

Singapore-made biofuel to run cars in Europe, North America

March 6 2009



L-R: Neste Oil's Jarmo Honkamaa, Singapore Minister for Trade and Industry, Lim Hng Kiang, Neste Oil President and CEO Matti Lievonon, and Neste Oil Managing Director Olli Virta attend a ceremony to kick off the world's biggest renewable diesel plant. Diesel made from palm oil, vegetable oil and animal fat in Singapore may soon be powering cars in Europe and North America, Neste Oil said.

Diesel made from palm oil, vegetable oil and animal fat in Singapore may soon be powering cars in Europe and North America, Finland's Neste Oil said Friday.

Neste Oil, which is building the world's biggest biodiesel plant in the city-state at a cost of 1.2 billion Singapore dollars (776 million US), said it was also looking to market the fuel in Japan and South Korea.

The plant will have an annual capacity of 800,000 tonnes when it becomes operational next year.

It will produce Neste Oil's patented NExBTL renewable diesel which the company said is the cleanest diesel fuel in the world.

NExBTL can be used in all diesel engines and significantly reduces exhaust emissions compared with regular diesel, the company said.

The plant was originally planned to target the European market, Neste Oil deputy chief executive Jarmo Honkamaa told reporters during a media visit to the plant site, which is 30 percent complete.

"We know now already that part of the volume will go to North America... the west coast of Canada."

Company executives said the move towards cleaner fuel worldwide in a bid to reduce global warming was likely to drive demand.

Neste Oil was also talking with companies in Japan and South Korea to buy the renewable diesel, Honkamaa said, adding that Singapore would also be a potential market.

"I don't see that the marketing of this product is very challenging. The main challenges will be on the raw material side," Honkamaa said.

He said the Singapore facility could be beefed up to produce jet fuel from the same feedstocks if there was a need.

Renewable diesel would have a 200-300 US dollar premium per tonne over regular diesel but Neste Oil said there was demand because of the benefits of using cleaner fuel.

While crude oil prices have plunged from their peak at 147 dollars in July 2008 to current levels around 44 dollars, palm oil prices have also plummeted from 1,245 dollars per tonne a year ago to about 526 dollars a tonne.

Neste Oil chief executive Matti Lievonon said Singapore was chosen partly because its proximity to raw materials.

Singapore is close to Indonesia and Malaysia, the world's two leading crude palm oil producers.

Despite a global economic crisis, Neste Oil is in a healthy financial state, with a 1.6 billion euro (2.0 billion US) credit facility with European banks, Lievonon said.

Neste Oil is also building a renewable diesel plant with similar capacity in Rotterdam, the Netherlands which is expected to come on stream after the Singapore facility.

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Citation: Singapore-made biofuel to run cars in Europe, North America (2009, March 6)
retrieved 26 April 2024 from
<https://phys.org/news/2009-03-singapore-made-biofuel-cars-europe-north.html>

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