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Modelling and Optimisation of Oil Palm Biomass Value Chains and the Environment–Food–Energy–Water Nexus in Peninsular Malaysia

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25	ABSTRACT
26	This study aims to develop a decision model to optimize the oil palm biomass value chains by
27	minimising the environmental impact whiles generating economy value from their bioproducts.
28	The model considers two major components, namely, a fuzzy analytic hierarchy (FAHP)
29	framework and a multi-objective optimisation model. Both components will be used by
30	integrating the priorities of the environmental and economic impacts obtained from experts'
31	judgement with the multi-objective optimisation model to generate an optimal solution based
32	on expert's judgement. The framework used to study different case study for the oil palm
33	industry in Peninsular Malaysia. Results show that a maximum profit of 267,116,398 USD per
34 25	year can be achieved. However, to minimise the environmental impact, a 34% cut of the profit is needed to reduce 01% of CO ₂ emissions generated and 07% of water consumption
35 36	is needed to reduce 91% of CO_2 emissions generated and 97% of water consumption. Moreover, the model generates optimal pathways by selecting the processing facilities that are
30 37	needed in the value chain to achieve the objectives. The biomass or bio-product distribution
57	needed in the value chain to demove the objectives. The biomass of bio-product distribution

networks around Peninsular Malaysia are also presented in this paper. Several scenarios are discussed to observe the effects on the optimal value chain solutions by manipulating the production level. On the basis of the results, the interactions of the environment–food–energy– water nexus are investigated. Therefore, this study can contribute to the improvement of oil palm industry policies while addressing sustainability issues through the proposed value chain model.

43 44

45 *Keywords:* Optimisation, oil palm biomass, biomass value chain, nexus

46 1.0 INTRODUCTION

47

48 The palm oil industry is an important and inimitable economic contributor to Malaysia due to

49 the global demand for food and bio-products [1]. The increasing demand for palm oil products

50 is expected to lead to land expansion, and approximately 5 Mha of additional land is required

- 51 to meet the demand [2]. However, land expansion becomes a great concern in Malaysia as it
- will lead to environmental issues such as deforestation, biodiversity loss, food chain disruption, water and air pollution and increased CO_2 emissions. Therefore, the sustainability of this
- 54 industry is critical to overcome the environmental issues [3].

The Malaysian government has developed several policies to help drive the development of 55 renewable energy in order to reduce reliance on fossil fuel consumption and greenhouse gas 56 57 (GHG) emissions. This concern has led to the development of the Kyoto Protocol and 'Five-Fuel Diversification Policy' in the Eighth Malaysia Plan which emphasize on the utilisation of 58 oil palm biomass could contribute to the reduction of GHG emissions by producing bio-energy 59 products that are more environmentally friendly. The potential of oil palm biomass has led to 60 the development of a few policies [4–6]. For example, the National Biotechnology Policy that 61 was introduced in 2005 aims at boosting the biotechnology industry in Malaysia to provide 5% 62 of gross domestic product (GDP) by 2020 [7]. On 21st March 2006, the National Biofuel Policy 63 was launched to promote the use of palm oil-based biofuel for transportation and power 64 generation [8]. The National Green Technology aims to advance the green technology industry 65 and support biotechnology advancement in Malaysia. This policy also encourages the 66 utilisation of biomass, such as empty fruit bunches (EFB) and biogas [4]. In 2010, the National 67 68 Renewable Energy Policy and Action Plan was launched as part of the Tenth Malaysia Plan 69 [8]. This policy aims to enhance renewable energy to become the national power source whilst 70 boosting the development of the renewable energy industry [9]. The Biomass Industry Strategic Action Plan focusses on the involvement of small and medium enterprises in high-value 71 72 utilisation of biomass. During the implementation of this policy, the Malaysia Biomass 73 Industries Confederation (MBIC) and Bio-economy Transformation Programme (BTP) were formed [4]. The BTP was implemented to further develop the bio-based industry in Malaysia 74 [10]. The National Biomass Strategy 2020 was launched in 2013 and seen as a game changer 75 by power producers. This strategy offers the country a way to meet renewable energy sources 76 by utilising biomass and outlines the action plans and opportunities in biomass value chain 77 development [11]. Due to the increasing capacity of the oil palm sector in Malaysia, the 78 79 National Biomass Strategy 2020 remains focused in making full utilisation of oil palm biomass 80 [12].

In order to improve the sustainability of the oil palm industry, oil palm biomass must be 81 managed and utilised properly to generate wealth whilst minimising wastes [13]. Oil palm 82 biomass has emerged as a potential contributor to renewable energy sources and to the 83 production of value-added products. The biomass generated in oil palm processing mills 84 includes EFB, palm kernel shells (PKS), mesocarp fibres and palm oil mill effluent (POME). 85 The biomass generated in mills is based on fresh fruit bunch (FFB) extraction. The amount of 86 EFB and PKS produced is estimated to be 22% and 7% of FFB, respectively, whereas POME 87 is produced at 0.7 tonne per tonne of FFB [14]. Based on the FFB yield data provided by the 88 Malaysian Palm Oil Board, the average amount of oil palm biomass availability in Malaysia 89 from 2017 to 2019 is approximately 22.42 million tonnes of EFB, 7.13 million tonnes of PKS 90

91 and 71.34 million tonne of POME. As of February 2020, the amount of EFB, PKS and POME generated is approximately 2.80 million tonnes, 0.89 million tonnes and 8.92 million tonne, 92 respectively. Due to the huge amount of oil palm biomass generated yearly, Malaysia can 93 potentially utilise the biomass to produce value-added products. One of the challenges in 94 considering oil palm biomass as energy sources is to utilise the biomass efficiently and 95 effectively in order to reduce the cost of supply chain and the process to convert it into useful 96 products. There are many advantages in converting oil palm biomass into valuable products, 97 but several barriers need to be considered, including transportation and production costs, 98 logistic efficiency, quality and environmental impacts [13,15]. Therefore, to overcome these 99 challenges, the development of a biomass value chain is essential to bring positive impacts into 100 the industry. Moreover, the importance of 'waste to wealth' is increasingly being recognised 101 in Malaysia [16]. 102

