

APOC

July 17, 2008

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 08-OIR-1
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 08-OIR-1 Assembly Bill 118, Committee Workshop

Dear Sir or Madam:

The American Palm Oil Council ("APOC"), which promotes the sale of palm oil produced in Malaysia, thanks the California Energy Commission (the "Commission") for this opportunity to comment on the concept papers presented at the July 8, 2008 Committee Workshop (the "Workshop") for California Assembly Bill 118 ("AB 118"). While we applaud the Commission's efforts, we are concerned that palm oil is being singled out unjustifiably as an unsustainable feedstock for biofuels that negatively impacts the environment. We respectfully ask the Commission to promulgate regulations that promote the use of all alternative fuels, and avoid putting unwarranted and potentially counterproductive burdens on palm-based biofuels.

The concept papers presented at the Workshop discussed AB 118's requirement that the Commission develop the Alternative and Renewable Fuel and Vehicle Technology Program (the "Program"). A key feature of the Program is the development and implementation of sustainability goals for alternative fuels. APOC supports the Commission's ongoing research and consultation with government, academic, and non-governmental experts in developing standards and criteria that promote sustainability in the alternative fuels industry. We stand ready to work with the Commission and to provide additional information about palm oil and palm-based alternative fuels.

As the concept papers recognize, palm oil is a proven, economical, and widely-available feedstock for biofuel. We respectfully disagree, however, with the sweeping assertion that in all cases the production of palm oil raises environmental and sustainability concerns, especially as it relates to palm oil produced in Malaysia.

As explained more fully below, the Malaysian palm oil industry is committed to preserving and protecting natural resources and the environment. As part of its commitment to sustainable palm oil production, the Malaysian palm oil industry is an active partner in the Roundtable on Sustainable Palm Oil ("RSPO"). The RSPO is an association of business and non-governmental organization representatives seeking to promote sustainable palm oil and is

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designed to facilitate an independent assessment of palm growers to ensure sustainability. RSPO sustainability standards recently were utilized in connection with an electric generation facility in Hawaii. In Malaysia, many palm oil industry producers are ready to be certified under the RSPO certification scheme, and the industry is committed to meeting RSPO standards and providing certification of this.

The RSPO certification process, however, entails considerable expense. There are concerns that market prices for certified palm oil will be elevated, to the detriment of consumers world-wide, and that smaller producers cannot afford the expense. The Government of Malaysia, through its Malaysian Palm Oil Board ("MPOB") and the palm oil industry, through the Malaysian Palm Oil Council, are addressing how to implement a strong and cost-effective certification program, and how its expense is to be borne. Currently, a Certificate of Assurance ("COA") program is being developed in Malaysia. The governing principles and criteria are being finalized, and hinge on the fact that:

1. The Malaysian palm oil industry is highly regulated by a battery of state and federal laws, and all aspects of the industry are required to be licensed through the Malaysian Palm Oil Board (MPOB) Act, 1998.
2. Palm oil is derived from trees cultivated on land designated for agricultural use under the MPOB Act, whose cultivation has not resulted in recent deforestation or wildlife destruction.
3. Oil palm is an agricultural crop planted on legitimate agricultural land, just like soy, rapeseed or canola. Every oil palm plantation is licensed and regulated through the MPOB Act.
4. The oil palm is cultivated in accord with responsible agricultural practices in comparable manner to that for the cultivation of soy, rapeseed and canola in the United States, Europe and elsewhere.

The COA program is expected to be finalized before the end of 2008, and we will provide the final documentation to the Commission once it is available.

As noted above, the Malaysian palm oil industry is highly regulated. It is required and encouraged to employ responsible, sustainable production methods including zero-burning replanting techniques, recycling of palm oil production by-products, and designation and protection of forest regions through the High Conservation Value Forests program. The zero burning technique includes the disposal of old palms by shredding and decomposition. This technique is non-polluting, contributes positively towards minimizing global warming, and complies with environmental legislation. In addition to the zero burning technique, the Malaysian palm oil industry promotes milling and refining techniques that generate minimum waste effluent. For example, the industry uses a technically advanced method to convert waste matters into compost. The compost, when used in sufficient quantity, is capable of replacing 66% of chemical fertilizers.

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Furthermore, Malaysia has long made concerted efforts to promote conservation and the sustainable use of resources and is committed to improving its already high degree of sustainability. For example, Malaysia has recently announced the formation of a Malaysian Palm Oil Wildlife Conservation Fund (the "Fund"). The Fund, a collaborative effort by the Malaysian government, MPOC and others, will provide research and conservation efforts to preserve orangutans on the island of Borneo.

Palm oil is a valued commodity used world-wide to meet a broad array of nutritional, energy and other needs. Less than 25% of Malaysia's total land mass is devoted to agricultural use, and only 10.2% is used for oil palm cultivation. This is significantly lower than comparable crops in the United States. We ask the Commission to avoid discrimination against palm oil, one of Malaysia's legitimate agricultural commodities.

Finally, we ask that the Commission consider the potential economic impact of placing additional burdens on palm-based biofuels. Doing so could create disincentives for California biofuel refineries to use an attractive source of feedstock, increase cost and deprive consumers in California of the economic benefits of palm-based biofuels. In effect, placing unwarranted restrictions on palm-based biofuels could undermine the legislative goal of promoting alternative fuel use in California. We respectfully suggest that regulations that promote the widespread use of proven alternative fuels, and do not place additional burdens on palm-based biofuels, will benefit Californians and the environment.

Once again, we thank the Commission for this opportunity to comment on the pressing issues of alternative fuels, and we welcome this chance to provide information about palm oil and the Malaysian palm oil industry, which are often misunderstood. Should the Commission want additional information, please let us know.

Sincerely,



M. Salleh Kassim