

## **M'sia to launch long-delayed biofuel in 2011**

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Malaysia has asked petroleum companies to bear the extra cost of selling diesel blended with palm oil from June next year to kickstart sales of the green fuel after a four-year delay.

The world's No.2 palm oil producer has struggled to implement a mandate to push the blended fuel and support the palm industry first introduced in 2007 as the government was reluctant to subsidise biofuel blends to match diesel prices at the pump.

Commodities Minister Bernard Dompok said on Wednesday that the green fuel, a blend of five percent palm and 95 percent diesel petroleum, will be introduced in stages in the central states on the mainland.

"The (biofuels mandate implementation) will support palm oil prices and will enable planters especially the smallholders to reap economic benefits," Dompok said in a statement.

Eventually, the mandate will be extended to other Malaysian state and will take up half a million tonnes of the Southeast Asian country's total annual crude palm oil production but no timeframe was given.

Traders said the announcement briefly supported Malaysian crude palm oil futures before market players turned their focus to lower crude oil and soyoil markets.

"The government has been flip-flopping over this issue. It gives a good support base for the market but it remains to be seen if it will actually be implemented," a trader with a local brokerage said.

Dompok said the government will bear the cost of developing six petroleum depots with blending facilities at a cost of 43.1 million ringgit (\$13 million).

Petroleum companies including state oil firm Petronas as well as oil majors like Royal Dutch Shell, Exxon Mobil and Caltex will have to subsidise palm-based biofuel blends at the pump, he said.

Petroleum diesel retails at 1.70 ringgit (\$0.498) a litre, a price that is regulated by the government and among the lowest in Asia. Any increase in petroleum prices is politically sensitive.

Local biofuel manufacturers say blending 5 percent palm biofuel into diesel increased prices by 0.02 to 0.06 Malaysian ringgit a litre over petroleum diesel.

Dompok said Malaysia has approved 56 licenses for biofuel production, for total capacity of 6.8 million tonnes.

In 2009, Malaysia produced 227,457 tonnes of palm based biofuels that garnered export earnings of 604 million ringgit (\$182 million).

- Reuters

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