

# Food for Thought

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## **DIMMED ENERGY ISSUES IN 11TH MALAYSIA PLAN (11MP)**

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### **DIMMED ENERGY ISSUES IN 11TH MALAYSIA PLAN (11MP)**

This is the second part of the comment by Association of Water and Energy Research Malaysia (AWER) on 11MP. These comments are based on previous reports and suggestions published by AWER compared to information in 11MP (read together with Strategy Papers by EPU), 10th Malaysia Plan (10MP) and 9th Malaysia Plan (9MP).

#### **1. Rural Electrification**

It is important to note that after many years of rural electrification programmes, implementation failures in sustaining these programmes are being addressed in 11MP. We are glad that our suggestion on inclusion of rural community to be trained to operate and maintain the system is included in 11MP. Only through this, the operational life of off-grid systems can be optimised as well as create semi-skilled and skilled workers in rural communities.

#### **2. Green 'Washing' Growth and Carbon Emission**

In many platforms, AWER has stressed that environmental performance cannot be tagged to carbon emission or Green House Gasses (GHG) alone. There are many parameters that define environmental performance. There is a total lack of such evaluation mechanism mentioned in 11MP for green growth. Benchmarking environmental performance using rigid parameter will lead Malaysia to be a toxic nation which will cause

more expenditure to manage those wastes. In addition to that, the Sustainable Consumption and Production (SCP) mechanism did not include other environmental parameters as part of the indicators. Therefore, these plans and projects cannot be classified as part of sustainable development. Being green is not just in the colour. There are better solutions and technologies that can improve Malaysia's environmental performance. Who has misled the government on sustainable development initiatives? Low carbon is not equal to sustainable solution!

### **3. Integrated Public Transportation**

AWER stands firm that highest reduction in energy use by transportation sector is through integrated public transportation. The savings will increase further if this is coupled with public transportation vehicles (busses, LRT, MRT) that are efficient in energy usage. This will also lead to a huge drop in emissions from transportation sector. Connectivity is also another important point we have raised. Transit-Oriented Development (TOD) must ensure proper last mile connectivity with high frequency of public transportation. If last mile connectivity is low, private car usage will increase traffic congestion and increase energy use.

Energy Efficient Vehicles (EEV) that is being included under 11MP is another mechanism that was suggested by AWER to reduce energy use in transportation sector. We would also like to caution that there are attempts by vested interest groups to push Electric Vehicles as part of EEV. The total emission from Electric Vehicles is still higher than conventional vehicles. When Life Cycle Assessment (LCA) is used to evaluate Electric Vehicles, Electric Vehicles' environmental performance drops further. AWER urges the Federal Government to be mindful in selecting correct mechanism to increase national environmental performance.

### **4. Reducing Market Distortion and Introducing Third Party Access for Natural Gas**

Increasing piped gas price to reflect market pricing is identified as an important step to reduce market distortion of energy price. Ironically, what is the actual piped gas price? Does the price difference between piped gas and Liquefied Natural Gas (LNG) equate to cost of liquefaction, shipping and regasification of LNG? Has there been a transparent calculation reflecting international pricing mechanism? These issues must be addressed before a 'market price' for piped gas is reached. These are also the same issues that will determine if third party access will be successful.

### **5. Clean Fuel for Transportation Sector**

After many years of delay, fuel quality for transportation sector is finally in the right move. Last year, we have highlighted that the lower fuel quality also increases maintenance cost and causes higher emissions. We applaud the acceptance of our suggestion to increase fuel standard for petrol and diesel. On the B15 programme for diesel, have there been detailed studies done to ensure Malaysia does not end up in a food-fuel crisis similar to what had occurred in Brazil?

