

Indonesia Investments

B35 Biodiesel Program

- Indonesian Government Delays Kick off B35 Program from 1 Jan. '23 to 1 Feb. '23
- What Are the Advantages of Indonesia's Biodiesel Program?
- What Are the Possible Side Effects and Risks of Indonesia's Biodiesel Program?
- Indonesian Government Running Trials for the B40 Biodiesel Stage
- Production, Consumption & Distribution of Biodiesel in Indonesia

18 JANUARY 2023

Van Der Schaar Investments B.V.
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Update – 18 January 2023

‘B35 Biodiesel Program Scheduled to Be Imposed on 1 February 2023’



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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- Energy -

The Biodiesel Program of Indonesia; B35 Scheduled to Be Imposed on 1 February 2023

The Energy and Mineral Resources Ministry of Indonesia announced in January that the B35 biodiesel program is scheduled to be imposed on 1 February 2023 (implying a one-month delay as the B35 program was supposed to take off on 1 January 2023).

What is B35? Under the country's B35 biodiesel program, Indonesia blends biodiesel and petroleum diesel with a mandatory 35-65 percent ratio, respectively. Fatty acid methyl esters (FAME), which is the generic chemical term for biodiesel derived from renewable sources, are the acids created during the transesterification of vegetable oils and animal fats that are used to replace the petroleum diesel content. Currently, Indonesia still uses B30 (containing 30 percent of palm oil-based fuel).

Various oils and animal fats can be used to produce FAME fuel, most commonly:

- Used cooking oils
- Animal fats/tallow
- Soya oil
- Rapeseed oil
- Sunflower oil
- Palm oil

In the case of Indonesia it is palm oil that serves as a great source for FAME as the country is the world's biggest producer of palm oil (accounting for about 50 percent of the total global palm oil supply).

There are a number of advantages for Indonesia when it uses an increasing amount of palm oil for biodiesel:

- By increasing domestic consumption of palm oil (for the production of biodiesel), it helps to raise global palm oil prices as the global supply is curtailed. This also helps to raise prices of fresh fruit bunches [FFBs] at the farmer level, thereby encouraging social development at home. In Indonesia there are an estimated 16.5 million palm oil farmers;

- It helps Indonesia to achieve its renewable energy targets. Amid big international pressure Indonesia feels the need to significantly adjust its energy mix (reducing its use of fossil fuels). Policymakers stated that the B35 biodiesel program can reduce greenhouse gas emissions by approximately 34.9 million tons of CO₂e. However, one can argue that palm oil-based biodiesel is not a fully sustainable effort (even if it will become B100 one day) as palm oil plantations are associated with deforestation and animals' habitat loss;

[...]

Read the full article in our January 2023 report (an electronic report). This report can be bought by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp).