samsudin Hashim
CEO of Perak State Development Corporation

Y. Bhg. Tan Sri –Tan Sri, Datuk-Datuk

Distinguished Guests

Members of the press

Ladies and Gentlemen

A very good morning and Salam 1 Malaysia.

1) I am indeed very honoured to be here this morning at the inaugural International Sustainable Energy Summit (ISES) 2012 that is organized by the Sustainable Energy Development Authority or SEDA Malaysia. I am delighted to see a huge turnout of participants and exhibitors at this Summit. Your presence here this morning demonstrates the commitment and support for the development of the sustainable energy sector in the country.

Ladies and Gentlemen,

2) The global energy sector is facing numerous major challenges, such as tightness in fuel supply, depleting fossil fuel reserves, volatile

prices and global warming. Since energy is crucial for any nation's socio-economic development, this situation poses more challenges especially as the world's overall demand for energy continues to rise due to global economic development and population growth. Energy permeates every sphere of human existence and is an essential element for modern living, be it generating heat for warmth, air-conditioning, cooking, entertainment and communications. Energy is also the cornerstone of most economic activities such as manufacturing, power generation and transportation. As such, with depleting fossil energy sources and their escalating costs, many countries are facing the looming threat of energy security. It is therefore imperative that we look at alternative energy sources, one that is dependable, safe and environmentally sound.

3) Malaysia's final energy demand is projected to grow at 3.4 percent per year, reaching 92.9 million tonnes of oil equivalent in 2030, which is more than two times the 2010 level. This leads to the next big question for Malaysia on how best to allocate our scarce energy resources between competing users. The country is fortunate to have been endowed with oil and gas resources to support our national economic development. However, against the backdrop of volatilities and uncertainties in the global energy scenario, it is not surprising that many

countries have started to explore other alternative fuels for power generation.

4) With our Government's decision to rationalize fuel subsidies to reflect the real cost of electricity supply and re-directing subsidies to the needy, more emphasis is being placed on renewable energy sources, cheaper coal and hydro as well as nuclear as part of our long term consideration. Although nuclear power has been playing an important role in providing energy to many developed countries, however, since the Fukushima incident there has been growing voices against expanding nuclear generation in certain countries with a clamour to replace it with renewable energy sources such as biomass, geothermal, hydro, solar, tidal, wind, and wave energy that are touted as the energy for the future.

5) The emphasis on Renewable Energy is demonstrated in the experience of the European Union. Through its Directive 2009/28/EC, it has fixed an ambitious target for all Member States to reach a 20% share of energy from renewable sources by 2020 and a 10% share of renewable energy specifically in the transport sector. The world community is mindful of the various energy sources which could contribute to the future energy mix but each has its own economic,

health, and environmental costs, benefits and risk-factors that interact strongly with other governmental and global priorities. Therefore, choices must be made, but in choosing which ever strategy, inevitably the environmental aspect must always be given priority.

Ladies and Gentlemen,

6) According to the BP energy report, global energy consumption grew by 2.5 % in 2011 and this growth is largely due to the emerging economies. Currently, fossil fuels dominate energy consumption, with a market share of 87% and coal is seen as the fastest growing fossil fuel source. According to the report, at the end of 2011, world oil reserves stood at 1,652.6 billion barrels which is sufficient to meet 54.2 years of global production and gas reserves will last another 63.6 years. As for coal reserves, it can last another 112 years of production.

7) While the reserves of fossil fuel appear to be able to last for another 2 to 3 generations, the reality is that access to these hydrocarbon resources demand longer lead times and access is constrained in some regions, which has increased the cost of exploration. The insatiable thirst of the world for fossil-based energy has resulted in their prices being rather volatile, much to the disadvantage of

the countries which do not have these resources. On top of that, coupled with this increasing use of fossil fuel, is the externality cost or the social cost of pollutants that everyone has to pay.

