

Food for Thought

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COMMENT ON BUDGET 2015

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Association of Water and Energy Research Malaysia (AWER) has detailed our comments on the Budget 2015.

1. Water Sector

It is good news that National Water Blueprint will be developed with various aspects being included. AWER applauds this move as many of our suggestions have been included in the development of the blueprint including of industry and agriculture sector that has been long neglected. We urge a thorough stakeholders' engagement to be carried out to ensure the Blueprint indeed give a holistic management solution of our precious water resources. We would also like to caution on the groundwater exploration suggested in the blueprint. Many projects identified for groundwater usage so far falls under the same basins where surface water is drawn. This simply means that extraction of groundwater will reduce the surface water availability. Furthermore, large scale groundwater extraction is linked to irreversible environmental damage. With longer dry season, condition of peat fire will also worsen if groundwater level drops due to groundwater extraction projects. Therefore, a detailed Research and Development as well as Detailed Environment Impact Assessments must be carried out before any decision is made. Factually, we have enough surface water but there is lack of effort in managing it. Groundwater extraction projects are not needed.

We applaud also the move to highlight Non-Revenue Water (NRW) reduction in the budget. Since 2011, it has been a challenging effort for AWER to highlight the importance of NRW reduction. The recent water crisis in Klang Valley has given a strong case in the need to keep NRW

levels low and make this treated water available for consumption. AWER will continue to monitor the NRW levels and performance by both Suruhanjaya Perkhidmatan Air Negera (SPAN) and water services industry (treatment and supply). AWER has set 20% NRW levels (national average) in year 2020 as Key Performance Index for SPAN and the water services industry.

Rural water supply is a good initiative that is annually carried out. Auditor General has highlighted many unsatisfactory projects in series of audit reports published. In view of this, there should be strict monitoring of rural water supply project implementation. Similar monitoring should be imposed for rural electrification projects as well.

2. Transportation Sector

Public transportation improvements in terms of increasing rail based services are important. Improvements in bus services in selected locations are also observed in the recent budget. We hope in the upcoming budgets, more emphasis in public transportation is given to ensure energy dependency from the transportation sector can be reduced substantially. AWER would also like to suggest performance based incentive or tax exemption to be given to bus operators that extend their services to non-profitable routes to ensure the outreach of public transportation is maximised from Arau, Perlis to Semporna, Sabah and until the end in Ulu Lachau, Sarawak.

Sg Besi - Ulu Klang Highway, West Coast Highway (Taiping - Banting), Damansara - Shah Alam Highway, Kuala Lumpur Outer Ring Road, MRT 2 (Selayang - Putrajaya) and LRT3 (Bandar Utama - Shah Alam - Klang) are projects that will be needing Detailed Environment Impact Assessment (DEIA). AWER urges Department of Environment (DOE) only process DEIA once a comprehensive Traffic Impact Assessment (TIA) is submitted. Absence of TIA may not be able to justify reduction in traffic flow as many previous highway projects and rail projects have failed to reduce traffic flow as well as carbon emission. As Federal Government has pledged to continue subsidy rationalisation, DEIA must take into consideration actual reduction in traffic flow as consumers should not be burdened with wastage of fuel to rampant traffic congestions. Penalty and cancelation of agreements (concession) should also be explored if such infrastructures failed achieve its targets. AWER would also like to caution Federal Government on Kuala Lumpur Outer Ring Road project as this project threatens 4 reserve forests. Once a forest is disturbed, it will give irreversible impacts including drop in its function as water catchment area.

3. Sustainable Mobility Fund

AWER has put forward our warning against "sustainability" claim by electric vehicles to Malaysian Green Technology Corporation in series of direct engagements. We shared our study findings, internationally carried studies and most importantly, by introducing electric vehicles, carbon intensity from transportation sector will definitely increase due to Malaysia's electricity generation mix. By just focusing on Global Warming Potential (carbon emission) parameter, it is undeniable that environmental impacts are high for battery production as well as during usage phase (electricity usage) of electric vehicles. If other environmental performance parameters such as ozone depletion, carcinogens, aquatic ecotoxicity, Terra ecotoxicity and aquatic acidification are considered, the electric vehicles will have higher environmental impacts compared to conventional vehicles. Therefore, AWER urges Federal Government to revisit its plans to introduce electric vehicles and detailed study must be carried out before embarking on such programme.

