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Penang signs landmark 40-year water deal with Perak, paying RM210m annually to secure future supply



GEORGE TOWN, July 15 — Penang will pay an annual capacity charge of RM210 million under a landmark agreement to purchase treated water from Perak after signing a Bulk Water Supply Agreement (BWSA) today with Perak.

Penang Water Supply Corporation (PBAPP) signed the agreement with Prasarana Air dan Irigasi Perak Sdn Bhd (PAIP Perak) today.

Penang Chief Minister Chow Kon Yeow said the agreement is expected to guarantee water supply sufficiency for Penang from 2032 to 2072.

“The execution of this Perak-Penang Water Project (P-PWP) BWSA agreement with PAIP Perak is subject to several conditions,” he said in a statement issued today. Among the conditions included regulatory approvals and endorsement from the National Water Services Commission (SPAN) and approval from PBA Holdings Bhd shareholders.

“Perak is willing to sell 300 to 500 MLD of treated water to PBAPP,” he said. So, he said Perak has to build, operate and manage a new 500 MLD water treatment plant to supply the water.

“The projected total capital expenditure (CAPEX) for the dedicated P-PWP infrastructure in Perak is RM8.4 billion,” he said.

Chow, who is also PBAPP and PBA Holdings chairman, said PBAPP will not have to invest in CAPEX for the development of the P-PWP water supply infrastructure in Perak. It as it will be borne by PAIP Perak.

“PBAPP will not incur any raw water fees or land acquisition costs or incur any operational expenditure (OPEX) to employ personnel, operate, maintain or manage the P-PWP infrastructure in Perak,” he said.

As for the annual capacity charge of RM210 million a year, he said it will gradually amortise and justify the RM8.4 billion investment to build, operate and maintain the P-PWP infrastructure in Perak.

Penang will also pay a treated water charge of RM1.70 per m³ (1,000 litres) subject to review every three years and for 300 MLD in 2032 subject to upscaling of the Minimum Quantity Commitment (300MLD) with six months’ notice period.

Chow said Penang needed the P-PWP as Penang is a small state with no major in-state raw water resources left to tap for the 2030s.

“In 2025, Penang’s water consumption was 865 million litres per day (MLD),” he said.

He said Penang’s water consumption is projected to be 1,162 MLD or more by 2032, due to various factory expansion and property development projects that are already in the pipeline.

He said the P-PWP agreement allows Penang to tap a second major water resource for the future.

“It is the most significant water agreement in Penang’s water supply history since the commissioning of the Muda River Water Scheme in 1973, about 53 years ago,” he said.

While the P-PWP does not replace Sungai Muda in Seberang Perai Utara (SPU) as

Penang’s primary raw water resource, he said it will deliver more water to Seberang Perai Selatan (SPS) and Seberang Perai Tengah (SPT) to support population and socioeconomic growth on the mainland.

“Buying treated water from Perak may not be as cheap as producing treated water in Penang but there is no cheaper option,” Chow said.

He said Perak can tap Sungai Perak for the P-PWP and Penang does not have another in-state conventional raw water resource that can support the production of 300-500 MLD of treated water.

He said PBAPP is also exploring the possibility of seawater desalination to complement the P-PWP as a long-term water solution for Penang.

“However, the costs of desalination are higher than the costs of conventional water treatment,” he said.

He said no Malaysian water operator is able to operate a large-scale desalination plant that can deliver 100 MLD or more of tap water per day.