### **6. Feed-in-Tariff (FiT)**

Countries that started FiT have finally conceded that this mechanism is flawed. Prior to introduction of Sustainable Energy Development

Authority (SEDA) and Renewable Energy Act, AWER has warned the minister in charge of the possible FiT related problems in 2011. AWER is supportive of renewable energy (RE) development but FiT is like a drug. Reduce it or take it away, the RE industry will not grow. FiT is not the way to grow RE industry and many have got the mechanism wrong. Furthermore, RE Power Purchase Agreements (REPPA) are signed for 21 years. If Anti Profiteering Act is used to investigate the rates for FiT, for example Solar Photovoltaic (PV), we will find out that the profiteering rate is even higher compared to first generation Power Purchase Agreements (PPA). Development of biomass / biogas should be funded via a proper bidding process to ensure viability of projects as well as development of RE is not profiteering based. While some might claim that FiT for solar PV will be stopped in 2017, the damage has been done as the REPPA is signed for 21 years. RE should not be developed by robbing the poor to pay the rich!

## **7. Creating Sustainable Tariff Framework**

Generation cost is the largest cost component in electricity tariff. Based on the latest average tariff, 36.80% is fuel cost and 29.74% is capacity charges. Extending old power plants keeps the fuel cost component higher and causes higher emission. In addition to that, competitive bidding were not carried out after Track 3B bidding process with the reasoning that Energy Commission also uses Direct Negotiation and Restricted Bidding mechanism. Reading through 10th Malaysia Plan (10MP) and 11MP, there is no mention of Direct Negotiation and Restricted Bidding even in the footnote. Has Energy Commission misled the public, cabinet and Parliament? How sustainable tariff can be achieved if Energy Commission keeps breaking all the pledges in 10MP and already laid foundation in 2015 to break 11MP? Power plant construction delay, extension of old power plants, questionable power plant robustness, inability to foresee project delay and many more generation sector related issue will make Energy Commission the single entity that will cause serious energy security breach and high tariff cost. Will the Federal Government take action against the wrong doers?

## **8. Enhancing Demand Side Management (DSM)**

There are no proofs that SAVE programme during 10MP reduced emission. The SAVE programme was not a replacement programme for refrigerators and air conditioners. In fact, due to its gross failure, such mechanism was removed from the newly drafted National Energy Efficiency Action Plan (NEEAP). After continuous push by AWER, Minimum Energy Performance Standard (MEPS) and mandatory 5 stars rating labelling for selected electrical equipments was introduced in Malaysia. MEPS mechanism is further increased for more equipments in RMK11 and it is in line with our call to introduce MEPS for a wider range of products. Usage of ISO 50001 Energy Management certification is very redundant with ISO 14001. In fact, under the ISO 14000 series, usage of Life Cycle Assessment (LCA) gives a better output for any industry to move to sustainable manufacturing. LCA should be right way forward. Inclusion of building efficiency, thermal efficiency and energy use in transportation sector in DSM is in line with our call for holistic demand side management. However, the DSM master plan must be developed with inclusion of all stakeholders and not the "yes boss" entities and vested interest groups only.

## **9. Realigning Public Sector institutions and Reducing Overlapping Roles**

For energy and green technology sector, SEDA and Yayasan Hijau can be closed down by 2015. SEDA's functions can be carried out by Energy Commission. Meanwhile, Yayasan Hijau's function can be carried out by GreenTech Corporation Malaysia. SEDA was mooted due to office politics and not real national policy need. RE Act was prepared way before 2011 by Pusat Tenaga Malaysia (now GreenTech Corporation Malaysia). It is sad to note that the cabinet and parliament has been taken for a ride by individuals who pushed for SEDA's formation. Now, since there is an exit policy within 11MP, these officers should be booted out of the government service. Yayasan Hijau is basically doing some of the work that was previously done by GreenTech Corporation Malaysia. We urge the Federal Government to lead by example to close down these two redundant agencies under Ministry of Energy, Green Technology and Water.

## CONCLUSION

Energy Commission poses serious risk in energy security for Malaysia in moving forward to be a developed nation. We can foresee a systemic energy crisis due to gross incompetency in Energy Commission flip-flopping all the way to 2020. The Federal Government needs to address the core problems in Energy Commission including incompetency of its human capital.

In addition to that, it is vital that government review many energy related plans, master plans, and action plans that was carried out during 9th and 10th Malaysia Plans. Allocations must not be wasted on hiring consultants that produces reports and plans with no real outcome which serve vested interest groups only. Therefore, DSM master plan must be transparent and inclusive of real stakeholders compared to 'yes boss' entities and vested interest groups.

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