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Media Release 2:

PBA Holdings Bhd (PBAHB) 22nd Annual General Meeting

EFFICIENT WATER SUPPLY IN THE 2ND PANDEMIC YEAR BUT PENANG'S WATER RISK IS HIGH

DATO' JASENI MAIDINSA, CEO, PBAHB and PBAPP.

- **5 risk factors are pushing PBAPP towards prioritising “water availability” over “water affordability” in Penang.**

PENANG, Monday, 20.6.2022: In the second global pandemic year of 2021, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) continued to supply water efficiently in Penang.

In general, PBAPP continued to meet the water supply needs of 658,910 registered consumers throughout the state.

In 2021, the Federal Government imposed a variety of “lockdowns” to manage the spread of Covid-19. Most businesses in Penang were not allowed to operate normally.

Instead of a decrease, PBAPP recorded an increase of 1.8% in total water consumption year-on-year, from 845 MLD in 2020 to 860 MLD in 2021.

Penang's water risk may be defined as “ the risk of not enough water supply to meet water demand.” In 2021, Penang's water risk continued to escalate even during a global pandemic phenomenon.

This water risk is defined by the following 5 factors:

1. Rising water demand;
2. Limited in-state raw water resources;
3. External threats related to Sungai Muda (Penang's primary raw water resource) and Ulu Muda (the water catchment area for Sungai Muda);
4. Climate change; and

5. A delay in the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS).

The reality of Penang's water risk has manifested 2 abnormal phenomena in recent years:

- On 5.9.2020, the effective capacity of the Teluk Bahang Dam on Penang fell to 16.0%, the lowest level reported in the history of the dam since it was opened in 1999.
- In 2020 and 2021, there were reports of intermittent incidences of unscheduled water supply interruptions in Seberang Perai Selatan (SPS). Although PBAPP reacted promptly to address these reports, such incidences continue to recur.

PBAPP has outlined its road map to implement new water supply projects to address increasing water demand in Penang.

A total of 5 projects will be commissioned from 2022 to 2028, under PBAPP's Raw Water Contingency Plan 2030 (RWCP 2030).

Beyond 2030, depending on the outlook of the Sungai Perak Raw Water Transfer Scheme, PBAPP may have to invest in desalination, as planned under the Penang Water Supply Initiative 2050 (PWSI 2050).

The RWCP 2030 projects for the future are likely to cost several hundred million ringgit. The investment will have to be recouped from future water tariffs in Penang.

On 30.3.2022, PBAPP submitted its 5th Business Plan to the National Water Services Commission (SPAN). This business plan includes a Penang water tariff review proposal, mainly because PBAPP needs to raise sufficient funds to finance its RWCP 2030 projects.

This 2022 tariff review that PBAPP is applying for is one of many more to come as we march towards 2050. Inevitably, the costs of supplying more water in Penang to more people and businesses will continue to escalate.

As Penang's licensed water supply operator, PBAPP's core responsibility is to ensure continuous good water supply. Our vision to meet all of Penang's water supply needs.

As things stood at the end of PBA Holdings Bhd's (PBAHB's) 2021 financial year, PBAPP foresaw that it needs to focus on prioritising water supply availability over water supply affordability.

Kindly note that PBAHB and PBAPP are not the parties who are "pursuing" more water supply projects and higher water tariffs. We had always focused on efficiency in our operations, as well as water supply sustainability and affordable water tariffs.

However, it has become apparent that more water consumers in Penang are now demanding for more and more water. We have no choice but to accede to their requests.

Ultimately, there is a price to pay for higher water demand, in the form of incrementally higher water tariffs in the future. More water and better water supply services in Penang will not come cheap.

Thank You.

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