

Cheaper option for energy demand management: Energy Efficiency

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Kuala Lumpur, May 10 - According to BP 2030 Energy Outlook, world primary energy use is projected to grow by an annual average of 1.7% from year 2010 to year 2030. In Malaysia, based on statistics provided in National Energy Balance 2008, Malaysia records an annual average primary energy use increase by 6.1% between year 2000 and 2008. This figure is close to average GDP increase in the same period which is 6.0%.

The energy demand increase is not only closely linked to GDP but also to population increase. This only proves that Malaysia's energy demand will be increasing above projected world average primary energy usage. Then, what is the immediate solution to tackle this soaring energy demand?

Cheaper and faster option for energy demand management is always energy efficiency. However, why Malaysia does not embark on this immediately?

Firstly, the subsidies are distorting actual energy price. One immediate observation is that shorter gas cylinders in restaurants are actually subsidised gas supply for domestic purposes only. But, we always see commercial entities like restaurant using it in large quantities. According to a report by UK Foreign Office, South East Asia Economy and Climate Change Team, it cited that only 29% of subsidy goes to poor people in Malaysia.

Secondly, special industry tariff that allows industrial customers to pay lower tariff if their total annual electricity cost is 5% or more of the total annual operation cost. This has made it to be cheaper to waste based on this policy. Just like domestic customers' that needs to pay higher tariff if they are using more electricity, all level of electricity users should be subjected to the similar punitive tariff system. There should not be special treatment.

According to a study by ReEx Capital Asia, total investment potential in energy efficiency for industrial and commercial sectors in Malaysia is USD 1.437 Billion. The savings potential in both the sectors are USD 247 Million. This is hampered by slower payback period in Malaysia due to subsidies and other forms of financial arrangements that do not promote energy efficiency.

As for domestic sector, the savings are always huge in terms of monthly electricity bills as well as reduction in carbon emission. The initial investment in purchasing energy efficient product is slightly high but the operational cost is way lower in long run. In actual fact, domestic consumers get the benefit faster.

AWER urges the government to have a transparent 'fuel cost pass through mechanism' and tariff setting process to assist Malaysia to be energy efficient. This also means that public involvement in tariff setting process becomes a vital point to consider. This will assist Malaysia to achieve an equitable electricity tariff and maintaining growth momentum.

Such clear direction and policy will also assist investors to have confidence as well as better understanding on how our electricity is priced. This is important as it will enable industries to evaluate Malaysia as a growth and investment hub. Similarly, the rakyat will also have better understanding and will carry out their responsibility diligently.

It takes small steps to reach energy efficiency goal, let us begin here.

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