Several studies have investigated the biomass value chain in Malaysia. According to the 103 optimised model of Shukery et al. [17], maximising economic benefits and minimising wastes 104 through multi-objective linear programming (LP) model has the highest efficiency in producing 105 various types of products. Theo et al., [18] has successfully created revenue from POME and 106 biomass utilisation by adopting a fuzzy optimisation method. Meanwhile, BeWhere model 107 developed by Hoo et al. [19] was used to identify the potential of injection of bio-methane from 108 POME into the natural gas grid. Wu et al. [20] investigated the potential of palm solid wastes 109 and biogas to produce renewable fuel and electricity using the ECLIPSE software. Optimal 110 production levels of high-value products with economic objectives were studied by Abdulrazik 111 et al., [21]. Their model was developed to optimise oil palm EFB using LP. All of these studies 112 can help determine the potential of oil palm biomass to produce bio-products and bio-energy 113 products. Many of them used multiple biomass feedstocks or technologies to produce products, 114 but limited information is available on the palm oil mills and technologies. This gap was filled 115 by our previous study Rubinsin et al.,2 [22] where only a single biomass feedstock was 116 117 considered. However, incorporated geographic information system (GIS) locations of palm oil mills and processing facilities in Malavsia and integrated model with the incorporation of 118 expert knowledge into the multi-objective optimisation model provide a new approach in the 119 oil palm value chain analyses [23]. The study revealed that capturing experts' view needs to be 120 included in the value chain as indicated an important criteria for best practice for the oil palm 121 industry by several other studies [24-26] also indicated that capturing experts' judgement is 122 the best practice for the oil palm industry. Ngan et al. [27] used the fuzzy analytic network 123 process (FANP) method to consider human factors in their study and found that it provides a 124 feasible solution to the industry. In another study of [28], they also suggested that incorporating 125 stakeholders in risk management could help in evaluating risk mitigation strategies in the 126 industry. 127

The present study aims to provide a multi-objective optimisation model with the incorporation 128 of expert-based judgement. The multi-objective optimisation model is an extension work of 129 our previous study of Rubinsin et al., 2019 but with the addition of two types of oil palm 130 biomass of PKS and POME with the incorporation of expert-based judgement that previously 131 investigated by Tapia and Samsatli, 2019. Therefore this study will investigate the oil palm 132 biomass value chain in Peninsular Malaysia as the pilot study with the characteristics as 133 follows: (1) considering the utilisation of different oil palm biomass to generate multiple bio-134 products based on the palm oil mills and processing facilities GIS locations in Peninsular 135 Malaysia, (2) incorporating expert knowledge in the optimised model and (3) capturing the 136

impacts of biomass value chains on the environment-food-energy-water (EFEW) nexus.
Therefore, this study could help address issues in the planning systems of oil palm biomass
where perceptions of the stakeholders and owners of the company were integrated into the
planning system. In addition, more biomass policies could be developed to improve the
industry's sustainability.

142 2.0 BIOMASS VALUE CHAIN MODEL DEVELOPMENT

143 144

The biomass value chain model develop using the sequential steps shown in Figure 2.1. Figure 2.1 (a) is a decision tool to determine the priorities between environmental and economic impacts and Figure 2.1(b) shows the multi-objective oil palm biomass value chain model. Both components are the integration between the methods proposed by Tapia and Samsatli, (2019) and our previous study Rubinsin et al.,2020 to generate an optimal solution based on the expert for the value chain.

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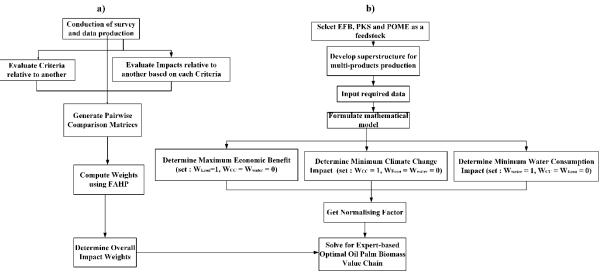


Figure 2.1 Sequential optimisation steps of oil palm biomass value chain a) Fuzzy Analytic Hierarchy
 Process (FAHP) b) Multi-Objective Oil Palm Biomass Value Chains

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156 2.1 Fuzzy Analytic Hierarchy Process (FAHP) Decision Model157

The hierarchical value chain decision structure with three decision levels is presented in Figure 158 159 2.2. The first level is the goal, the second one is the criteria and the third level is the impacts or the objectives. The goal of the value chain is to decide the impact priorities in the value chain 160 model based on three criteria that are short-term and long-term benefits, policy development 161 and social acceptance. Three impacts including economic, climate change and water impact of 162 the above mentioned criteria will be investigated. In this study, the economic impact is the 163 transportation and production cost, The climate change impact and water impact were 164 considered as an environmental impact. The climate change is the CO_2 emissions generated, 165 and water impact is the water footprint or water consumption in the value chain. As can be seen 166 in Figure 2.2, the decision of each level is represented by an arrow, which required expert 167 judgement as an input. The expert judgements of each decision level are translated into priority 168 weight with respect to the input level. For example, the arrows directing from goal to criteria 169 level indicates the priority weight of criteria with respect to goal; same goes to the arrows 170 171 between impact and criteria level. The overall priority weights are computed based on the 172 priority weights of the criteria and impacts. The priority weights are obtained using the

- qualitative value judgement given by the Malaysian experts in palm oil related industry. The 173 description of the expert judgment criteria are as follows: 174
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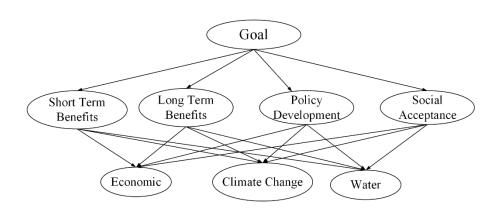
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- Short-term benefits: The experts are consulted on the priority of economic, climate • change and water impact during the deployment and operation of value chain model at its early stage.
- Long-term benefits: The same impacts as above were consulted to the experts when the 180 • value chain model becomes well established in the future and its potential impact to the 181 palm oil industry in a long run. 182
- Policy development: The experts are asked to consider to prioritising the 184 • abovementioned impacts in introducing new economic and environmental strategies 185 and policies for palm oil industry. The aim is to maximise the economic benefits without overlooking the environmental impacts. This enables the model to generate 188 useful insights during policy development in the future.
- Social acceptance: The impact evaluations are based on the overall public acceptance 190 • on the high-value bioenergy and bio-based products from the oil palm biomass value 191 chain and its potential social benefits, especially on the job creation to the low income 192 indigenous community. 193



196 197

198 199

Figure 2.2 Decision Structure of the Value Chain

- To obtain the experts' view regarding the importance of the objectives in the value chain, two 200 categories of pairwise comparison matrices from experts are evaluated. The first category is 201 the pairwise judgement between impacts based on the criteria. This category is used to 202 determine qualitatively the priority weights of each impact based on expert judgement. The 203 second category is the pairwise comparison between criteria. An example of pairwise 204 comparison matrix with qualitative judgements on impacts (i.e. economic, climate change and 205 water) in each criterion (short term benefit, long term benefit and policy development) and 206 their corresponding TFNs are presented in Table 2.1, Appendix A.1. 207
- 208

The expert qualitative judgements are given as either 'equally' (EQ), 'slightly more' (SM), 209 210 'moderately more' (MM), 'strongly more' (ST) or 'very strongly more' (VS) important than other. The corresponding opposing qualitative judgement is the same for EQ, 'slightly less' is 211

1/SM, 'moderately less' is 1/MM, 'strongly less' is 1/ST, and 'very strongly less' is 1/VS. 212 Their equivalent quantitative judgement is given as triangular fuzzy number (TFN) given in 213 Table 2.2 with their lower, model and upper numbers. Both lower bound and upper bound 214 values denote the least possible equivalent of the qualitative judgement, while the modal value 215 denotes the most possible equivalent of the qualitative judgement. The membership functions 216 for each qualitative judgement are presented in Figure 2.3, where it can be seen that the stronger 217 the judgement is, the wider the gap between the upper and the lower bound. We adopted the 218 calibration scales developed by Promentilla et al. [30] and Ishizaka and Nguyen [31] which 219 220 using the scaling method of Saaty's 9-point scale for pairwise comparison [32].

- 221
- 222 223

Table 2.2 Qualitative judgement and their TFN.

Qualitative judgement	Lower	Modal	Upper
EQ	1	1	1
SM	1.2	2	3.2
MM	1.5	3	5.6
ST	3	5	7.9
VS	6	8	9.5
1/SM	0.31	0.5	0.83
1/MM	0.18	0.33	0.67
1/ST	0.13	0.2	0.33
1/VS	0.11	0.13	0.17

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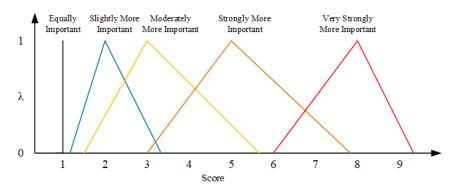




Figure 2.3 Illustration of triangular fuzzy numbers with their respective membership functions 227

228 The priority weights are derived from the following optimisation model developed by 229 230 Promentilla et al., [33] and Tapia and Samsatli [29] by maximising λ in Eq. (1), which includes

the overall judgement consistency, subjected to the respective membership functions. 231

Maximize
$$\lambda$$
 (1)

$$a_{qq'} - l_{qq'} \ge \lambda (m_{qq'} - l_{qq'}); \ a_{q'q} - l_{q'q} \ge \lambda (m_{q'q} - l_{q'q}) \qquad \forall (q',q) | q < q' \qquad (2)$$

$$u_{qq'} - a_{qq'} \ge \lambda (u_{qq'} - m_{qq'}); \ u_{q'q} - a_{q'q} \ge \lambda (u_{q'q} - m_{q'q}) \qquad \forall (q',q) | q < q' \qquad (3)$$

$$a_{qq'} = \frac{w_q}{w_{q'}}; \ a_{q'q} = \frac{w_{q'}}{w_q} \qquad \qquad \forall (q',q) | q < q' \qquad (4)$$

$$\sum_{q} w_q = 1 \tag{5}$$

The priority weights (w_q) of criterion or impact from a designated pairwise comparison matrix 234 are calculated with these optimisation models, with the inputs from the lower bound value 235 $(l_{qq'})$, model value $(m_{qq'})$ and upper value $(u_{qq'})$ of a criterion or impact (q) with 236 reference to another criterion or impact (q'). The non-fuzzy (crisp) judgement $(a_{qq'})$ is 237 reported as the ratio between the priority weights of q and q'. The aim of solving this set of 238 judgments is to ensure λ to attain the highest possible consistency, which is close to 1 An 239 example of solution to the priority weights of the pairwise comparison matrix of impacts in 240 241 Table 2.1, Appendix A.1, are 0.043 (economic), 0.834 (climate change) and 0.113 (water), 242 respectively with a fuzzy consistency λ of 0.481. The model is also capable to solve incomplete judgement, provided that each criterion or impact is considered in at least one judgement with 243 at least n-1 judgements, where n is the number of criterion or impact. The overall weights of 244 245 each impact are determined using Eq. (6).

$$w_{im} = \sum_{c} C_c S_{im,c} \tag{6}$$

246

247 $S_{im,c}$ represents the priority weight of impact (*im*), and C_c represents the priority weight of 248 criterion (*c*). The weighted sum (w_{im}) is determined and applied in the value chain model. 249

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252 2.2 Multi-objective Oil Palm Biomass Value Chains

The objective function for the model is the weighted sum of the impacts of production and
transportation from every processing facility, as shown in Eq. (7).

Minimize impact = min $\sum_{im} w_{im} NF_{im} (TIP_{im} + PIP_{im} - RP_{im})$

257

The aim of this objective function is to minimise the overall impact of production and 258 transportation by subtracting the revenue generated (RP_{im}) from the value chain. PIP_{im} is the 259 total production impact from all products, and TIP_{im} is the total transportation impact of the 260 transported product between processing facilities. The normalisation factor (NF_{im}) is 261 determined from the ratio between the best value of economic impact and the impact value 262 being minimised. The impacts of each objectives are aggregated based on the numerical 263 weights (w_{im}) . Varying the following numerical weights with the corresponding units of 264 objective function enables different objectives to be set: 265

- 266 267
- Maximise profit (in million MYR): set $w_{\text{Economic}} = 1, w_{\text{Climate Change}} = 0$ and $w_{\text{Water}} = 0$
- Minimise climate change impact (in million tonne CO₂eq): set w_{Economic}= 0, w_{Climate}
 Change= 1 and w_{Water}= 0

(7)

• Minimise water impact (in million m³): set w_{Economic}= 0,w_{Climate Change}= 0 and w_{Water}= 1 273

274

$$RP_{im} = \sum_{p=l}^{p} QS_{p} \times Selling \text{ price}$$
(8)

275

The RP_{im} in Eq. (7) is calculated using Eq. (8). The total revenue is the summation product of sold products (QS_p) and their selling price (listed in Appendix, Table B.1). The TIP_{im} in Eq. (7) of the value chain is expressed as follows:

$$TIP_{im} = TIB_{im} + TII_{im} + TIK_{im} + TIM_{im} \quad \forall_{im}$$
(9)

280 The transportation impact resulting from biomass utilisation and product transported between processing facilities is calculated using Eq. (9). TIB_{im} is the total transportation impact from 281 biomass utilisation from mills (g) to pre-processing facilities (h). TII_{im} is the overall 282 transportation impact of pre-processed feedstocks (i) transported to main processing facilities 283 (j). TIK_{im} is the transportation impact of intermediate product 1 (k) transported to further 284 processing facilities (1). TIM_{im} is the total transportation impact of intermediate product 2 (m) 285 transported to further processing facilities 2 (n). Note that the water impact in transportation is 286 287 assumed to be negligible. Therefore, the transportation impact are consists of economic and climate change impact only. The transportation impact of biomass transported from palm oil 288 mills to pre-processing facilities is expressed as follows: 289 290

$$TIB_{im} = \sum_{b,g,h} (FTB_{b,g,h} \times SFB_{b,g,h,i,im}) + (FTB_{b,g,h} \times TFB_{b,g,h,im}) + (FTB_{b,g,h} \times (10)$$
$$ETFB_{b,g,h,im}) \quad \forall_{im}$$

In Eq. (10), the amount of biomass $(FTB_{b,q,h})$ transported from mills (g) to pre-processing 291 facilities (h) is multiplied by the selling price, transportation cost factor and transportation CO₂ 292 emission factor to obtain the total transportation impact. The biomass selling price (SFB_{b,g,h,im}) 293 is used to obtain the total biomass cost. The biomass selling price is listed in Table B.1. 294 TFB_{b,g,h,im} is the transportation cost factor used to calculate the transportation cost of biomass, 295 and $\text{ETFB}_{b,g,h,im}$ denotes the transportation CO_2 emission factor in obtaining the total CO_2 296 emission generated from biomass transportation. The transportation cost factors and emission 297 factors for biomass transported from mills to pre-processing facilities are listed in Table B.2. 298 299

300 The transportation impact of pre-processed feedstocks (i) transported from pre-processing 301 facilities (h) to main processing facilities (j) is expressed as follows:

302

$$TII_{im} = \sum_{b,g,h,i,j} (FTI_{b,g,h,i,j} \times \text{TFI}_{b,g,h,i,j,im}) + (FTI_{b,g,h,i,j} \times \text{ETFI}_{b,g,h,i,j,im}) \quad \forall_{im}$$
(11)

The amount of transported pre-processed feedstocks $(FTI_{b,g,h,i,j})$ in Eq. (11) is multiplied by the transportation cost factor $(TFI_{b,g,h,i,j,im})$ and transportation CO₂ emission factor (ETFI_{b,g,h,i,j,im}) to obtain the total transportation cost and CO₂ emissions generated,

- respectively. The transportation cost factors and emission factors for pre-processed feedstocks
 (i) transported from pre-processing facilities (h) to main processing facilities (j) are listed in
 Table B.3.
- The transportation impact of intermediate products 1 (k) transported from main processing facilities (j) to further processing 1 facilities (l) is expressed as follows:

$$TIK_{im} = \sum_{j,k,l} (FTK_{j,k,l} \times TFK_{j,k,l,im}) + (FTK_{j,k,l} \times ETFK_{j,k,l,im}) \qquad \forall_{im}$$
(12)

In Eq. (12), the amount of intermediate products 1 transported $(FTK_{j,k,l})$ will then be multiplied by the transportation cost factor $(TFK_{j,k,l,im})$ and transportation CO₂ emission factor (ETFK_{j,k,l,im}) to obtain the total transportation cost and CO₂ emissions generated, respectively. The transportation cost factor and emission factor for intermediate products 1 (k) transported from main processing facilities (j) to further processing 1 facilities (l) are listed in Table B.4.

- 318 The transportation impact of intermediate products 2 (m) transported from further processing 1.6 ± 0.01
- 319 1 facilities (l) to further processing 2 facilities (n) is expressed as follows:

320

$$TIM_{im} = \sum_{l,m,n} (FTM_{l,m,n} \times TFM_{l,m,n,im}) + (FTM_{l,m,n} \times ETFM_{l,m,n,i,im}) \quad \forall_{im}$$
(13)

The amount of products transported $(FTM_{l,m,n})$ in Eq. (13) is multiplied by the transportation cost factor $(TFM_{l,m,n,im})$ and transportation CO₂ emission factor $(ETFM_{l,m,n,im})$ to obtain the total transportation cost and CO₂ emissions generated, respectively. The transportation cost factors and emission factors for intermediate products 2 (m) transported from further processing 1 facilities (l) to further processing 2 facilities (n) are listed in Table B.5. All transportation cost factors can be determined using equation provided in Appendix A.2.

327

The production impact (PIP_{im}) resulting from the product produced from every processing facility is shown in Eq. (14).

$$PIP_{im} = PII_{im} + PIK_{im} + PIM_{im} + PIO_{im} \quad \forall_{im}$$
(14)

331

PII_{im} is the total production impact of pre-processed products (i) produced in pre-processing facilities (h). *PIK_{im}* is the total production impact of intermediate products 1 (k) produced in main processing facilities (j). *PIM_{im}* is the total production impact of intermediate products 2 (m) produced in further processing 1 facilities (l) and *PIO_{im}* the total production impact of final products (o) produced in further processing 2 facilities (n). The production impact will consider economic, climate change and water impact. The production impact of pre-processed feedstocks in pre-processing facilities is expressed as follows:

$$PII_{im} = \sum_{b,g,h,i} (FPI_{b,g,h,i} \times PFI_{b,g,h,i,im}) + (FPI_{b,g,h,i} \times EPFI_{b,g,h,i,im}) +$$
(15)
(FPI_{b,g,h,i} \times WFI_{b,g,h,i,im}) \quad \forall_{im}

In Eq. (15), PII_{im} is the production impact of pre-processed products (i) produced in preprocessing facilities (h). The amount of products ($FPI_{b,g,h,i}$) is multiplied by the production cost factor ($PFI_{b,g,h,i,im}$), production emission factor ($EPFI_{b,g,h,i,im}$) and water footprint ($WFI_{b,g,h,i,im}$) to obtain the total production cost, total production CO₂ emission and production water consumption, respectively. The production impact factors are listed in Table B.10.

346

$$PIK_{im} = \sum_{i,j,k} (FPK_{i,j,k} \times PFK_{i,j,k,im}) + (FPK_{i,j,k} \times EPFK_{i,j,k,im}) + (FPK_{i,j,k} \times (16))$$

WFK_{i,j,k,im}) \forall_{im}

347

348 PIK_{im} in Eq. (16) is the production impact of intermediate product 1 (k) produced in the main 349 processing facilities (j). The amount of products $(FPK_{i,j,k})$ will be multiplied by the production 350 cost factor (PFK_{i,j,k,im}), production emission factor (EPFK_{i,j,k,im}) and water footprint 351 (WFK_{i,j,k,im}) for water impact to obtain the total production cost, total production CO₂ emission 352 and production water consumption, respectively. The production impact factors are listed in 353 Table B.11.

354

$$PIM_{im} = \sum_{k,l,m} (FPM_{k,l,m} \times PFM_{k,l,m,im}) + (FPM_{k,l,m} \times EPFM_{k,l,m,im}) +$$
(17)
(FPM_{k,l,m} × WFM_{k,l,m,im}) \forall_{im}

355

In Eq. (17), PIM_{im} is the production impact of intermediate product 2 (m) produced in further processing 1 facilities (l). The amount of products $(FPM_{k,l,m})$ will be multiplied by the production cost factor (PFM_{k,l,m,im}), production emission factor (EPFM_{k,l,m,im}) and water footprint (WFM_{k,l,m,im}) to obtain the total production cost, total production CO₂ emission and production water consumption, respectively. The production impact factors are listed in Table B.12.

$$PIO_{im} = \sum_{m,n,o} (FPO_{m,n,o} \times PFO_{m,n,o,im}) + (FPO_{m,n,o} \times EPFO_{m,n,o,im}) +$$
(18)
(FPO_{m,n,o} \times WFO_{m,n,o,im}) \forall_{im}

362

In Eq. (18), $PIPO_{im}$ is the production impact of the final product (o) produced in further processing 2 facilities (n). The amount of products $(FPO_{m,n,o})$ will be multiplied by the production cost factor $(PFO_{m,n,o,im})$, production emission factor $(EPFO_{m,n,o})$ and water footprint $(WFO_{m,n,o})$ to obtain the total production cost, total production CO₂ emission and production water consumption, respectively. The production impact factors are listed in Table

- B.13. The amount of product produced at each processing facilities can determined using massbalance equation provided in Appendix A.3.
- 370
- Eqs. (19) to (21) are the constraints of the model, where these constraints define the boundaries of the model.
- 373

 $\sum_{h,a,h} FTB_{a,h} \le \text{Biomass Availability } \forall_{g}$ (19)

Product or Biomass Transport \leq Processing Facilities Capacities $V_{g,p}$ (20)

Five percent of World Demand $\geq QP_p \geq$ Product Demand \forall_p (21)

374

The first constraint is on the biomass availability stated in Eq. (19), the total amount of biomass transported $(FTB_{g,h})$ from the palm oil mills is limit by the total availability in the mills. The computed biomass availability of each facilities is listed in Table B.14. The second constraint

in Eq. (20) restricts the amount of biomass or products transported to the processing facilities

by the capacity of processing facilities. The processing facilities capacities are listed in

Appendix, Table B.15. The third constraint in Eq. (21) is to define the production amount of

each product (QP_p) , which must be in the range of the minimum and maximum of product

demand. The product demand are listed in Appendix, Table B.16. All terms used in equations

are described in Table B.17.

3.0 RESULTS AND DISCUSSION 384

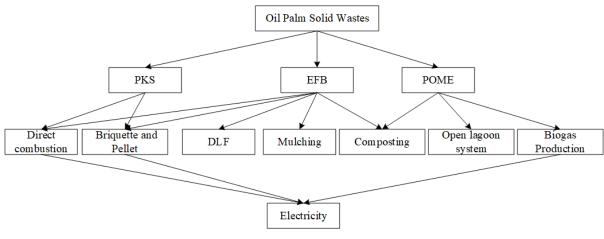
385

3.1 Malaysia Palm Oil Industry Case Study 386

387

In Malaysia, the valorisation of the oil palm solid waste into value-added products is still at its 388 infancy, and a lot of works and research need to be done. The typical utilisation of EFB, PKS 389 and POME is shown in Figure 3.1. This typical utilisation involves the pathways used before 390 the optimisation. EFB and PKS are often incinerated, and the ashes will be used as fertiliser. 391 However, open burning is banned by the government due to air pollution. EFB and PKS are 392 commonly utilised as solid fuel for power generation. EFB is typically air-dried to reduce 393 moisture or undergoes pre-treatment, such as pressing and shredding, before being fed into the 394 boiler. PKS is preferable as a fuel due to its low moisture content and high calorific value 395 compared with EFB. EFB contains essential plant nutrients that can be used as organic mulch 396 and compost in plantations. It is also fortified with other bio-based pesticides and disease 397 control compounds that can be sold as a bio-fertiliser for agriculture use. EFB and PKS are 398 often converted to briquette or pellet to increase their combustion rate. These products have a 399 400 great potential for the economic growth in Malaysia [13,34]. At the international level, these products are often exported to Europe and Asia in response to the high demand and attractive 401 402 prices [35]. Malaysia is currently a pellet supplier to Korea and Japan [1]. Due to the importance of supply stability, Japan now focuses on alternative biofuels such as EFB and PKS 403 404 pellets. EFB can also be used as a feedstock for the production of dried long fibre (DLF), which will be used to produce mattresses and cushions, pulp and paper as well as composites for 405 furniture [36]. For POME utilization to mitigate methane emissions, there are 125 biogas power 406 generation plants in Malaysia, whilst other mills still adopt an open lagoon system. Also, there 407 are about 75 mills composting plants under methane avoidance category which utilise 90%-408 100% of POME or co-composting EFB and POME [36–38]. 409

410



411 412

Figure 3.1 Typical Oil Palm Waste Management

413

The value chain pathway considered for the study is shown in Figure 3.2. In the superstructure, 414

the squares represent the processing facilities, and the ovals represent the products. The solid 415

416 line shows the processing sequences, and the dashed line shows the products to be sold directly. The indices and descriptions of each facility used in the model formulation are described in our 417 previous study [22]. EFB, PKS and POME are the three major palm-based biomass for energy 418 and material products conversion. EFB has the most flexible conversion pathways as it can be 419 used as a feedstock for all pre-processing facilities. By contrast, the PKS conversion pathways 420 exclude extraction, DLF production and composting technology. PKS is unfavourable to the 421 extraction process and composting due to its low contents of cellulose, hemicellulose and 422 nutrient for soil amendments compared with EFB [37,40]. Low cellulose content indicates that 423 PKS has a low toughness value, which makes it unsuitable for fibre applications [41,42]. The 424 conversion pathways of POME are anaerobic digestion to produce biogas and further 425 processing to produce electricity. Figure 3.3 shows the distribution of mills and processing 426 facilities in Peninsular Malaysia. Peninsular is chosen as a pilot study because the land use for 427 oil palm plantation has reached its maximum capacity. Besides, 76% of the Malaysia 428 population resides here and thus it is important to identify possible pathways to optimise the 429 profitability and sustainability of oil palm biomass business. Since East Malaysia accounted 430 for 53% of oil palm planted area, the future of this work will attempt to extend the analysis to 431 include East Malaysia and compare its biomass value chain with West Malaysia. In this study, 432 only 146 out of 246 palm oil mills in Peninsular Malaysia are considered as suppliers of EFB. 433 The amount of EFB, PKS and POME is 22%, 6% and 70%, respectively, of the amount of FFB 434 processed based on the estimation made by Hamzah et al. [14] and Akhbari et al., [43]. The 435 locations of palm oil mills and processing facilities for EFB and PKS (pre-processing, main 436 processing, further processing 1 and further processing 2) in Peninsular Malaysia are based on 437 our previous study Rubinsin et al., [22]. For POME, the anaerobic digestion considered is 438 currently in operation in Peninsular Malaysia. In this study, only 96 biogas plants with known 439 location information in Peninsular Malaysia were considered [44]. The remaining biogas plants 440 that with unknown location (~12 plants) and those that are located in Sabah and Sarawak were 441 excluded in this study. Both anaerobic digestion and biogas are assumed in the same location. 442

443 Peninsular Malaysia is divided into 65 grids with a size of 50 km \times 50 km, and therefore, the 444 distance between any two facilities is calculated using the grid distances.

