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Lipochem set to bag Seoul biodiesel plant job

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PROCESS engineer Lipochem Group, after clinching two jobs in Indonesia, is poised to win another in South Korea as the biodiesel outlook improves.


KOH: More value being offered to client this time.

"We're getting jobs to build biodiesel plants, but they are all outside Malaysia," said managing director Koh Pak Meng.

He said there was excess biodiesel capacity in the country and that existing plants only needed to ramp up production to leverage on the spread between biodiesel selling price and feedstock cost.

"A year ago, crude palm oil (CPO) was trading at around RM2,400 per tonne, but crude oil prices were hovering between US$70 and US$80 (RM242 and RM277) per barrel.

"Now, although CPO is around the same level, biodiesel producers can make some money because crude oil is trading at around US$100 (RM346) per barrel," Koh told Business Times in an interview in Shah Alam, Selangor.

As the spread improves, Lipochem has the green light from its client to go ahead with biodiesel plants in Kalimantan and Sumatra in Indonesia.

"The biodiesel plant in Kalimantan will have 120,000 tonnes capacity, while the one in Sumatra will have 200,000 tonnes capacity. We hope to complete these by the first quarter of 2009," Koh said.

South Korea mandates one per cent biodiesel to be blended in its regular diesel supply. As usage grew, Lipochem was invited to submit a bid to build a 120,000-tonne-a-year biodiesel plant in Seoul.

Koh is optimistic of winning the job because his company built a plant with annual capacity of 60,000 tonnes for the client a year ago.

"Since then, it has been running well. This time around, we're offering more value for our client because they will be able to choose a cheaper feedstock, called palm fatty acid distillate (PFAD), instead of the usual processed palm oil.

Using PFAD as feedstock will enable biodiesel producers to save on production cost, Koh said. Since it is a non-edible substance, it will also circumvent the food versus fuel debate.

PFAD, a by-product of refined palm oil, is solid at room temperature but melts into a brown liquid when heated. It is traditionally used in soap and animal feed industries as well as raw material for the oleochemical

industry. With improved technology it can be used as a cheaper feedstock to make biodiesel.

Lipochem also differentiates itself from its competitors by building biodiesel plants that use sodium hydroxide as a catalyst instead of the traditional sodium methoxide - a toxic, corrosive and flammable catalyst.

"Basically, clients who engage our expertise will be able to produce better-quality biodiesel using cheaper feedstock and easier-handling catalyst," Koh said.
