STUDY NOTES · BASIC CONCEPT

What is Indonesia's B50 biodiesel rollout ?

Indian Economy

26 Jul 2023

What?

B50 in Indonesia refers to the country's national 50% palm oil-based biodiesel blend mandate. It is a fuel mixture composed of 50% fatty acid methyl ester (FAME) derived from crude palm oil (CPO) and 50% conventional fossil diesel.

Initiated under President Prabowo Subianto's government as part of an energy self-sufficiency push, Indonesia officially began rolling out B50. It builds on previous biofuel mandates (like B30 and B40), making Indonesia the first country in the world to adopt a 50% bio-blend for diesel.

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Key Goals & Impact

1. Energy Security & Import Reduction: By replacing half of its conventional diesel with domestic palm oil, Indonesia aims to eliminate expensive fossil fuel imports, saving over $9 billion annually in foreign exchange reserves.
2. Palm Oil Demand: The policy diverts millions of additional metric tons of Crude Palm Oil (CPO) to domestic fuel production each year.
3. Global Market Effects: Because Indonesia is the world's largest palm oil exporter, diverting large CPO volumes for domestic B50 fuel tightens global supply, pushing up international prices for palm oil and other edible vegetable oils.
4. Emissions Reduction: The transition is projected to cut greenhouse gas emissions by over 44 million tons of CO_2 equivalent per year.