The integrated model developed is used to examine different scenarios in the oil palm industry. 445 Four cases will be considered, and the optimal solution from each case will be discussed. The 446 objective for Case A is to maximise the economic benefit by minimising the cost to generate 447 high profit. In Case B, an expert-based optimal solution is obtained by trading off between the 448 economic and the environmental impact. In Case C, what-if analysis is used to investigate how 449 the changes in the production level of a certain product will affect the results of the optimal 450 solutions of the value chain. Lastly, Case D is the overview of the interaction of the value chain 451 with the EFEW nexus. Based on the constraints and requirements in each case, the model will 452 select the technologies to be considered in the value chain. The optimum value chain pathways 453 454 and biomass or product distribution around peninsular Malaysia are presented.

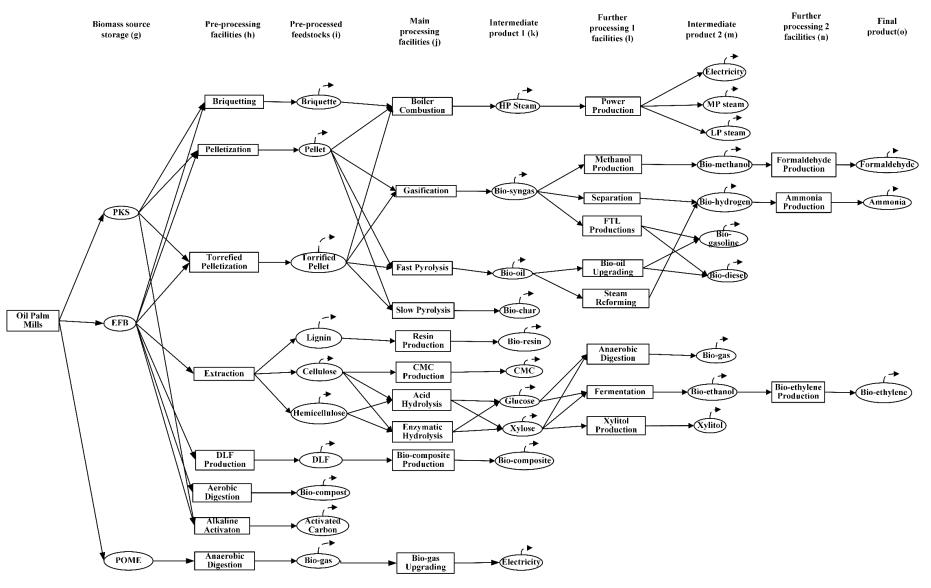


Figure 3.2 Value web pathways for EFB, PKS and POME

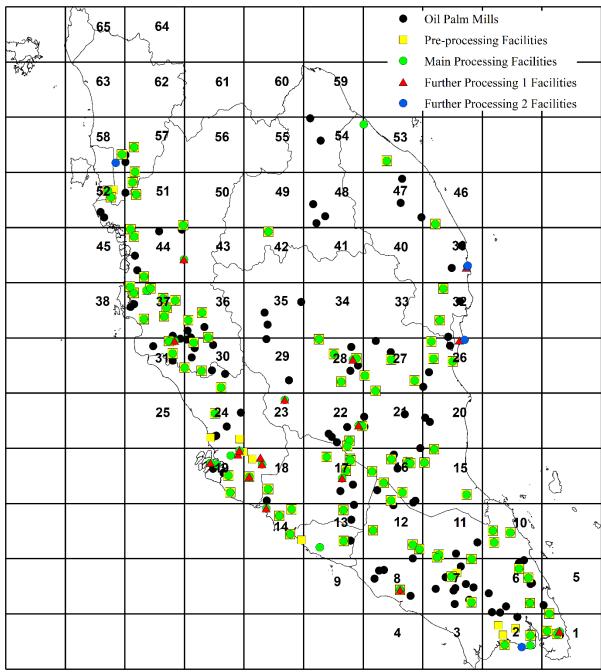




Figure 3.3 Peninsular Malaysia is segregated into 65 grids containing palm oil mills and processing facilities locations

463

462 3.2 Case A: Maximise profit of the value chain model

Case A discusses the scenario of which economic benefit is maximised with demand
satisfaction of all products. The optimal pathways for the case study are shown in Figure 3.4.
The products are generated based on the selected conversion technologies. The distribution of
biomass and products in Peninsular Malaysia is shown in Figure 3.5. The blue, red and green
lines indicate the biomass feedstock of EFB, PKS and POME, respectively.

The optimal pathways of this case show that all pre-processing facilities are selected to produce 469 pre-processed feedstocks. The model suggested that selling most of the pre-processed 470 feedstocks could help increase the overall profit of the value chain. Selling of DLF is not 471 recommended because the bio-composite has a high selling price. However, the decision on 472 selling or transporting the products to the next processing is determined and prioritised by 473 demand satisfaction before the selling prices. This decision is also applicable to the selection 474 of processing facilities in the value chain. The main processing facilities, further processing 1 475 facilities and further processing 2 facilities selected in the value chain have a lower production 476 cost than other facilities. There is also no further processing of bio-oil through bio-upgrading 477 facilities because the production of bio-gasoline and bio-diesel from bio-syngas through 478 Fischer- tropsch liquids (FTL) productions can satisfy the bio-gasoline and bio-diesel demand. 479 Exclusion of unnecessary processing facilities would reduce the production cost and contribute 480 to the reduction of the overall cost. In addition, the unselected facilities in the value chain can 481 482 be used as a backup facility in case of failure or technical maintenance of the selected facilities [45]. 483

There are 25, 56 and 100 selected mills to supply EFB, PKS and POME, respectively. The total 484 amounts of EFB and PKS utilised from the mills are 390,196 and 781,423 tonnes/year, 485 486 respectively. The total amount of PKS supplied to the pre-processing facilities is higher than that of EFB because of its lower moisture content. Therefore, PKS is preferable for pellet, 487 torrefied pellet and briquette production. There is a slight increment of 4.26% for solid biomass 488 utilisation in this study compared with case study A in our previous study Rubinsin et al., [22]. 489 The increment is because of the PKS considered in this study compared with our previous 490 491 study, which only considered EFB. In addition, this model also includes POME in value chains. Hence, more biomass can be utilised compared with our previous study. For POME, 492 493 12,409,465 tonne/year is utilised. Approximately 15,260,461 tonnes/year of PKS and EFB and 494 26,670,735 tonne/year of POME remain unutilised due to the limited facilities available and the capacity limitation of processing facilities in Peninsular Malaysia. Thus, more pre-495 processing facilities are required to utilise all the remaining EFB and PKS available in 496 Peninsular Malaysia. For this case, the government should play an important role in promoting 497 this biomass to attract oil palm industry players to actively tap this source of renewable energy. 498

Figure 3.6 shows that the transportation cost can be minimised by selecting processing facilities near raw material supplies. The distribution lines of PKS from mills to pre-processing facilities are more than those of EFB because PKS is preferable for the production of briquette, pellet and torrified pellet. Thus, more PKS distribution lines could be seen in grids 55 and 57. The reason is that the pre-processed facilities in the grid have a higher processing capacity. Moreover, some PKS take a long distance to be processed to pre-processing facilities. This case could generate more transportation cost, but through these decisions, more pre-processed feedstocks can be sold to gain more profit. Most of the distribution lines from the main processing facilities until further processing 2 facilities come from EFB utilisation. Grid 19 shows more distribution because most of the main processing facilities are located in this grid. Not all grids are occupied with processing facilities, especially in the eastern region. There is a great potential to further reduce the transportation cost by increasing the biomass processing facilities or installation in this region. However, the installation of new facilities will result in high conital investment, which will neve a major huminess risk and long pathods paried [25].

