



**Malaysian Iron & Steel Industry Federation**

Co. Reg. No. 76350P GST Reg. No. 001781899264

## **PRESS STATEMENT**

### **MISIF Urges Competitive Energy Costs Amid Proposed Electricity Tariff Increase**

On the 26 December 2024, Tenaga Nasional Berhad (TNB) announced a proposed 14.2% increase in the electricity base tariff, raising it from 39.95 sen per kilowatt-hour (kWh) to 45.62 sen/kWh, effective from 1 July 1 2025, under Regulatory Period 4 (RP4) for 2025–2027. While the Malaysian Iron and Steel Industry Federation (MISIF) acknowledges the government's decision to freeze the tariff for the first half of 2025, we are deeply concerned by the planned increase in the base tariff later in the year. This decision comes despite repeated calls from the industry for more competitive electricity pricing, given the severe challenges faced by the sector and its ongoing efforts to decarbonize.

The iron and steel industry has been grappling with substantial losses amounting to billions of Ringgit over the past three years. These losses are driven by the influx of cheap imports, rising raw material costs, stringent environmental regulations, and the lingering effects of the sharp increases in electricity and natural gas tariffs that took effect on 1 January 2023.

Steelmaking and rolling processes are energy-intensive, with up to 650 kWh of electricity required to produce just one tonne of steel. As the industry moves toward decarbonization, electricity will play a critical role in transitioning to more sustainable steelmaking practices, which align with Malaysia's target of achieving net-zero emissions by 2050. This transition is expected to significantly increase the country's electricity demand. Any further increases in electricity tariffs will place additional strain on the industry, where energy costs are the second-largest expense after raw materials. Higher electricity prices will erode the competitiveness of local producers, further inflating production costs, which will ultimately be passed on to consumers.

MISIF strongly urges the government to adopt greater transparency in itemizing and justifying the components that determine the **base tariff**, to prevent excessive benefits to the sole utility supplier.

Besides the electricity base tariff, MISIF seek for clarity on the **Imbalance Cost Pass-Through (ICPT)** mechanism. While MISIF recognize that the ICPT mechanism is reviewed every six months and is primarily driven by fluctuations in generation costs, which are linked to energy prices. However, upon reviewing the data on the Suruhanjaya Tenaga (ST) website, MISIF had identified discrepancies between the applicable coal prices published by ST and the ICPT adjustments reflected in recent surcharges. The reduction in ICPT charges did not drop in tandem with the significant drop in natural gas and applicable coal prices as published by ST. It is crucial that ICPT adjustments accurately reflect the natural gas and actual applicable coal price trends to maintain transparency, fairness, and consistency with regulatory standards, while safeguarding the interests of all stakeholders.

MISIF remains committed to supporting Malaysia's **decarbonization** goals. However, the industry requires a gradual and balanced approach, as the technologies needed to replace carbon-intensive processes, such as hydrogen-based steelmaking, are still in the early stages of development and remain cost-prohibitive. Until these technologies become commercially viable, the affordability of energy will remain a critical factor in the industry's ability to innovate, invest, and transition to more sustainable practices.



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MISIF appreciates the relevant stakeholders to engage in constructive dialogue with the iron and steel industry to ensure that future electricity tariff structures strike a fair balance between national energy objectives and the needs of industry. A collaborative approach will not only strengthen Malaysia's economic resilience but also position the iron and steel industry as a global leader in sustainable steel production.

**Statement by:** **Malaysian Iron and Steel Industry Federation**  
(马来西亚钢铁工业联合会)  
**28E & 30E, 5<sup>th</sup> Floor, Block 2,**  
**Worldwide Business Park**  
**Jalan Tinju 13/50, Section 13,**  
**40675 Shah Alam, Selangor, MALAYSIA**  
**Tel: 603-5513 3970 Fax: 603-5513 3891**  
**Email: [enquiry@misif.org.my](mailto:enquiry@misif.org.my)**  
**Homepage: [www.misif.org.my](http://www.misif.org.my)**

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