Ladies and Gentlemen,

8) Realistically, how will the future climate look like as a result of increasing release of greenhouse gas to the atmosphere? The International Energy Agency and the Intergovernmental Panel on Climate Change have warned on the inevitable dangers of global temperatures exceeding 2 degree Celsius. The global warming phenomenon resulting in extreme weather conditions such as drought and floods are putting a heavy toll on many countries, especially those developing ones with limited resources to implement mitigating measures. A recent study showed that climate change has claimed nearly 400,000 lives per year costing the world more than US\$1.2 trillion. This sum of money is equivalent to about 1.6 % of the global GDP of foregone economic values.

9) In the face of this looming dilemma faced by mankind, over 1.4 billion people worldwide are still without access to electricity almost all of whom live in the less developed and developing countries. Closer to

home in Malaysia, as at end of 2012, the percentage of the population with no access to electricity stands at 18 % and 13% for those living in Sarawak and Sabah, respectively. Steps are being undertaken by the Government to increase the rural electricity coverage in these two states under the 10th Malaysia Plan and the National Key Result Areas (NKRA) so as to reduce rural-urban inequalities in terms of basic infrastructure such as roads, electricity and water supply.

Ladies and Gentlemen,

10) The energy mix portfolio for Malaysia is currently dominated by fossil fuels where gas and coal accounts for about 96% of the total energy mix. This is not a sustainable situation because, despite having domestic resources, they are finite. Our natural gas is expected to last 39.4 years and oil only another 11.8 years and more than 90% of the coal used by the power plants is imported. We therefore need to redefine our future energy strategy and for that we need to adjust and adopt our lifestyle to promote a more sustainable means of living and reduce our carbon footprints. As parents, we need to inculcate such values to our children because the resources we are expending today is a forward debt our future generations will have to pay.

11) Against this backdrop, Malaysia is racing against time to address issues on energy security and autonomy. We need to strategize and provide stability to our country's economy by reducing dependency on foreign supply of primary fuels to ensure the country is not held at ransom on the price of the fuels we need to import. When we have achieved this, only then can our country's economy be resilient against severe energy price fluctuations as we had witnessed in 2008. The theme of this inaugural event organized by SEDA Malaysia cannot be timelier. Truly a country can only be empowered if there is a meaningful and widespread deployment on the use of sustainable energy solutions.

Ladies and Gentlemen,

12) Many countries around the world have started addressing energy security issue through the adoption of Renewable Energy and Energy Efficiency policies. Globally, renewable energy and energy efficiency have taken centre stage in the recent years. A recent report by United Nations Environment Programme (UNEP) unveiled that in terms of renewable energy, the total investment in renewables (excluding large hydro) last year had increased 17% to a record of US\$257 billion.

13) Another report by the Renewable Energy Policy Network for the 21st Century (REN21) showed that in the power sector, renewables accounted for almost half of the estimated 208 GW of electricity capacity added globally during the year 2011. By the end of 2011, total renewable power capacity worldwide exceeded 1,360 GW, reflecting an increase of 8% over 2010. Currently, renewables now account for more than 25% of total global power-generating capacity (estimated at 5,360 GW in 2011) and supplied an estimated 20.3% of global electricity.

14) This achievement is indeed very promising in the face of a very tumultuous year for many countries and this feat demonstrates the priorities that countries have given to sustainable energies in exchange for a more resilient economy and a greener future globally. The findings from these various reports affirm the direction undertaken by my Ministry in recent years.

15) Today, I am delighted to inform you that under the Feed-In Tariff (FiT) mechanism, renewable energy in Malaysia finally has a chance to grow in an assisted manner and will have a more promising future. As some of you may be aware, my Ministry had in April 2010 received approval from the Government to implement the strategies outlined in the National Renewable Energy and Action Plan. This resulted in the

passing of two important bills related to renewable energy development by the Parliament on 27th and 28th April last year. Today, I am proud to say that with the enforcement of both the Renewable Energy and Sustainable Energy Development Authority Acts 2011, Malaysia is set to reap the early fruits of our efforts.

