

# Malaysia urged to force big oil to produce biofuel

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An oil palm plantation covers a swath of land where a forest once stood in the Miri interior, eastern Malaysian Borneo state of Sarawak in 2007. Malaysia must force major oil firms to produce biofuel if the once-vaunted biodiesel industry is to have any future, industry experts told a conference Thursday.

Malaysia must force major oil firms to produce biofuel if the once-vaunted biodiesel industry is to have any future, industry experts told a conference Thursday.

When [crude oil](#) prices rocketed last year, Malaysia and Indonesia, which produce most of the world's [palm oil](#), heavily promoted their version of biofuel -- a mixture of diesel with five percent processed palm oil.

But the industry's fortunes waned when the price of crude oil tumbled, triggering a crash in the palm oil price which made supply uncertain and jeopardised the long-term contracts needed to develop the biofuel

[industry](#).

Malaysia already requires government diesel vehicles to use biofuel, with privately owned diesel vehicles compelled to make the shift by next February.

But M.R. Chandran, an adviser to the Roundtable on Sustainable Palm Oil, told an industry conference this week that the measures did not go far enough.

"The government has to get their own national corporations like Petronas and other [oil companies](#) here like Shell and Esso mandated and say, 'look chaps, here is the 5.0 percent blend and you have to do it and that is it and get it done,'" he said.

"That's the only way to save the biofuel industry here."

However, Plantations Minister Peter Chin told the conference that while Malaysia was unable to roll out its ambitious biodiesel programme because of [logistical problems](#), oil companies were not ready to act, either.

"Our [car industry](#) is not ready. Petronas is not 100 percent ready. Neither is Shell and Esso," he said.

"We intend to do it but at the same time we have to get our logistics right. There are certain (geographical) constraints which we must acknowledge," he said, referring to problems in transporting biodiesel.

Chandran said that out of the 92 government licences issued for palm oil plants in 2006, only 16 were built and most were not operating due to the low prices.

"If Indonesia and Malaysia want to see a fair demand for palm oil and avoid all this fluctuation in prices, you have to create domestic demand," he said.

Indonesia's state oil company Pertamina has been ordered to sell fuel with at least a one percent biofuel content and this is expected to rise to five percent by 2025.

Crude palm oil prices plummeted from a peak of 4,312 ringgit (1,168 dollars) per tonne a year ago to a low of 1,390 ringgit in October last year. Prices have recovered to 2,047 ringgit per tonne currently.

Chin said Malaysia was comfortable with current prices and did not expect a rally in the near future.

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