

Tenaga: 1MDB power project stake buy 'not a bailout'

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By Reuters

Malaysia's national utility firm Tenaga Nasional Bhd (TNB) defended a move to buy 1MDB's entire stake in a planned 2,000MW coal-fired power project, saying it was "not a bailout" of the debt-laden state fund.

"Based on financial analysis, the project is expected to have a positive impact on the earnings of TNB. It is not a bailout of 1MDB," TNB chief executive officer Azman Mohd said in a press statement.

Shares of TNB, which counts state investor Khazanah Nasional as a major shareholder, lost as much as 6.5 percent yesterday after a minister said the government had approved the takeover. They were up 1.1 percent at the midday break today.

Azman said TNB will not pay a premium for 1MDB's 70 percent stake in the project, called 3B, and its evaluation will consider the cost of the project's delay and higher foreign exchange rates. He did not comment on the pricing of the stake purchase.

"The acquisition will bring positive value to TNB in the long-run," he said.

TNB said it had been offered a tariff rate not exceeding 26.67 sen (US\$0.0725) per kilowatt-hour (kWh).

Japan's Mitsui & Co will retain its 30 percent stake in the project, that has been estimated to cost US\$3.6 billion to build.

1MDB, whose board of advisers is chaired by Malaysian Prime Minister Najib Abdul Razak, has some 15 power and desalination plants in five countries. Its crown jewel is project 3B that it and Mitsui won the rights to build in February 2014, though 1MDB's liquidity problems have put its ability to build the plant in question.

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