

Too small for 1MDB?

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Tiger is a big fan of the sun, spending most of its mornings languishing in the morning sunlight. Recent news of 1MDB's foray into solar power however, has sent Tiger running for the shade to scratch its head for a bit, ponder the recent developments (and have a bit of a laugh).

Tiger is no stranger to 1Malaysia Development Bhd (1MDB)'s misdirected efforts, having previously roared about the entity's overpriced purchases of power assets and money it has 'stuck' in the Cayman Islands, among other things. It's no surprise then that its latest reported foray into the solar energy space has Tiger swishing its tail in frustration.

Last week, media reports surfaced of a 'mega' solar power plant project initiated by 1MDB, with a tariff rate of between 40 sen to 46 sen per kWh. The plan under the project, according to media reports, is for a 50MW solar farm to be built in Kedah, reportedly the largest in the country and the result of direct negotiation with the government.

1MDB has yet to confirm these reports. However the very idea of this solar farm project has Tiger up in arms. What is 1MDB doing with a mere 50MW solar farm project, when there are potentially bigger fish to fry? And why has no one questioned why it is moving into such a small-scale solar energy project when solar is not even part of its initial strategy?

To recap, 1MDB is supposed to play a strategic role in growing the Malaysian economy via global partnerships and promoting foreign direct investment, which only goes to show that its solar farm project is way off the grid (pun intended).

Let's examine just how big 1MDB is. It has already borrowed some RM30 billion in loans and in the process mispriced its bonds by as much as RM4 billion. Forgive Tiger if it passes up on the "well done!".

As for the earlier-mentioned Caymans debacle, it has RM7 billion stuck in the Cayman Islands. The RM7 billion was the sum it got back after a series of convoluted deals, which stemmed from the first investment it made, namely a joint venture with PetroSaudi of about RM6 billion.

1MDB also acquired over RM10 billion in power assets at inflated prices, which include the power assets of Tanjong, Jimah and Genting. Moreover, it is going into property development from cheaply acquired government land at a time when Bank Negara is trying to cool down the overheated property sector a bit.

So what is 1MDB doing with a mere 50MW solar farm project when its mandate is to forge global partnerships? Recently it bid for and obtained an RM11 billion, 2,000MW coal-fired project which is 40 times the generation capacity of the Kedah solar farm project.

It doesn't make sense, considering that national power producer Tenaga Nasional Bhd (TNB) and others, who have long been championing solar power, are not involved in this project.

In other words, 1MDB's solar farm initiative is encroaching upon TNB's space. (Note: TNB's wholly-owned subsidiary TNB Energy Services Sdn Bhd has been championing renewable energy, especially solar power, for years now).

1MDB's foray into solar power will only crowd out TNB and other, smaller solar power players. Should 1MDB even go into solar power, considering that the cost of renewable energy projects is still far higher than that of conventional power projects?

Does 1MDB even have the track record and in-house expertise needed to run solar power projects? Or is it going to simply acquire small solar energy players at exorbitant prices, as it did with its power assets? Either way, 1MDB is playing in a game it doesn't truly belong in, showing its embarrassing lack of strategy yet again.

GRRRRR!

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