

**Breaking the rules for 1MDB**  
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**Tiger is more than a little disturbed by the fact that the sale of Edra Global's power assets to a foreign entity went through. She thinks that this is just another instance of the powers-that-be breaking the rules to save 1MDB. To what lengths will they go to rescue the debt-ridden fund?**

Tigers are often calm creatures. It isn't often that we let our fur get mussed or hackles raised, however, some humans or events involving futility or stupidity often surprise us, causing us to launch attacks on these so-called unsuspecting humans.

Sometimes humans also annoy us by blatantly playing favourites, which we Tigers cannot and will not condone. Tiger is talking about no other than the government playing favourites by allowing the sale of its beloved strategic fund's power assets to a China state-owned entity, the first sale of its kind in the history of this nation's power sector. This, despite there being existing rules that cap foreign shareholding in power plants at 49%.

To recap, yesterday the RM9.83 billion sale of 1Malaysia Development Bhd's (1MDB) power assets (parked under Edra Global) to China General Nuclear Power Corp (CGN Group) had caused a stir because it was viewed as the government permitting other independent power producers (IPPs) to "sell out" to foreign investors.

The sale to CGN is expected to be completed in February 2016. In a statement yesterday evening, CGN Group said it "welcomes Malaysian investors into Edra at the opportune time and does not rule out a possible listing of Edra in the medium term". It also said that the total transacted value of the assets are RM17 billion.

However, Energy, Green Technology and Water Minister Maximus Ongkili said in Parliament yesterday that the deal was not a precedent for other foreign players to come in and purchase power generation assets in Malaysia.

According to media reports, he said this in reply to a question on the matter by PAS Pokok Sena member of parliament Mahfuz Omar. Ongkili reportedly said that the ministry took note of the concern but that it would not make it a precedent and that all future transactions would be vetted by the Energy Commission (EC). "We will

control it through licences or other mechanism so it will not affect national security,” he reportedly said.

According to the report, Ongkili noted that Edra’s power assets contributed only 14% to the nation’s total electricity generation capacity, while 50% is still held by Tenaga Nasional Bhd (TNB) and Malakoff Corp Bhd owns 24%.

What Tiger finds interesting is that the government keeps trying to rescue 1MDB and this latest sale to CGN Group is no exception. She wonders though, what of the existing power purchase agreements (PPAs) affecting the five operating power plants in Malaysia under the list of assets sold? (Below is a list of the power plants sold by 1MDB, along with the details of their PPAs).

#### 1MDB power assets

Name of power station	Location	PPA expiry	Effective stake (%)	Gross generation capacity (MW)
Jimah Energy Ventures	Negeri Sembilan	2033	75	1,400
Teluk Gong 2	Malacca	2023	100	720
Kuala Langat	Selangor	2026	75	762
Telok Gong 1	Malacca	2016	100	440
Tanjung Kling	Malacca	2020	100	330
Port Said East	Port Said, Egypt	2023	100	682.5
Suez Gulf	Suez, Egypt	2023	100	682.5
Sidi Krir 3 & 4	Alexandria, Egypt	2022	55	682.5
Meghnaghat	Narayanganj, Bangladesh	2024	55	450
Haripur	Narayanganj, Bangladesh	2023	55	360
NEPC	Narayanganj, Bangladesh	2015	55	110
Fauji Kabirwala	Kabirwala, Pakistan	2029	23.1	157
Taweelah B Power and Water Complex	Abdu Dhabi, UAE	2028	10	2,000MW/160MIGD

Source: 1MDB, various

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It is understood that in the existing PPAs of Tenaga Nasional with some local IPPs, the 49% cap on foreign shareholding applies. This means that theoretically, the power plants under Edra Global (which owns 1MDB’s power plants in Malaysia), should not be sold to foreign shareholders. Unless of course, the typically iron-clad PPAs are amended so that the sale to CGN Group could take place.

Whichever way you look at it, there’s no avoiding the fact that the government broke the rules to save their precious self-styled strategic investment fund. Sure, the minister himself has given assurance that the sale will not jeopardise national security or set a precedent, but he only said that the EC would vet future

transactions. He did not say the ministry or the EC expressly forbade future sale of power assets in Malaysia. So whether Tigers or other concerned Malaysians like it or not, a precedent has been set by the sale of 1MDB's power assets to CGN.

Tiger thinks it is laughable that Deputy Finance Minister Johari Abdul Ghani said today that 1MDB is confident that it can resolve its debt and cash flow issues without help from the government. The very fact that the foreign equity shareholding cap was changed to allow the 1MDB power assets sale to go through proves otherwise.

1MDB had said that its rationalisation plan includes debt-for-assets exchange with International Petroleum Investment Co, the sale of equity in Edra Energy and Bandar Malaysia, the sale of land in Tun Razak Exchange and disposal of non-core assets.

It remains to be seen if 1MDB will face similar success with selling equity with Bandar Malaysia. However, it is clear to Tiger that the deal with CGN Group never should have happened and did, with government intervention.

This only goes to drive home the point that governments should not amend their policies to save their own vehicles however dire the situation. It's a dangerous precedent to set and one that should not be repeated for the nation's sake.

GRRRRR!!!

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