

OPEN LETTER

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15 JULY 2012

To,
YAB DATO' SRI MOHD NAJIB BIN TUN HAJI ABDUL RAZAK
Prime Minister
Office of The Prime Minister,
Main Block, Perdana Putra Building,
Federal Government Administrative Centre,
62502 Putrajaya

Dear YAB Dato' Sri,

INDEPENDENT INVESTIGATION ON SUSTAINABLE ENERGY DEVELOPMENT AUTHORITY (SEDA)

The above matter is referred.

Association of Water and Energy Research Malaysia (AWER) has numerous times raised various issues related to Renewable Energy (RE) development and methods used in Malaysia. Increasing flaws and whitewashing as well as recently highlighted Feed-in-Tariff (FiT) alleged mismanagement is creating a lot of uncertainty in the Green Technology agenda that is carried out by the Federal Government and pledged by YAB Dato' Sri.

YAB Dato' Sri, we would like to highlight few issues related to SEDA that needs Cabinet's interference:

- (i) *Feed-in-Tariff* (FiT) mechanism was adopted (not indigenously developed) by Ministry of Energy, Green Technology and Water (KeTTHA) for implementation of Renewable Energy projects. 25% of domestic consumers as well as other category of consumers from institutional, commercial, industry, etc. in Peninsular Malaysia contribute to the FiT. The FiT cost to businesses is directly passed through to the public via cost of services and products. Eventually, all the FiT cost will be paid by the public and this is a well known economic fact around the world.

- (ii) Till date, FiT unit cost setting formula is not made known. How KeTTHA and its consultants came up with the cost per unit kiloWatt-hour (kWh) that is being offered? There is no transparency. Was there a calculation to determine Capital Expenditure (capex), Operational Expenditure (opex), Regulated Profit and Efficiency Perks? The FiT is funded by the people and people must be made known of the mechanism and the details of the calculation. In fact, a consultant which was part of this FiT mechanism development labelled SEDA as Robin Hood in reverse (stealing for the poor and giving it to the rich) and sent a lengthy email complaining this to AWER as KeTTHA failed to make improvements.

- (iii) RE implementation via FiT mechanism is still questionable. The current model does not guarantee a sustainable and continuous growth of RE industry. The pictures painted to media and public is total opposite of the reality. What happens after the 'lucrative years'? Will the investors continue to invest? It is evident that RE growth must be purely indigenous with affordable capex and opex. The technology requirement is also another prerequisite. The current model is just looking at lucrative rates and many models used in overseas have proven to be not sustainable to maintain the industry growth in long term. Cost projections and raw material availability also shows sharp differences. For examples:
 - a. Palm oil biomass - the fibre from palm oil can be converted to be paper based packaging. Therefore, this RE development will face competition from paper and pulp industry due to fast economic return and better environmental recognition for paper based packaging. Furthermore, paper can be recycled again and has a longer lifespan. We must also remember that money and recognition come first for businesses.
 - b. Solar Photovoltaic (PV) - solar panels and other parts such as inverters and batteries do need raw materials. A sudden shift to solar PV will cause spike in raw materials' cost. Natural gas and coal are good examples for immediate reference.

- (iv) Recently, solar PV FiT oligopoly (a type of monopoly) was raised by members of parliament in the media relating to certain individuals. FiT cannot and must not be misused for monopoly practises. SEDA (including board members and staffs) cannot simply point the finger to a dead object like a computer system for such a flaw or hail it as 'transparent' mechanism. A computer can only be a control mechanism as human still control its inputs and outputs. Action must be taken to prevent such profit raking from people's money that is contributed to the FiT.

- (v) With a relatively smaller Gross Domestic Product (GDP) and population, it is unwise and non-strategic for Malaysia to form a redundant agency like SEDA while there is an '**inside story**' for this and KeTTHA knows it well. SEDA's duties can be easily carried out by Energy Commission or even Green Technology Corporation. This solution was also raised to KeTTHA before the SEDA and Renewable Energy bills were passed in Parliament but it fell on deaf ears. Our report on electricity industry entitled, 'Survival: The Future of Our National Electricity Industry' published in June 2011 also highlighted the need for unified agency for energy which is Energy Commission for economy such as Malaysia.
- (vi) Based on media reports, SEDA is also seeking research and development (R&D) allocations. Since SEDA is already a redundant and duplicating agency, SEDA should not be allowed to repeat what Ministry of Science, Technology and Innovation (MOSTI) is implementing. Because, it will be a total waste of tax payers' money. MOSTI should be continuing its work on R & D related to RE.
- (vii) AWER has also raised numerous times to KeTTHA that SEDA, a redundant agency, must not be carrying out Energy Efficiency (EE) works. In fact, SEDA does not have any jurisdiction on EE. SEDA is already scarred with deliverables such as using failure model for RE development, failure in SAVE Rebate Programme (illegally carried out as SEDA does not have any jurisdiction on EE) and the currently alleged solar PV issue. Energy Efficiency implementation must be carried out by Energy Commission as they are empowered by Energy Commission Act and Electricity Supply Act. SEDA is yet to deliver any results except few glaring failures as mentioned above.

AWER urges YAB Dato' Sri to **form an independent panel to investigate all the matters above**. The panel must also **study the implementation of Renewable Energy Act 2011 directly under Energy Commission to prevent redundancy and wastage of operational funds**. **Section 14 of the Energy Commission Act 2001 clearly stipulate the jurisdiction to develop RE is under Energy Commission**. This means also **SEDA Act 2011 must be repealed due to its gross redundancy**. It is important to build a growing RE industry and the current model will fail miserably as it is not sustainable and Malaysia is not the technology owner at all. The investigation report must be made available for all as well.

AWER has also raised these issues to KeTTHA numerous times and again, all of our concerns and suggestions fell on deaf ears. We need a solid, sustainable and

economically viable model to develop sustainable RE industry but FiT does not guarantee that. If Malaysia truly aspires to have a Green Growth, we need to revamp our plans and implementations based on science and our ability. It is noble to acknowledge and correct a mistake compare to leaving it to grow to be a disaster.

We appreciate the time and consideration spent by YAB Dato' Sri on us and we hope that the Federal Government will protect public's interest as echoed in '1 Malaysia: People First, Performance Now' and consider the suggestion given by AWER strongly.

Thank you.

Yours Sincerely,

PIARAPAKARAN S.
President