512 high capital investment, which will pose a major business risk and long payback period [35].

One hundred mills are selected in the value chain for biogas production from POME through 513 anaerobic digestion. These mills are in the same location as or located near the anaerobic 514 digestion facilities. Thus, the distributions of POME and its associated products are in the same 515 grid. This decision could minimise transportation costs and technical issues to transport POME. 516 All 96 of anaerobic digestion and biogas upgrading facilities are considered in the value chain. 517 The electricity demand from biogas is based on the current capacity of the biogas upgrading 518 facilities that are supplied by the biogas from anaerobic digestion. Therefore, the electricity 519 520 generated from the biogas upgrading facilities can be sold and distributed to areas near the 521 facility. In the case of transportation, the electricity from biogas can be supplied to power stations. However, the capacity of power stations and distribution of electricity using power 522 grids need to be taken into consideration. These decisions are out of the scope of this study, 523 and further studies are recommended [46]. From this result, the value chain could help solve 524 the unutilised POME issue in Malaysia whilst obtaining economic benefits. The POME 525 526 utilisation strategies in this value chain can encourage mill owners to install biogas-capturing facilities to prevent methane gas emissions and can be used for electricity production and 527 revenue generation. In a typical 60 tonne per hour of mill operation, approximately 300,000 m³ 528 of POME could be produced, resulting in annual GHG emissions of 37,000 to 52,000 tonnes 529 of CO₂eq. Therefore, the implementation of biogas facilities could help reduce GHG emissions 530 and the intolerable odour from the ponding system [47]. Loh et al., [49] reported that building 531 biogas facilities in all mills is Malaysia's initiative towards environmental sustainability. 532 Different sets of standards have been implemented in conjunction with the sustainability of the 533 industry, including the Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable 534 Palm Oil (MSPO). Both standards introduced certificates to guide industry stakeholders to 535 prioritise with sustainable practices. Hence, the environmental impact of POME utilisation 536 needs to be monitored in order to fulfil the RSPO and MSPO requirements. Another 537 government initiative in 2010 was through Entry Point Project No. 5 under the National Key 538 539 Economic Areas (NKEA), which aims to achieve biogas plant in all oil palm mills in Malaysia by 2020 [50]. However, the installation of biogas facilities is still progressing slowly because 540 of factors such as high cost, technical issues, transportation problems and lack of social 541 awareness. In 2017, approximately 20% of the palm oil mills with biogas capturing facilities 542 were installed [37]. The programme was reviewed in 2018 by the newly elected government. 543 In 2019, Sustainable Energy Development Authority (SEDA) under the then Ministry of 544 Energy, Science, Technology, Environment and Climate Change (MESTECC) has released the 545 quota of 30 MW Feed-in-Tarif (FiT) e-bidding for biogas. However, the displacement cost and 546 FiT for biogas are not viable, especially to those biogas plants that were located away from the 547 grid [38]. In this study, the production cost of anaerobic digestion and biogas upgrading to 548 electricity is 0.1531 USD/Nm³ biogas and 300 USD/MW electricity, respectively. These 549 production costs are higher compared with those of the ponding system [51,52]. In the duration 550 between year of 2007 to 2019, a cumulative of 125 biogas plants in palm oil mills were in 551

552 operation. There is still a lack of acceptance of biogas technology due to its expensive 553 investment cost and less attractive of return on investment. For this case, social awareness on 554 the importance of green development and sustainability is needed amongst Malaysians [38,50]

The value chain model demonstrates the economic benefits of oil palm biomass utilisation. The 555 EFB, PKS and POME considered in this study can be utilised together from mills around 556 Peninsular Malaysia to gain economic benefits. In addition, more bio-products could be 557 produced from different biomass sources. The biomass, transportation and production costs 558 from satisfying the demand of the products generated by the value chain are shown in Figure 559 3.6. The results are compared with those of our previous study Rubinsin et al., [22] as both 560 studies use the same cost calculation method. However, the present study excludes the emission 561 treatment cost. The CO₂ emissions generated in this study are not treated but are considered as 562 a climate change impact in the value chain. The results of this study show that the total cost is 563 19% higher than that of our previous study. The profit of this study also shows a profit 564 increment to 267,116,398 USD/year with a profit margin of 62% compared with that of our 565 previous study with a profit margin of 47%. This finding implies that the model used in this 566 567 study is more profitable than that of our previous study. The production cost in previous study is slightly higher than that in this study because of the many processing facilities selected. 568 Moreover, the exclusion of the emission treatment cost in this study lowers the production 569 costs. The biomass and transportation costs are higher in this study because of the multiple 570 biomasses considered. Therefore, from these results, the value chain model in this study is able 571 to reduce the total cost and achieve good profit margin by reducing the number of processing 572 facilities considered. This case study shows that the oil palm biomass is capable to fulfil the 573 products demand through the processing facilities around Peninsular Malaysia whilst achieving 574 economic benefits. The next case study discusses the economic and environmental impacts 575 based on the experts' qualitative value judgements, with the aim to maximise the economic 576 benefits and simultaneously minimise the CO₂ emissions generated and water consumption as 577 climate change impact and water impact, respectively. 578

