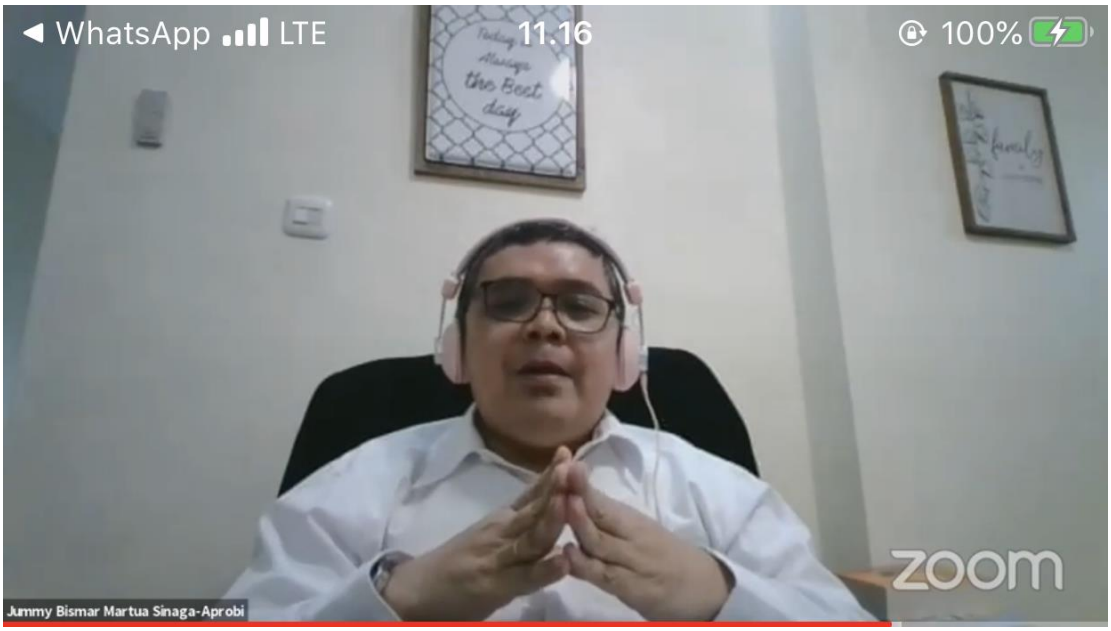
PRESS RELEASE

The Future of Biodiesel after COVID-19



APROBI (Indonesian Biofuel Producers Association) and Yogyakarta LPP Polytechnic held a Zoom Webinar on 11 June 2020 on Indonesia's biodiesel industry and the challenges posed by the COVID-19 pandemic.

Biodiesel is one of the best solutions to our renewable energy needs in the future. It is a fuel made from vegetable oil (such as palm oil) and used in several European countries, Russia, Indonesia, Malaysia, Columbia, Minnesota (USA). Biodiesel oil sourced from palm oil is more productive than those sourced from other vegetable oils. This is because compared to non-palm vegetable oil, palm oil has the lowest production cost and highest productivity in feedstock.

The BP Energy Outlook 2019 forecasts that growth in the world's energy consumption up to 2040 will be equivalent to 17 billion tons of oil, with 85% dominated by renewable energy and natural gas. According to Statistics Indonesia (BPS) in 2018, Indonesia has an area of 12.76 million hectares of oil palm plantations producing around 36.59 million tons of crude palm oil (CPO). Of this plantation area, 45.54% are owned by independent smallholders, 4.65% by the state, and 49.81% by companies.

APROBI's Head of Research and Technology, Jummy Bismar Martua, said the biodiesel program is in line with the nation's Sustainable Development Goals (SDGs) program. The biodiesel program helps to reduce poverty and hunger rates, provide employment with gender equality, clean energy, reduce gas emission to support climate change, and encourage economic growth.

The Biodiesel Program in Indonesia

"The biodiesel program has brings many advantages to the domains of environment, energy resilience and the Indonesian economy. Produced from plants, biodiesel is less toxic than diesel. In terms of energy security, biodiesel reduces demand for fuel imports; fuel use in Indonesia is around 1.6 million barrels per day while Indonesia produces only 778 thousand barrels per day. The biodiesel program also alleviates poverty and provides employment for around 650,000 oil palm farmers and workers in the upstream sector, "continued Jummy.

The biodiesel industry in Indonesia has a production capacity of 11 million kilo liters (KL), of which nearly 60% is in the western part of Indonesia; the remaining is in Kalimantan (Balikpapan and Banjarmasin), Java (Gresik), and Jakarta (Marunda).

