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PBA to buy treated water from Perak under RM24.6bil long-term supply deal



KUALA LUMPUR: PBA Holdings Bhd (PBA) has entered into a conditional agreement to purchase treated water from Perak under the Northern Perak Water Supply Scheme (NPWSS) to strengthen Penang's long-term water security.

In a Bursa Malaysia filing, the company said its wholly owned subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), signed a conditional bulk water supply agreement with Prasarana Air dan Irigasi Perak Sdn Bhd, a wholly-owned subsidiary of Khazanah Air Perak Sdn Bhd

Under the agreement, PBAPP will purchase a minimum of 300 million litres of treated water per day. The supply is targeted to commence from 2032 and will continue for a period of 40 years

until 2072, with the option to increase the supply to as much as 500 million litres per day, subject to approvals and future demand.

The proposed bulk water purchase has an estimated value of RM24.6 billion over the supply period, comprising capacity charges and supply charges.

PBA said the treated water will be supplied under the NPWSS, a project being developed by a consortium comprising Perbadanan Kemajuan Negeri Perak and Gamuda Bhd to meet water demand in Perak and supply excess treated water to Penang.

The company said the arrangement will diversify Penang's water sources, reduce its reliance on Sungai Muda and support growing domestic and industrial demand as the state's water consumption is projected to exceed 1,100 million litres per day by 2032.

"Penang is a water-stressed state with limited land area and water catchment resources, resulting in a high reliance on the Sungai Muda River in North Seberang Perai as its primary source of raw water to produce treated water.

"However, the Sungai Muda River is also utilised by the State of Kedah for water abstraction upstream of Penang which may constrain PBAPP's ability to increase water abstraction from the river in the future," it said.

PBAPP also anticipates that there will be no more conventional raw water resources from rivers and streams in Penang, which PBAPP may tap to produce more treated water beyond 2030.

The purchase consideration of the proposed bulk water purchase will be funded through a combination of internally generated funds and proceeds from PBAPP's RM5bil perpetual Islamic Medium Term Notes programme.

PBA said the proposed bulk water purchase is expected to support the group's long-term operations and contribute positively to its future financial performance upon commencement of the supply of treated water under the supply agreement, via higher sales volume in line with growth in demand for treated water.

The proposal is subject to shareholders' approval, registration of the supply agreement with the National Water Services Commission (SPAN), and other regulatory approvals.