

# Fuel for a sustainable future

With the strong base and potential that Malaysia possesses as a natural biomass producer, the potential for local biomass SMEs is huge, but issues such as lack of awareness, slow technology transfer and lack of funding still plague the industry

By Kenneth Joseph

Leong: Local SMEs will need to be wary of entering unprofitable deals with various multinational companies



## Rethinking profit and sustainability

**F**orging ahead into the future of the Malaysian economy, many businesses, SMEs included, seem to place profitability at the highest pedestal in their business plans, often ruling out other concerns such as sustainability and eco-friendliness in an effort to maximise profit.

However, given the realities of today's modern world, it may be time to rethink this business paradigm for a more holistic alternative and biomass industry seems to offer just that platform for change.

Incorporating both the tenets of profitability and sustainability, the biomass industry champions the circular model of the economy, where waste and by-products from a certain industry are reused and recycled into higher value-added products.

These can then be used again by the industry or sold to others for profit.

Given the ambitious scale of the industry, the forerunners for the Malaysian biomass industry are the Malaysian Biomass Industries Confederation or MBIC for short, whose aim is to provide members with the latest know-how in biomass, while promoting and furthering the Malaysian biomass industry as a whole through its various networking, lobbying and advocacy initiatives.

Despite its youth (formed in 2012), the MBIC now boasts over 3,000 individual members who come from a variety of industries ranging from direct biomass industries to peripheral ones such as finance, energy production and manufacturing... all falling under the larger umbrella of MBIC.

## Wide portfolio, wider scope

In an interview with *MALAYSIA SME*<sup>®</sup>, MBIC president Datuk Leong Kin Mun said, "Generally, the biomass industry can be widely segregated into four categories, namely, bio-energy, bio-agriculture, eco-products and green chemicals of which MBIC targets strategically in its outreach and development."

"The first category, bio-energy scopes over areas such as biomass power plants, fuel switching from fossil fuels to renewable energy sources, biogas plant producers and energy pellets which can easily fetch an industry output value ranging from RM250 to RM300 per tonne.

"The next category, bio-agriculture focuses on products such as animal feed, aqua feed, algae, compost, and bio-fertilisers as well as related biotech applications for which the market value begins at US\$200 per tonne up to US\$300 per tonne especially for the bio-fertiliser category.

"Thirdly, we have the eco-products category that specialises in various everyday products such as the bio-composites in cars which can be sourced from woody

biomass or rice husks as well as meal packaging products that commands an impressive market value of up to RM7,000 per tonne.

“Lastly, we have the products that fall under the category of green chemicals including the likes of bio-sugar sourced from palm oil for bio-fuel purposes, bio-ethanol and bio-plastics which can also be profitable fetching up to a few thousand ringgit per tonne in the marketplace.

“Generally, the overall basis for the Malaysian biomass industry sits at 80 million tonnes per annum, which translates to RM16 billion based on a conservative average of RM200 per tonne. So, the potential is there however, there are certain areas that do require some further work.”

#### Hot buttons of the industry

Despite the strong latent potential, there is still much work to be done in order for the Malaysian biomass industry to work at its full potential. Perennial issues such as funding, lack of technology transfer and awareness are still the hot buttons for the biomass industry, similar to any other industry.

As highlighted by Leong, the root of the issue lies in the lack of awareness among industry players about the merits and importance of the biomass industry. He added that switching to biomass is not an overnight process, but requires patience and dedication from businesses in order to reap the rewards.

However, most businesses seek immediate gains and start the process rather late in the game, leaving them unable to reap the rewards that it brings. So this is the core of the issue, however once businesses have jumped on the bandwagon, they find that the cost and intricacy of the technology required is beyond their means and capabilities, both of finance and technical expertise.

This leaves them in a tough spot as they would subsequently require huge amounts of funding to be able to get on board with these biomass technologies for which the infrastructure and availability is lacking. This then brings the issue to the most pressing source which is the lack of legislation surrounding the financing and proper funding of the biomass industry.

## MBIC hopes to be the platform to provide the latest and up-to-date information for these local biomass SMEs to put them in better stead to grow the industry as whole

of making unsavoury deals. As highlighted by Leong, such deals may often come in the form of multinational or foreign corporations seeking to make a quick buck at the expense of local Malaysian SMEs.

Leong said, “Often times, SMEs may be unwittingly lured into the promise of a quick buck by seemingly lucrative deals from multinational corporations, however more often than not, it may result in SMEs not being able to secure the full potential and value of their products.

“The direct cause of this issue is the lack of an industry standard when it comes to the valuation and prices of their products. Although, we at MBIC may have this industry knowledge, many individual SME players do not have a point of reference when it comes to determining the right market value for their products.”

This should be the mandate of the government, but it appears to be the case that there is a lack of consensus and clear definition of roles when it comes to specific biomass portfolios. “One example is that of coconut-based products, where there is no specific

government agency holding the responsibility for this.

“So, unfortunately, this leads to a scenario whereby SMEs may enter deals with various multinational companies not knowing the true value of their products, which leads them to experience poor financial performance in the mid to long-term.”

#### Blue skies on the horizon

However, this is not meant to paint a doom and gloom picture for SMEs. On the contrary, there is huge potential at hand. Indeed, MBIC is confident of the huge growth potential for the industry in the coming years.

Touching on this, Leong said, “The potential for the biomass industry is huge as it spans over many different sectors and industries, including manufacturing, agriculture, retail and defence too. However, in order to achieve this potential, the various seeding issues must first be tackled.



MBIC executive committee

Leong said, “Often times, the legislation that has been put into place is lacking in terms of industry-government collaboration in hashing out the relevant issues at hand. The government may be well-meaning in instituting the legislations at hand, however it may lack the specific veracity and relevance to the current industry needs.

“Thus, often times such legislation may inevitably leave industry players, SMEs in particular in a worse off position in regards competing with regional and international players. Inevitably, these industry players may become victim to unsavoury deals by larger international corporations.”

#### Lure of the quick buck

As highlighted, despite the strong potential that the biomass industry holds, SMEs will need to be wary so that they do not fall into the trap

“Paramount to this would be for Malaysian biomass SMEs to equip themselves with the necessary and sufficient industry knowledge in order to succeed. It appears that there is much confusion and misinformation surrounding the marketplace at the moment, so this needs to be tackled first.

“Unfortunately, many SMEs may be misled by certain statements promising huge and quick potential in the biomass industry. This is misleading and it takes time to build up your base in order to be able to reap the financial rewards that it brings.”

“MBIC hopes to be the platform to provide the latest and up-to-date information for these local biomass SMEs to put them in better stead to grow the industry as a whole, while building up the nationwide network of both SMEs and large corporations in the local biomass sector.”