

BIOFUEL POLICY AND DEVELOPMENT IN MALAYSIA

by:

M. Nagarajan
Undersecretary

Development of Oils, Fats and Sago Industries Division
Ministry of Plantation Industries and Commodities
Malaysia

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PRESENTATION OUTLINE

- BIOFUEL POLICY IN MALAYSIA
- IMPETUS FOR BIOFUEL DEVELOPMENT
- BIOFUEL INDUSTRY IN MALAYSIA
- CHALLENGES TO BIOFUEL INDUSTRY DEVELOPMENT
- CONCLUSION



1. BIOFUEL POLICY IN MALAYSIA

- The Malaysia National Biofuel Policy launched on 21 March 2006 envisions:
 - use of environmentally friendly, sustainable and viable sources of energy to reduce the dependency on depleting fossil fuels; and
 - enhanced prosperity and well-being of all the stakeholders in the agriculture and commodity based industries through stable and remunerative prices.



BIOFUEL POLICY IN MALAYSIA (cont)

- The policy is primarily aimed at reducing the country's dependence on depleting fossil fuels, promoting the demand for palm oil as well as stabilising its prices at a remunerative level.
- The Policy is underpinned by five strategic thrusts:
 - Thrust 1: Biofuel for Transport
 - Thrust 2: Biofuel for Industry
 - Thrust 3: Biofuel Technologies
 - Thrust 4: Biofuel for Export
 - Thrust 5: Biofuel for Cleaner Environment



BIOFUEL POLICY IN MALAYSIA (cont)

The implementation of the policy is divided into:

- **Short Term which includes**
 - Establishment of Malaysian Specifications for Automotive Fuels – Palm Methyl Esters of Diesel Engines – Requirements and Test Methods (MS 2008:2008).
 - Participation of selected Government departments with their fleets of diesel vehicles using blends of biofuel.



BIOFUEL POLICY IN MALAYSIA (cont)

- Medium Term which includes
 - Obtained engine warranties.
 - Legislation to mandate the use of biodiesel.



BIOFUEL POLICY IN MALAYSIA (cont)

- Long Term which includes
 - The proportion of palm based methyl ester in the diesel blend will be gradually increased
 - Greater uptake of biofuels technology by Malaysian companies and foreign companies abroad



BIOFUEL POLICY IN MALAYSIA (cont)

- Biodiesel is included in the list of products / activities that are encouraged under the Promotion of Investments Act 1986. Biodiesel projects are therefore eligible to be considered for Pioneer Status or Investment Tax Allowance



BIOFUEL POLICY IN MALAYSIA (cont)

- The Malaysian Biofuel Industry Act 2007 has been implemented since 1 November 2008
- The Act provides for activities relating to the mandatory use of biofuel and licensing of activities relating to production, storage and trade



2. IMPETUS FOR BIOFUEL DEVELOPMENT

- Aimed at complementing global efforts and initiatives to protect the environment : Kyoto Protocol on reducing the greenhouse gas emission.
- Promote palm oil and its versatility in usage, beyond food purposes.
- Remunerative prices: Average CPO price per tonne in 2006 was RM1,513 and increased to RM2,856 in 2008



IMPETUS FOR BIOFUEL DEVELOPMENT (cont)

- Further downstream development of the industry where glycerol is a byproduct of the biofuel industry. Glycerol is used for the manufacture of soap and cosmetics.
- Methyl ester can also be used as feedstock for production of oleochemicals .
- Promote investment into high technology and value added industries and employment generation.



3. BIOFUEL INDUSTRY IN MALAYSIA

- Malaysia has undertaken R&D on palm-based biofuel since 1982
- Homegrown palm biofuel production technologies, including winter grade biodiesel have successfully commercialised
- Both summer and winter grade biodiesel are exported to United States, European Union, Japan and other countries
- Palm biodiesel meet the international standards (EN 14214 and ASTM D6751)



BIOFUEL DEVELOPMENT IN MALAYSIA (cont)

- **Domestic production:**
 - 91 biofuel production licenses issued with installed production capacity of 10.2 million tonnes
 - 18 companies in operation with annual production of 1.86 million tonnes



4. CHALLENGES TO BIOFUEL INDUSTRY DEVELOPMENT

a. Feedstock price

- Biodiesel is competitive if CPO price is below RM1,422/tonne against crude petroleum price of USD80/barrel
- To promote biodiesel, some form of subsidy needs to be provided
- Implication on cost of production

b. Issue of food vs fuel

- Concerns that palm oil could be channeled for energy purposes, thus depriving its usage for food
- Palm oil has other uses namely industrial and pharmaceuticals
- Need to ensure enough feedstock



CHALLENGES TO BIOFUEL INDUSTRY DEVELOPMENT (Cont)

c. Sustainability issues

- Currently Roundtable on Sustainable Palm Oil (RSPO) focuses on food
- EU emphasis on sustainable production of feedstock for biofuel: sustainable sources including addressing greenhouse gas saving in the production processes

d. Acceptance by engine manufacturers

- Only methyl ester is accepted
- Warranties up to five percent blends



CHALLENGES TO BIOFUEL INDUSTRY DEVELOPMENT (Cont)

e. Limited land available

- Focus is on increasing productivity

f. Second generation biofuels

- New technologies must be scientifically proven and commercially viable
- Need for further R&D
- No restriction on the biomass used



CHALLENGES TO BIOFUEL INDUSTRY DEVELOPMENT (Cont)

g. New non-tariff barriers

- Importing countries establishing barriers in the form of standards for biofuels including factoring in sustainable sources
- Excluding palm based biofuels from domestic tax credits

h. Consumers need to realize there is a cost to ensure a cleaner environment

- Must be willing to pay premium for biodiesel over petroleum diesel



5. CONCLUSION

- The Biofuel Programme is crucial for the future of Malaysia's Palm Oil industry.
- The industry conforms to sustainable production methods
- The Government encourages and supports all initiatives towards the development of the biofuel industry including from oil palm biomass



THANK YOU



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