Captioned conference was opened by CMT in August 26 and 27 in Japarta-Jakarta Le Meridien Jakarta. Theme is "Asia to drive growth to 2020". This is a first report of conference, and highlight to Mr.Steve's presentation this time.

[26 Aug, 2014 - Tuesday] 09:10 AN INTEGRATED AND SUSTAINABLE PALM OIL STRATEGY Mr.Steve (King An) Goei, Vice President/ COO PT. Socimas

Presentation in previous page might be interesting for consumer and traders of oleochemicals. Profit margin in middle process such as crushing, refining production of fatty
acid, FAME (Biodiesel) are terribly low, but plantation and production of detergents, cosmetics are high. These are why big plantation company are tiring to go downstream products.

40% tax is imposed to palm oil exports, but oleochemicals are freed from export tax. With high export of oleochemicals, Indonesia still can grow more capacity & production. Range of Biofuel export tax is 2-7.5%. Current scheme (CPO USD850-900/mt), tax is Zero. Government to set domestic supply ability by quota and export by zero tax.

Oleochemical

- Indonesian Oleochemicals production capacity had increased well year to year.
- By 2013, the capacity has reached 4mio mt on more investments and business expansions.
- Plant utilization rate was once depressed by fast increase of capacity based on prospective market. But later it recovers remarkably due shifting of oleochemicals sourcing for a more cost-efficient operations/suppliers centralized in SE Asia region.
- Domestic consumption accounts for about 20% of its production while remaining 80% is sold for export thus making Indonesia as net exporter to worldwide market i.e. China, India, Korea, Japan and with some smaller portion in America, Europe, ME and Africa.
Biodiesel

Around 10-20% of global oils and fats output are utilized for producing biofuel. The higher biofuel plant utilization will result in more requirement for the feedstocks. Current CU is as low at 40-50% on idled capacity.

So far ~25mio mt biodiesel produced in 2013. By 2020, production of biodiesel will reach 30mio mt.

The share of vegetable oil consumption used in biodiesel production is expected to rise from 9 to 15%. This will continue to be mainly in Europe. By 2019 Argentina (3mio mt) will be the major biodiesel exporting country, with lower levels from Malaysia (0.6mio mt) and Columbia (0.4mio mt).

In Indonesia, various raw materials are utilized for producing biodiesel / biofuel i.e. palm oil, jathropa, used oil/lube, etc.

By large-scale commercialization, palm oil is dominantly and positively exploited for the development of alternative energy in Indonesia (in line with govt. mandate and policy).

Palm oil supply is abundant and available as fresh raw material.

Supported with advancing processing technology and skilled experts.

Government mandate will ensure continuous demand and use of biodiesel in Indonesia. With 10-20% blending requirement, total intake of biodiesel has reached at least 1mio KI. And about the same volume being exported.

NEWS UPDATE:

Govt of Indonesia has recently, effective in Aug 2014, imposed the limitation on subsidized diesel fuel. It is expected to boost for the more use of biodiesel.

In 2006, Indonesia had issued Blueprint of National Energy 2006-2025 per Presidential Decree 5/2006 which enquires the development of alternative energies along with reducing the level of dependency towards crude oil.

Biofuel is expected to reach a sizeable portion of 5% (166.9mio BOE = ~20Mton) by 2025.

In developing biofuel in Indonesia, producers
are corporates which are running on palm oil business (typically large scale enterprise) which then expanding their business into downstream units i.e. biodiesel plants.

- In 2013, production is 2.2mio Kl (capacity 5.6mio Kl).
- And supported by govt. mandate which requires the blending of biodiesel progressively applied through the years until 2025.

Growing Speciality applications in Indonesia

- Between 2007-2011, CAGR of specialty chemicals is 2.7%. The market is projected to reach $980billion by the end of 2016.
- Of the marketed specialty chemicals [pesticides, polymers, electronic chemicals, surfactants, construction chemicals, industrial cleaners, flavours and fragrances, coatings, printing inks, water soluble polymers, food additives, paper chemicals, oil field chemicals, plastic additives, adhesives and sealants, cosmetic chemicals, water management chemicals, catalysts, textile chemicals, soap and detergent [cleaning] market is largest share of all. Potential markets are US, Europe, China, India and Africa.
- Growth in population and economy are the main drivers for FMCG’s directly related business units. The growth is also driven by the usage trend of palm-based oleochemicals in consumer goods.
- Continuous improvement with strength in R&D is required for products to come up with the better technical specifications (technology) yet economically viable (efficiency in raw material, processing costant market & distribution channel).
- Specialty chemicals are not of common usage as it involves formulation-performance diversities, discussion (initiating for creativity and innovation) between the producer and consumer may increase the demand.
- With this growth and opportunity, a more competitive palm-based oleochemicals can yield to grow into a variety of specialty chemicals business.

Summary and Conclusion

- Since stand alone business will not be competitive, an integration operation is favored as a natural hedge for strategic value addition. Integrated operation is happening and is expected to grow more thus competition will be tighter.
- For palm oil in Indonesia, prospective market is expanding into downstream i.e. soap and detergent Industry as most oleochemicals products are going into this sector and alternative fuel (biodiesel) for there is a need for reducing the dependency on crude oil and absorb local supply of palm oil.
- The next challenge for Indonesia is the further development of downstream i.e. Derivatives and local FMCG producer. There will be a question of when to start it.
- The continued support and involvement of the Indonesian government for developing downstream (preferably as part of integrated operation) is utmostly required i.e.:
  1. For biodiesel in which it needs to be practically inline with the formulated mandate & policy.
  2. Infrastructure development and energy sufficiency for more investment.
  3. Export tax and Incentives (tax holiday).
- Sustainability has to come with benefit.  

(Continued)