



25 MAR, 2026

CONFLICT FUELS BIODIESEL DEMAND

New Straits Times, Malaysia



BUSINESS TIMES

ENERGY SHIFT

THE Middle East conflict is fuelling demand for alternatives such as palm-based biodiesel, boosting crude palm oil prices.

» REPORT BY S. BIRRUNTHA ON PAGES 4 & 5

AFP PIC FOR ILLUSTRATIVE PURPOSES ONLY

25 MAR, 2026

CONFLICT FUELS BIODIESEL DEMAND



New Straits Times, Malaysia

Page 2 of 2

ENERGY MARKETS

CONFLICT FUELS BIODIESEL DEMAND

Palm oil emerges as key alternative, helping to sustain CPO price rally in near term, say economists

S. BIRRUNTHA
KUALA LUMPUR
bt@nst.com.my

THE Middle East war has disrupted an estimated 20 per cent of the global energy supply, driving demand for alternative fuels, including palm-based biodiesel, said economists.

Palm oil, widely used as a feedstock for biofuels, has emerged as a key alternative, helping sustain high crude palm oil (CPO) prices in the near term.

Economics professor at Sunway University Dr Yeah Kim Leng said the supply disruption is tightening energy markets and contributing to the uptrend in palm oil prices.

"The current palm oil rally is expected to persist as long as the Middle East war continues and oil and gas facilities have not been fully restored, along with safe passage through the Strait of Hormuz.

"Disruptions to the supply of agricultural chemicals, particularly urea fertiliser, are also expected to increase production costs for palm and other vegetable oils."

He said unless output in importing countries increases quickly, major buyers such as India will have to contend with elevated import prices while adjusting to shifting supply-demand dynamics.

Tradeview Capital Sdn Bhd fund manager Neoh Jia Man said the sustainability of the CPO rally is closely linked to disruptions in the Strait of Hormuz.

He said at this stage, there are limited signs of a near-term resolution, which will continue to underpin elevated crude oil prices and biodiesel-linked demand for palm oil.

However, Neoh said early signs of demand destruction are emerging in price-sensitive markets such as India.

While higher fertiliser costs could constrain global oilseed supply, he said palm oil yields are relatively less sensitive to fertiliser application compared with crops such as soyabean.

"As such, palm oil could partially offset this by gaining market share within the global vegetable oil complex, particularly if it retains a rela-



tive pricing advantage."

Universiti Kuala Lumpur Business School economic analyst Assoc Prof Dr Aimi Zulfazmi Abdul Rashid said persistently high crude oil prices could slow global trade.

He said this would likely push up global commodity prices, including key food staples such as rice, wheat and corn, thereby increasing costs across the value chain.

Aimi said Malaysia is exposed to imported inflation given its reliance on items such as meat, onions, fruits, fish and vegetables.

"We experienced a substantial increase in inflation to almost four per cent in 2022 due to the conflict between Russia and Ukraine."

Beyond commodities, Aimi said Malaysia's exports are heavily concentrated in semiconductors.

He said the Middle East conflict could disrupt the global electronics industry and affect supply chains.

He said scarce resources and rising

transport costs may slow demand for Malaysia's semiconductors, leading to reduced production.

Aimi also said the government could struggle to maintain the RON95 subsidy price with crude oil prices rising above US\$100 per barrel.

BIODIESEL POLICIES

According to Yeah, the economics of using palm and other vegetable oils for fuel would be more viable if global fossil fuel shortages persist and crude oil remains above US\$100 per barrel in the next few months.

"The prevailing market prices are signalling supply-demand imbalances, with price volatility reflecting market uncertainties."

"The biodiesel optimism is therefore contingent on the commercial viability of substituting biodiesel for fossil fuels."

Neoh said an acceleration in biodiesel mandates, particularly in Indonesia and, to a lesser extent, Brazil,

would support global vegetable oil demand, including palm and soyabean oil.

In Indonesia, higher mandates are constrained by fiscal considerations due to subsidy requirements, as well as logistical and blending capacity challenges.

He said in Brazil, the impact on palm oil is more indirect because the country relies primarily on soybean oil as its biodiesel feedstock.

"As such, while the policy direction is structurally supportive, we believe the market may be overpricing the immediacy of its impact, with actual demand uplift likely to materialise more gradually than currently implied."

VEGETABLE OIL PRICES MAY SEE CORRECTION

With a potential surge in sunflower and rapeseed output in the 2026/2027 cycle, economists are assessing the likelihood of a sharp correction in

vegetable oil prices by mid-year and the exposure of palm oil to a reversal once supply pressures emerge.

Yeah said an output surge in other vegetable oils could help temper food inflation.

He added that food-to-fuel conversion by producers, taking advantage of higher profitability in fuel use, has also contributed to inflationary pressures.

Neoh said a recovery in sunflower and rapeseed output in the 2026/2027 cycle could renew supply pressure across the vegetable oil complex.

He said based on data, consensus forecasts have yet to fully adjust to the recent price strength, with median estimates of around RM4,300 per tonne for palm oil and US\$0.65 per pound for soyabean oil in 2026.

"This suggests that economists broadly view current price levels, particularly for palm oil, as unsustainable," he added.

NSTP FILES PIC