

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 3/21/2014

GAIN Report Number: MY4007

Malaysia

Post: Kuala Lumpur

Update on B5 Biodiesel Mandate

Report Categories:

Biofuels

Approved By:

Chris Rittgers

Prepared By:

Abdul Ghani

Report Highlights:

Full implementation of the B5 biodiesel use mandate is in its final phase, and B5 should be available at service stations throughout the country by July 2014. However, the use of crude palm (CPO) oil to fulfill the mandate will not be great, and the impact of the B5 program on CPO prices will be negligible.

General Information:

Full implementation of the B5 biodiesel (a 5% palm methyl ester and 95% petroleum blend) program is nearly complete. The Ministry of Plantation Industries and Commodities (MPIC) recently announced that B5 biodiesel will be available in nearly 4,000 petrol stations throughout the country by July 2014. This will allow for full implementation of the B5 mandate for buyers of subsidized diesel (personally owned vehicles, fishing boats and commercial buses).

MPIC hopes that the B5 biodiesel mandate will increase domestic crude palm oil (CPO) consumption by around 500,000 tons. However, to reach that level, the mandate would have to be extended to users of non-subsidized diesel, which is not yet feasible. Full implementation is expected to lead to an uptake of only about 320,000 tons of CPO, which is less than 1 percent of domestic supply. As a result, the B5 mandate will have negligible impact on stocks and prices. As the program will only be fully implemented in July, only an estimated 170,000 tons of CPO will be used in the program during 2014.

For the moment, the plan to follow-up with B10 has been put on hold. Instead, MPIC announced that a B7 blend will begin to become available 15th January 2015. MPIC continues to engage with auto manufacturers to ensure a smooth implementation of the B7. Implementation of B7 could boost domestic consumption of CPO to 700,000 annually when fully implemented.

The government pays subsidies to make up the difference between biodiesel and petroleum diesel prices. Rising CPO prices has caused this subsidy to grow in recent months. The government has recently been trying to curb government expenditures. Full realization of the B5 program will hinge on the government's willingness to continue to pay these subsidies should CPO prices rise further.

B5 Use Estimates

	B5 (in tons)
Subsidized transport sector for whole Malaysia	320,000
Non subsidized commercial sector – Manufacturing & Logistics	180,000
Potential consumption throughout Malaysia	500,000
Current consumption in 4 states where B5 is currently available.	150,000
Expected additional consumption when B5 is fully implemented in 2014	20,000
Total projected consumption of B5 in 2014	170,000
Projected CPO production in 2014	19,200,000
Actual current % of biodiesel used in 2014	0.8%
Potential possible % of biodiesel used throughout Malaysia in 2014	2.6%

B7 and B10 Use Estimates

	B7 (in tons)	B10 (in tons)
Subsidized transport sector for whole Malaysia	448,000	640,000
Non subsidized commercial sector – Manufacturing & Logistic	252,000	360,0000
Potential consumption throughout Malaysia	700,000	1,000,000
Projected CPO production in 2015	19,200,000	19,200,000
Projected actual % of biodiesel used in 2015 in subsidized transport sector for whole Malaysia	2.33%	3.33%
Potential possible % of biodiesel used throughout Malaysia in 2015 inclusive of non-subsidized commercial sector.	3.65%	5.21%