

Indonesia returns to 5 percent biodiesel blend

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Indonesia plans to return to a 5 percent biodiesel blend in diesel within the next three years on expectations of rising palm oil and jatropha production, Energy Minister Purnomo Yusgiantoro said, Reuters reports.

State-owned oil firm Pertamina had cut the biodiesel in diesel fuel to 2.5 percent from 5 percent due to rising palm oil prices and as a lack of subsidies had reduced margins. Since early this year, palm oil prices have gained nearly 50 percent on strong demand from both the food and energy sectors prompting countries including Malaysia to delay the introduction of biodiesel.

"We will gradually increase biodiesel blend to 5 percent by 2010. Production of palm oil and jatropha will be increasing by then," Yusgiantoro told reporters after opening 11 biodiesel pump stations in Gianyar regency on Indonesia's resort island of Bali.

Indonesia, set to overtake Malaysia as the world's biggest palm oil producer this year, expects to produce 20 million tonnes of palm oil by 2010. Indonesia expects to produce 17 million tonnes of crude palm oil this year.

"Biodiesel is more expensive. The government has yet to decide whether we can get a full subsidy for biodiesel," said Soemarno.

Indonesia plans to plant 5.25 million more hectares with palm oil, jatropha, sugar cane and cassava by 2010 which at this time will make up 2 percent of the country's total energy mix, or 5.29 million kilolitres. Currently, biodiesel consumption averages 72,000 kilolitres per month or about 453,000 barrels.

Source:

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