4. Goods and Services Tax (GST)

Imposing GST to electricity sector is not a wise move as there is a huge inefficiency cost in electricity tariff due to extension of retired power plants that are not efficient as well as gross failure of Energy Commission to carry out competitive bidding process. Is it fair to tax consumers when Ministry of Energy, Green Technology and Water (KeTTHA) and Energy Commission failed miserably to keep the electricity tariff equitable? Imposing GST only to domestic consumers whom use electricity more than 300kWh does not reduce GST cost impact to general population. Based on Tenaga Nasional Berhad's financial announcement, total electricity sales for Peninsular Malaysia in 2013 is RM 33.857 Billion. Using this data as a base calculation with prorated tariff increases and electricity demand increase, AWER projected estimated GST collection from electricity in Peninsular Malaysia alone in 2015 is RM 1.654 Billion and in 2016 is estimated to be RM 2.498 Billion. This additional cost will definitely be passed through to consumers via goods and services.

For example, the water services sector is already having difficulties in projecting their electricity related cost. This is due to failure of KeTTHA and Energy Commission to implement transparent tariff setting for electricity sector. Energy cost to operational expenditure can reach as high as 55% in water services sector. Now, the energy cost to operational expenditure of water services sector will definitely increase due to 6% GST is imposed to their electricity bill. Will water services sector be able to meet full cost recovery with such additional cost imposed in their electricity bills alone? Water and Energy are growth enablers for Malaysia. Therefore, AWER urges the Federal Government to reconsider the implementation of GST to electricity.

5. "Not Clear" Nuclear Energy Development

In 2013, KeTTHA was allocated budget for nuclear energy awareness programme. What was the outcome of this programme? Was it awareness for stakeholders or the ministry itself?

Besides this, Malaysia Nuclear Power Corporation has been in existence since 2011. Under nuclear energy programme, a total of RM 76.6 million worth project allocation has been made since 2011. In 2015 budget, the last chunk of the allocation totaling RM 14.7 million has been allocated. What has been the development? Where are the detailed reports or justifications? What detailed findings have been published? These are some of the core questions by AWER to relevant authorities before they embark on developing nuclear energy in Malaysia:

i. Short term, midterm and long term energy mix policy must be clearly defined and published for public knowledge. KeTTHA and Energy Commission have not shown ability to manage electricity generation planning so far. Are they ready to manage nuclear? Many developed nation project demand growth as far as 50 years, but in Malaysia, we are already having hick ups before 2020.

ii. Location of nuclear power plant must be disclosed from the beginning of planning. Public acceptance is a must in locating a nuclear power plant. Since there has been report that few locations have been identified, why is there a delay in disclosing the locations?

iii. Radioactive leakages, emergency response and reporting procedures must be made clear to public. Leakages and nuclear incidents

are unavoidable. Fukushima Daiichi incident went totally out of control. Many other incidents are continuously reported. Will our authorities be able to handle such scenarios? Where were our "nuclear energy experts" when Fukushima Daiichi incident took place?

iv. Decommissioning cost of nuclear power plant is always a concern for many nuclear energy generating countries. With stricter laws and regulations pertaining disposal of nuclear waste and related materials, there will be increase in decommissioning cost of a nuclear power plant. Are the future generation left to foot this bill?

v. Capable human capital to manage a nuclear energy facility is vital. Many reports have also indicated that the leakages or nuclear incidents are very much linked to human errors. Failure to have proper technical expertise means we are asking for trouble and creating a nuclear disaster in our own backyard. Nuclear science graduates alone would not be enough to manage the nuclear power plant. What is the human capital development plan in Malaysia?

vi. Nuclear waste (spent fuel) disposal is the mother of all issues related to nuclear. The cost and safety of the waste storage facility are main environmental concern. What is the projected cost and its impact to tariff? What about leakages from storage facilities due to natural forces? Does the government include such details in their planning?

vii. Cheap electricity from nuclear energy, is it a reality? Is it really economical to run a nuclear power plant in the long run? In addition to that, Malaysia is definitely not the technology owner. There has been total silence on this aspect.

We urge the relevant government agencies involved in planning for nuclear energy development be more transparent in the findings and carry out comprehensive stakeholder engagements.

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[GO BACK](#)

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