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Malaysia

Bio-Fuels

Biofuel Bill passed on April 16, 2007

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Report Highlights:

Parliament passed the Biofuel Industry Bill on April 16, 2007 to enable the orderly development of the Malaysian biofuel industry. Current biodiesel production capacity is 300,000 tons with about 53,000 tons exported from August 2006 till February 2007.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur [MY1]
[MY]

Summary

The Lower House of the Malaysia's Parliament passed a Biofuel Industry Bill on April 16. The Act is to provide for the mandatory use of biofuel, licensing of activities relating to biofuel and for matters connected therewith and incidental thereto.

The Act will allow an orderly development of the biofuel industry. The most important clauses are Clause 4 which seeks to prescribe the type of biofuel and its percentage by volume to be blended in any fuel and Clause 12 which deals with the provisions relating to revocation or suspension of biofuel plant license. The later Clause allows the licensing authority to revoke or suspend any license if the licensee has ceased to carry on or operate any biofuel activity for which the license is issued.

Post's Comments:

The passing of the Act is in line with MPOB's efforts to market a biofuel blend consisting of 95% petroleum diesel and 5% palm olein referred to as Envo Diesel or B5. B5 can be used to power diesel engines in the transport sector and also as fuel in the industrial sector for activities such as firing boilers. It is worth noting that this B5 biofuel differs from the European Union's B5 biodiesel blend which contains 95% diesel combined with 5% methyl ester. The GOM is currently running trials with the MPOB's B5 in government vehicles and private industrial entities with the intent of making it compulsory for diesel-consuming passenger vehicles, the transportation sector, and industries to use B5 in the near future. It is estimated that 500,000 metric tons of processed palm oil will be required annually to fulfill the B5 mandate. This figure constitutes only 3 percent of the palm oil produced in Malaysia in 2006.

When tabling the Biofuel Industry Bill 2006 at the Lower House, Plantation Industries and Commodities Minister Datuk Peter Chin said that from last August till February, 52,654 tonnes of biodiesel had been exported to the United States, European Union and Japan, generating RM132 million in revenue. The GOM has approved licenses for the establishment of 90 biofuel plants but only six with the capacity of 300,000 tons are operational. Another plant with 100,000 ton capacity is ready for commission by June.