

PRESS RELEASE

KOTA KINABALU, Thurs. (Jan 15, 2010) - POIC Sabah Sdn Bhd supports the call for oil palm companies to use biomass to generate electricity, but asserts the need to have first a biomass policy in place.

"We have been promoting biomass downstream industries, including power generation, at our Lahad Datu palm oil industrial cluster for the past few years, and our major stumbling block is that when it came to the crunch, the biomass is not available," said Dr Pang Teck Wai, chief executive officer of POIC Sabah Sdn Bhd.

Responding to a statement by Minister of Energy, Green Technology and Water Datuk Seri Peter Chin Fah Kui, Dr Pang repeated a call he made last December for a biomass policy to regulate the crucial factor of supply.

The Sabah Ministry of Industrial Development is working on a plan which involves the setting up of a company to buy empty fruit bunches (EFB) to make it available for downstream industries, and a mechanism to regulate the supply and pricing.

Mathematically, the 1.3 hectares of oil palm plantations and 120 over oil palm mills in Sabah produce millions of tons of biomass, especially EFB. Industrial average puts EFB at 22% of fresh fruit bunches (FFBs) and Sabah produced about 25 million tonnes of FFB last year, which translates into more than 5 million tonnes of EFB.

"We have a few power plants using EFB as feed stock. Some bigger mills also use EFB to power their boilers to generate electricity for their use. A small percentage is used in mulching. By our estimate there are still lots of EFB discarded.

"But because the mills are scattered and roads are not as good as we would like them to be, transportation cost is the biggest hindrance in trying to gather the feedstock."

He related the experience of Eco Biomass Sdn Bhd, a Korean company intending to set up a 24mw combined heat and power plant at POIC Lahad Datu using EFB as the main source of fuel.

“They have been trying but failed to get mills to commit to long-term supply of EFB at prices commercially viable to produce electricity to supply to the Sabah power grid.”

Dr Pang believes that the oil mills are in no hurry to sign away their EFBs because it is not their main source of revenue.

“More importantly, the lax enforcement of laws regarding disposal and treatment oil palm EFBs (because they emit methane, a greenhouse gas 20 times more potent than carbon dioxide) or palm oil mill effluent (also good for power generation) means the mills can sit and wait.

“Unless there is a policy that addresses the environmental hazards related to oil palm biomass, especially EFB and POME, the use of biomass whether for power generation or other industrial usages will be slow to take off.”

On the concept of oil palm mills generating electricity from EFB to augment power supply shortages in Sabah, Dr Pang said the 21 sen per kw/hour paid for such supply is not attractive.

“We understand the existing three EFB-fired power plants are tied to this price, and they are operating with very tight margins. Therefore, even a small price increase can prove disastrous to EFB-dependent power plants.”

Given that many oil palm mills are located far off the main power supply grid, any biomass policy seeking to encourage bio-energy production must address this issue of accessibility.

In view of the many technologies developed by Malaysia Palm Oil Board to utilize oil palm mass for a wide range of value-added products, Dr Pang sees intense competition on EFB use because research shows power generation with EFB is a low-profit business proposition. There are many higher value products which can be produced out of biomass

“Apparently, using EFB for mattresses, particle boards and others are more profitable.”

POIC Lahad Datu began in 2005. Its main objective is to promote palm oil downstream industries to add value to Sabah’s palm oil industry. The cluster also welcomes supporting industries such as logistics and

fertilizer plants. It is currently developing more land to capture rising interest in environmental-friendly use of oil palm biomass.

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