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Media Release

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Chief Minister of Penang and Chairman of PBAPP & PBA Holdings Bhd.

SIGNING THE 1ST MAJOR 21ST CENTURY WATER AGREEMENT FOR PENANG

- **PBAPP has signed a conditional Bulk Water Supply Agreement (BWSA) to buy treated water from Perak.**
- **The agreement will help to ensure water supply sufficiency in Penang for a 40-year timespan, from 2032 to 2072.**

PENANG: PBAPP signed a Bulk Water Supply Agreement (BWSA) with a Perak water concessionaire today to ensure water supply sufficiency in Penang for 40 years, beginning from 2032.

The execution of this Perak-Penang Water Project (P-PWP) BWSA agreement with Prasarana Air dan Irigasi Perak Sdn Bhd (PAIP Perak) is subject to the following conditions:

- Regulatory approvals and endorsement from the National Water Services Commission (SPAN) as the national water and sewerage services regulator; and
- Approval from PBAHB shareholders.

Key P-PWP rationales

The key rationales for the P-PWP are:

- Penang is a small state with no major in-state raw water resources left to tap for the 2030s.
- Penang is a dynamic (not stagnant) state of progress. Future population growth and socioeconomic advancements will require more water supply.

- In 2025, Penang's water consumption was 865 million litres per day (MLD). By 2032, Penang's water consumption is projected to be 1,162 MLD or more, due to various factory expansion and property development projects that are already in the pipeline. These projects must be supported by sufficient and reliable water supply to benefit the Penang community.
- Perak is willing to sell 300 – 500 MLD of treated water to PBAPP. In order for Perak to sell treated water to Penang, a new 500 MLD water treatment plant, supported by pumping stations, treated water reservoirs, massive pipelines and other ancillary infrastructure, must be built, operated and managed in Perak.

The projected total capital expenditure (CAPEX) for the dedicated P-PWP infrastructure in Perak is RM8.4 billion. However, PBAPP will not have to invest a single sen in CAPEX for the development of the P-PWP water supply infrastructure in Perak.

All the infrastructure costs will be borne by PAIP Perak, a newly incorporated Perak State Government-linked company (Perak State GLC). PBAPP will not incur any raw water fees or land acquisition costs. PBAPP will also not incur any operational expenditure (OPEX) to employ personnel, operate, maintain or manage the P-PWP infrastructure in Perak.

- 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.

The P-PWP does not replace Sungai Muda in Seberang Perai Utara (SPU) as Penang's primary raw water resource. Instead it will deliver more water to Seberang Perai Selatan (SPS) and Seberang Perai Tengah (SPT) to support population and socioeconomic growth on the mainland.

PAIP Perak's proposed charges to PBAPP

a.	Annual capacity charge of RM210 million a year.	To gradually amortise and justify the RM8.4 billion investment to build, operate and maintain the P-PWP infrastructure in Perak.
b.	Treated water charge of RM1.70 per m ³ (1,000 litres) subject to review of every 3 years period and for 300 MLD in 2032 subject to upscaling of the Minimum Quantity Commitment (300MLD) with 6 months' notice period.	Inclusive of raw water fees, all water treatment costs (energy, fuel, chemicals, manpower, etc), and costs to pump 300-500 MLD of treated water from North Perak to SPS, Penang.

Priorities

1. **Water supply sufficiency and security in Penang in the 2030s and beyond:** The Penang State Government and PBAPP must avoid a foreseeable water shortage at all costs if we want more factories and businesses to provide more and better jobs in Penang. We must have sufficient water to supply to new properties for families to buy or rent and live in. We need more water supply to support healthier and more advanced lifestyles in Penang.
2. **Mitigation of the effects of future climate change and El Niño phenomena on water supply services.** With the P-PWP, Penang will have 2 major water resources instead of only 1 (Sungai Muda). We must always bear in mind that Sungai Muda is a shared resource with Kedah.
3. **Reliability and affordability:** Conventional water treatment (using freshwater from rivers, streams and lakes) is a proven water treatment technology, in Penang and Malaysia.

Buying treated water from Perak may not be as cheap as producing treated water in Penang but there is no cheaper option. Perak can tap Sungai Perak for the P-PWP. Penang does not have another in-state conventional raw water resource that can support the production of 300-500 MLD of treated water.

Desalination to complement the P-PWP

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. This is, perhaps, the main reason why PUB is reportedly using desalination technology to produce about 25% of the tap water supplied in Singapore daily, and not 100%.

The main benefit of desalination is weather resilience or non-reliance on rainfall in water catchment areas in this era of climate change. Therefore, it is the “safer option” to mitigate the risks of a water crisis during prolonged dry seasons.

To date, no Malaysian water operator operates a large-scale desalination plant for public water supply that can deliver 100 MLD or more of tap water per day. PBAPP may be the first to do so in the near future, if this technology is found to be viable and necessary in Penang.

Thank You.