The biodiesel usage policy itself in effect since 2008, in the ESDM PERMEN No. 32 of 2008, which was later, revised in the ESDM PERMEN No.12 of 2015. This policy regulates the progressive use of biodiesel mixed with diesel, from 2.5% (B25) in 2008 to 30% (B30) in 2020. This policy is in line with RUEN (Rancangan Umum Energi Nasional) which seeks to raise the proportion of renewable energy used in Indonesia from 5% in 2013, to 23% in 2025 and 31% in 2050. Biodiesel in Indonesia has seen an accelerated increase in usage in 2018 and it continues to grow. Indonesia is also a member of the Paris Agreement whose members seek to have greenhouse emissions reduction raised from 26% in 2020 and 29% in 2030.

Mr Jummy added that the biodiesel program will also have an impact on emissions reduction and the macro economy, CPO prices and reducing diesel oil imports.

Implementation of Biodiesel in Indonesia

Mr Jummy also stated, "The significant contribution of biodiesel to the 2020 emissions reduction target from the energy and transport sector is 0.038 Giga Tons of CO2eq. In 2016, biodiesel contributed 21% to emissions reduction, followed by 16% in 2017, and 27% in 2018. In 2019, the figure was 45% and may be as high as 68% in 2020. The mandatory biodiesel program is one of the factors that influence the price of CPO. With B15, the price of CPO surged from 468 dollars/ton to 735 dollars/ton. The increased prices will lead to the increase in income of the oil palm farmer community."

B20 was implemented in all PSO (Public Service Organization) and NPSO (Non Public Service Organization) sectors at the end of 2018-2019. CPO prices were stable and when preparations entered into B30 at the end of 2019, CPO prices rose to 810 dollars/ton. In March 2020, there was a decrease due to the COVID-19 pandemic which saw several regions in lockdown/PSBB. Biodiesel contributes to the reduction of imports of diesel oil. Indonesia's 2017 oil imports amounted to 2.5 billion KL, an equivalent to $1.1 billion dollars.

"Biodiesel is saving us a lot of money in reducing import expenditure, which is increasing every year. This means we don't have to buy diesel from international providers, as it can be replaced with existing local resources and the savings from import expenditure can be allocated for others purposes," continued Mr Jummy.

Challenges after the Pandemic

In implementing this biodiesel program, some internal and external challenges remain. Internal challenges include the need for biodiesel technology innovation (water content, total contaminants, and monoglyceride); collaboration with stakeholders in the development of biodiesel research and trials; limited capacity of biodiesel which presently only meets local

demand; high price differential between biodiesel and diesel; complex supply chain systems; cargo reception facilities; occupancy jetty; doc clearance; and transportation (trucks/ships), which impact operating costs. For external factors, challenges include trade barriers, and the COVID-19 pandemic.

Mr Jummy emphasized that the Covid-19 pandemic has weakened the economy in Indonesia. The development of trade balances in the oil and gas sector experienced a deficit of 3.3 billion dollars in January to April 2020. Trade with Indonesia's customer countries was hit by the pandemic, and the factories were affected by new work arrangements that included 50% manpower capacity. There were changes in logistical operational standards both in loading ports and discharging ports in the biodiesel supply chain, leading to high logistics costs. The reduced use of biodiesel in the April-December 2020 period translated to 17-20% of the target, and this effected a slowdown in the development of the Biodiesel Plant from the plan.

"The biodiesel program in Indonesia is a good solution for our future, and it has a good chance of success because of the great synergy between the government, research center, BPDPKS, universities and industry in the development and testing of biodiesel. With the right industry, and sustainable resources, this can be very beneficial for everyone", said Jummy while closing the webinar.

Besides sitting in as APROBI's Head of Research and Technology, Mr Jummy also plays a significant role as Head of Commercial Biodiesel for Apical, one of the largest palm exporters in Indonesia.

About Apical

Apical Group Ltd is one of the largest exporters of palm oil in Indonesia, owning and controlling an extensive spectrum of the palm oil business value chain from sourcing to distribution. It is also engaged in the refining, processing and trading of palm oil for both domestic use and international export. Its operations are located in Indonesia, China and Spain, and include five refineries, three biodiesel plants, an oleochemical plant and a kernel crushing plant. Apical's business is built on a broad sourcing network in Indonesia with integrated refinery assets at strategic locations in Indonesia and China. These are strengthened by efficient logistic channels supported by Apical's own infrastructure to deliver to a wide range of clients from international trade houses to local industrial buyers. With its unique business model, Apical has been able to control product quality and address sustainability and food safety issues, while running highly efficient operations at its world-class refineries and integrated storage and bulking facilities.

For more information, please visit Apical's website: https://www.apicalgroup.com

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