

SP Group steps up regional 'green' game

National utility is pinning its hopes on sustainable energy solutions division set up less than a year ago; it is undeterred by pandemic-led fall in energy demand

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SINGAPORE's national utility SP Group expects to post a 5-10 per cent decline from the S\$1 billion it earned in net profit after tax (NPAT) last year owing to widespread shutdowns to combat the Covid-19 pandemic that hurt demand from energy-guzzling businesses, said its head honcho.

"For big businesses, the drop in their (electricity) demand was the biggest in the history of the company (in terms of volume). Demand from this segment has always been there – worst case, maybe it has risen by half a per cent in the past," said SP's group chief executive Stanley Huang in an interview with *The Business Times*.

Mr Huang, who was the utility company's chief financial officer since 2015, took over the reins of Singapore's utility giant in July from Wong Kim Yin, who was tapped for the top job at another Temasek Holdings-linked firm, Sembcorp Industries.

According to data from the Energy Market Authority (EMA), overall electricity demand in May plunged 11 per cent from a year ago as a result of the enhanced "circuit breaker" measures. Businesses and households make up 85 per cent and 15 per cent respect-



Mr Huang says: "SP is not just a power grid company. This (green solutions) is what we want to do. We want to help create a low-carbon smart energy Singapore and then export the solution overseas and become a regional champion." BT PHOTO: GIN TAY

ively of the proportion of total electricity consumption in the city-state.

Notwithstanding the drop in demand, Mr Huang said the profit impact won't be material, partly due to some cost savings as a lot of activities were held back by the shutdown. In the bigger scheme of things, the expected decline in the bottom line is in line with the group's annual profit variance of between 3 and 9 per cent in recent years.

SP Group has made an average NPAT of S\$980.5 million over the past five years. For the financial year ended March 2020, NPAT rose nearly 4 per cent to S\$1.02 billion while the firm's asset base stood at S\$20 billion – up S\$425 million – from a year ago. The utility group reported a revenue of S\$4.2 billion, 4 per cent lower than the previous year.

A bulk or 80 per cent of bottomline

is driven by the traditional "bread-and-butter" business – operating the national grid and providing market services such as billing and meter reading for 1.6 million households and businesses here. The overseas segment, chiefly Down Under where SP owns stakes in firms which distribute electricity and gas in New South Wales, Queensland, Victoria and the Australian Capital Territory, accounted for 20 per cent of profit, according to Mr Huang.

The utility giant has now set its heart on becoming a regional power player by expanding its low-carbon, smart energy agenda at its home base and abroad. "Currently, our overseas portfolio is less than 5 per cent of our business. Ten years from now, while the Singapore market should still be a major component, it should be around 50-60 per cent," he said. SP's regional hopes, for now, involve Australia and China, where it already has a presence, and Vietnam and Indonesia.

In Singapore, SP has been operating the world's largest underground cooling network in Marina Bay since 2006 and has invested around S\$250 million in the plant. According to Mr Huang, the buildings in the area save up to 40 per cent of energy needs. Indeed, cooling is one of the fastest

growing uses of electricity. In the city-state, air-conditioning makes up half of a commercial building's energy consumption. But apart from commercial buildings, the utility is eyeing green-field projects in HDBs and campuses too; it already provides centralised cooling to some 100 blocks in Singapore's Tengah housing estate.

SP is pinning its hopes on its sustainable energy solutions division that was set up less than a year ago to raise its green game. Mr Huang remarked: "Our intent is to grow this third pillar of our business by 10 times in 10 years."

Steady steps have already been made. Staff strength under this unit has grown from 50 to 200, albeit a far cry from its labour-intensive core business of grid operations and market services which employ over 3,000.

Unsurprisingly, China – the world's leader in sustainable investment – is at the front and centre of its overseas goals. On Monday, SP inked an agreement with Sino-Singapore Guangzhou Knowledge City Investment and Development Co (GKC) – a joint venture between CapitaLand and the Guangzhou Development District Administrative Committee – to develop district cooling, heating and integrated energy solutions.

This marks SP's second foray in China, the first one being Raffles City in Chongqing where SP has been operating a cooling and heating system since September 2019 which has cut energy consumption by 40 per cent.

In Vietnam, SP is hoping to be a first mover and has set up an office in Ho Chi Minh City to court sustainable energy solutions projects.

Mr Huang remarked: "We finally nailed it down. SP is not just a power grid company. This (green solutions) is what we want to do. We want to help create a low-carbon smart energy Singapore and then export the solution overseas and become a regional champion."

On Singapore's Open Electricity Market (OEM), Mr Huang said one of two households have switched out of SP – the incumbent – to one of the 12 electricity retailers and reckoned that the switch rates are unlikely to swing by much from current levels. "That's my best guess," he added. Based on EMA data, as at March this year, the switch rate stood at 46 per cent.

As for SP's wholesale electricity price (WEP) product, because the utility had not marketed the plan which offers to power up households at attractive rates, he said the awareness was "quite low" and that it has drawn "very little traction" apart from the group's employees.