

Power purchase agreement for Bakun 'reasonable': Najib
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The controversy-ridden Bakun dam project will produce energy at a “reasonable and competitive” rate based on a recently-signed power purchase agreement (PPA) between the federal and Sarawak state governments, said Prime Minister Najib Abdul Razak.

The PPA, signed today between Sarawak Hidro Sdn Bhd - owned by the federal Finance Ministry - and state-owned Sarawak Energy Berhad, sets the base tariff at 6.25 sen per kilowatt-hour (kWh) with an annual tariff hike of 1.5 percent.

However, critics have argued that the rate is too low as the government may not be able to recoup the RM7.4 billion which have gone into the project over 18 years.

bakun dam and electricity electricNajib nevertheless believes the rate is attractive for investors to pump in funds into Malaysia, particularly in the Sarawak Corridor of Renewable Energy (Score) project.

“This (PPA) will become the backbone of the Score project, which is a major transformation plan (to turn) Sarawak into a developed state and a catalyst for rural development by exploiting energy sourced from central Sarawak (and) spur industrial development,” he said at the agreement signing ceremony.

The signing of the PPA came as a surprise after both the federal and Sarawak state governments announced plans for the state to buy over the dam project.

Sarawak Chief Minister Abdul Taib Mahmud revealed in September last year that they had put down a RM6 billion initial bid for the project, with the option of raising the bid if the federal government could agree to a flexible payment package.

Negotiations over the state's planned buy-over however appeared to have rattled both sides, with Najib himself indicating that neither side could agree to a price, among other unspecified issues.

Taib, when door-stopped after the PPA signing, nevertheless looked quite happy with the eventual outcome despite his government's failed attempt to take over the dam.

PPA means income for state

Asked about the state-imposed water levy on the operator of the 2,400 megawatt (MW) capacity Bakun dam, the long-serving chief minister noted that it would work out into sizeable annual revenue for the state.

“We should get around 100-plus million (ringgit) from it every year,” he told journalists, without going into details.

Sarawak Energy Berhad chairperson Ahmad Sapawi later explained that while the state will pay Sarawak Hidro 6.25 sen for each kWh of power generated, Sarawak Hidro likewise will have to pay the state a 1 sen water levy for each kWh of power produced.

Taib noted that this deal will become a catalyst to spur the state government's plans to build a series of dams across the vast state, with the objective of generating 20,000MW of power 20 years from now.

It is understood that Taib was referring to a plan announced by the state government in 2008 to build a total of 12 dams statewide to attract energy-intensive heavy industries to set up shop in Sarawak, and also potentially export surplus power to peninsula Malaysia and Indonesia.

Currently, the state has a deal with four companies under Score that will lock up 1,300MW out of the 2,400MW Bakun is expected to produce when all eight of its turbines are operational in 2013.

Taib pointed out that the state is looking not just at the dam but also the larger context of Score in calculating their energy needs.

“We will concentrate on energy-intensive industries, heavy industries that will attract more smelter plants, manganese-based and poly-silicon based industries, and other smaller downstream industries... and the spillover will be better,” he said.

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