Ladies and Gentlemen,

16) SEDA Malaysia was officially established on 1st September 2011 and the FiT mechanism was officially implemented on the 1st December 2011. As the Chairman of SEDA Malaysia had said in his speech on the achievements of SEDA Malaysia, my Ministry is pleased with the renewable energy (RE) targets achieved. With the FiT implementation, the growth of RE has made a commendable progress in the last 10 months period than it has seen in the past 10 years.

17) Apart from implementing the FiT mechanism, SEDA Malaysia has also been tasked by my Ministry to implement the Sustainability Achieved via Energy Efficiency (SAVE) programme, a part of the Entry Point Project (EPP) 9 under the Oil, Gas and Energy (OGE) National Key Economic Area (NKEA). We are all much aware that renewable energy and energy efficiency are the main building blocks of a

sustainable energy sector. Under this Programme, the Government has provided rebates for the purchase of 5 Star Energy efficient refrigerators and air conditioning units by individuals and efficient chiller replacements by commercial building owners.

18) With the implementation of this programme, the market share of 5-star energy efficient refrigerators and air conditioners has increased to 40% as opposed to an initial target of 25% and 26%, respectively, in the last 12 months. The rebates for the energy-efficient chillers have managed to capture more than 40% of the market share. I have been told many building owners are asking whether the Government will still continue with this Programme now that the allocation for rebates provided for the chillers is almost finished. I am delighted that the SAVE programme has achieved the KPIs set for my Ministry.

19) My Ministry is also now in the final stages of drafting the National Energy Efficiency Master Plan. With this Master Plan, we will have a holistic and comprehensive plan of the demand side management of the energy sector. I am hopeful that with the implementation of this Master Plan, we will be on a definitive trajectory to grow the sustainable energy sector in the country. The Honourable Minister of Energy, Green Technology and Water in his 2012 New Year message had put forth his

vision that energy efficiency is our 'sixth' fuel. Indeed, the energy that we do not consume is another source which we must seriously consider.

Ladies and Gentlemen,

20) I have also been made to understand that SEDA Malaysia in partnership with PEMANDU under the Strategic Reform Initiatives (SRIs) is offering training in Solar PV, hydro, biomass and biogas in collaboration with various local and international renowned institutions which possess the expertise in these respective fields. This is an important initiative as the development of human competency and skills is vital for the development of any industry, more so a new Renewable Energy industry.

21) Although SEDA has been in existence for nearly a year, it has to shoulder greater responsibility in mobilizing wider acceptance of renewable energy in the country. Renewable energy technologies, availability of renewable resources and a policy backed by the Government alone cannot guarantee the widespread renewable energy deployment. One of the key issue is for bankers to be more receptive to financing RE projects under the FiT mechanism. In this regard, I am delighted that a special session on financing is part of this event. We

have to work out a strategy on how to get the bankers and financiers to become more receptive towards RE projects financing. The Government has increased the Green Technology Financing Scheme Fund by another RM 2 billion under the recent budget 2013 announcement by the Right Honourable Prime Minister. Therefore, potential RE investors can continue to tap on this facility for their funding needs to develop their projects.

Ladies and Gentlemen,

22) I am pleased to announce that SEDA Malaysia is releasing 20MW of new Solar PV quotas for 2013. This is for installations less than 500kW. Applications can be made through their website starting from 17th December 2012. With that, a new degression has been set for Solar PV at a range between 8-15% with different degression percentage for different categories. Quota for installation larger than 500kW will be announced next year. More details can be found on SEDA Malaysia's website.

23) On this note, I would like to officially declare open the International Sustainable Energy Summit 2012. I wish everyone a fruitful and engaging session with the speakers and each other. I look forward to seeing you at the next ISES event.

Thank you.

Kementerian Tenaga, Teknologi Hijau dan Air Malaysia

7th November 2012.