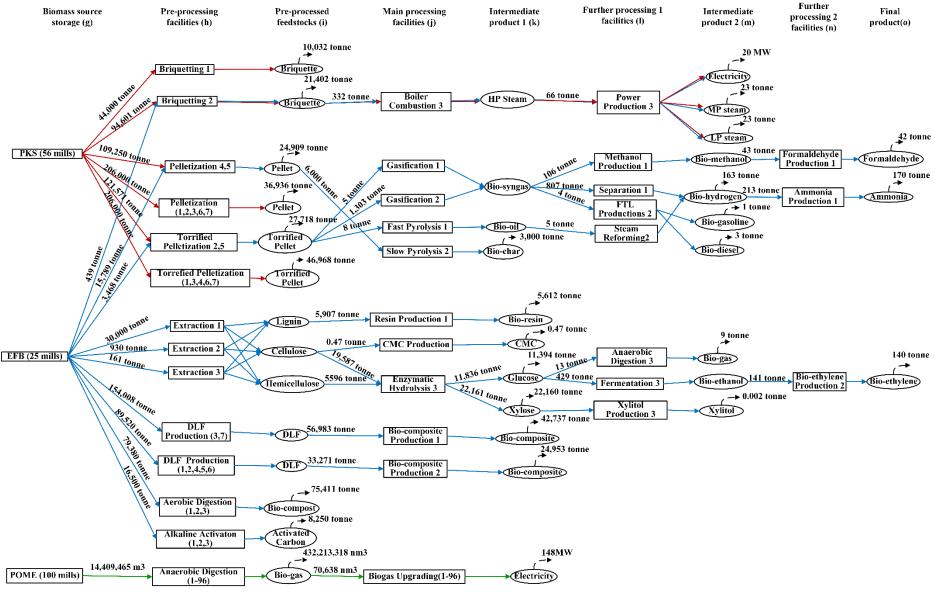


Figure 3.4 Optimal Pathways for Case A

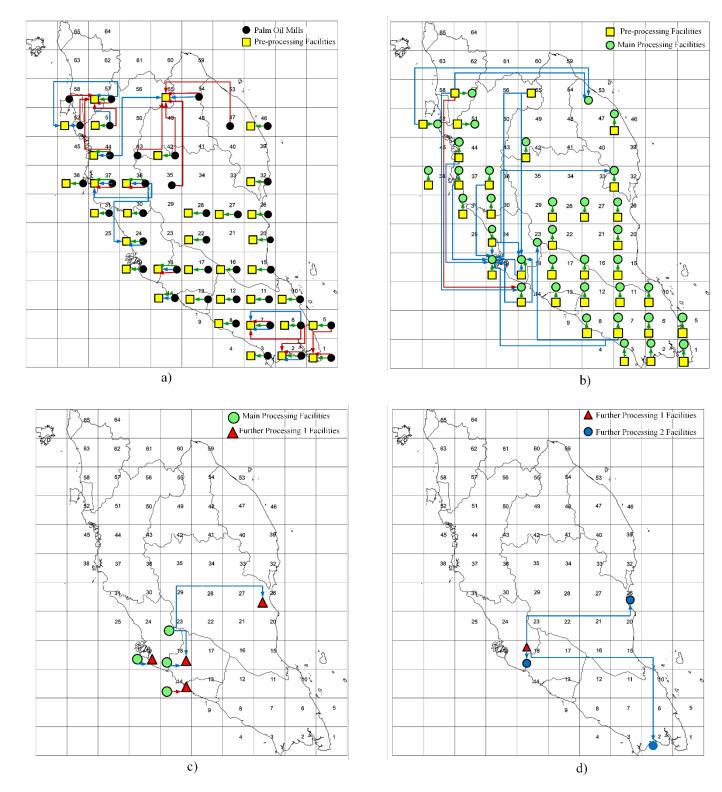


Figure 3.5 Biomass and Products distribution between facilities for case A at a) palm oil mills to pre-processing facilities, b) pre-processing facilities to main processing facilities to further processing 1 facilities and d) further processing 1 facilities to further processing 2 facilities where the distribution line of PKS, EFB and POME are in red, blue and green, respectively.

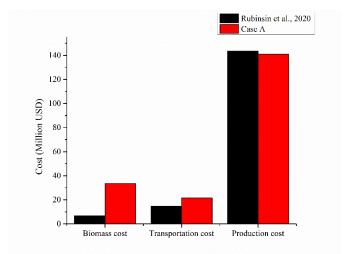
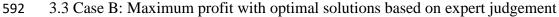


Figure 3.6 Biomass, transportation and production costs comparison between Rubinsin et al. 2020 and Case A



591

594 In Case B, economic, climate change and water impacts are weighted by 32 experts based on a short survey. Figure 3.7 shows the demographic of the 32 experts which shows most of 595 experts are from industries followed by academician and government agencies or policy 596 makers. The weights from FAHP are summarised in Table 3.1, which shows that the priority 597 given for economic benefits and climate change is higher compared with that for water impact. 598 Therefore, the optimisation model will give more priority to the design of the value chain with 599 a lower impact in economic and climate change. Malaysia is moving forward to increase the 600 country's income. However, the increased generation of economic benefits will also increase 601 GHG emissions [53,54]. Therefore, balancing the trade-off between economic benefits and 602 climate change is needed. The least priority given for water impact could be because Malaysia 603 604 is located in an abundant water region and is rich in water resources [55]. Therefore, the economic benefits and climate change are critical to ensure that Malaysia could achieve a green 605 economy. Table 3.2 shows the optimal solutions for different objectives. The minimum climate 606 change impact and minimum water impact are also calculated to obtain the normalisation factor 607 for the expert-based solution. The normalisation factor is the ratio of economic benefits to 608 climate change impact and water impact. The normalisation factor is used so that all impacts 609 are on the same scale before the weights from the FAHP can be used to reflect the relative 610 importance between objectives. Based on the results, the normalisation factor is 1, 8.09 and 611 7.78 for maximum economic benefits, minimum climate change impact and minimum water 612 impact, respectively. Hence, based on the normalisation factor and the weights from the FAHP, 613 the model is designed to select the optimal pathways that generate profit whilst achieving 614 minimum environmental impact. 615

The expert-based solution optimal pathways and the biomass and product distribution are shown in Figures 3.8 and 3.9, respectively. The blue, red and green lines indicate the biomass feedstock of EFB, PKS and POME, respectively. The total number of mills as EFB and PKS supplier considered in this case is only 15, and the amount of biomass utilised is 127,539 tonnes/year, which is 89% lower than that of Case A. As shown in Figure 3.8, there are also less biomass or product distributions around Peninsular Malaysia compared with those of Case A, which minimise the transportation cost and CO₂ emissions generated. For POME, the number of mills considered is the same as that in Case A. The amount of EFB supplied to the pre-processing facilities is higher than that of PKS because EFB has a lower biomass cost than PKS. Although the pre-processed feedstocks produced from EFB have a higher production impact than those from PKS, the utilisation of more EFB could help reduce the total costs and generate more profit. Moreover, EFB is preferable for other products such as bio-oil, bioethanol, glucose and bio-char.

The model suggests to minimise the biomass supply to reduce the environmental impact 629 generated from it. A significant reduction of the biomass supply will also decrease the total 630 amount of products sold. The result also shows that in order to minimise the environmental 631 impact, a 34% cut of the profit is needed to reduce 91% of CO₂ emissions and 97% of water 632 consumption. The results have a similar trend with the case study by Tapia and Samsatli [23], 633 634 where the reduction of environmental impact is proportional to the decline of the production level and profit. Although the production level is reduced in this study, the product demand 635 can still be satisfied, and the economic benefits can be achieved. 636

637 The results show that the expert-based optimal solutions are capable of providing a balance between economic, climate change and water impacts based on the given expert qualitative 638 value judgement. However, the global search for bio-products and biofuels is increasing over 639 time [56]. Therefore, the production levels of products need to be increased to continue 640 satisfying product demand. Given the significant production effect on the environmental 641 impact, the next case study was performed by varying the amount of production of selected 642 products with an objective to minimise the environmental impact. This case study could benefit 643 decision-making in production planning in order to cope with demand uncertainty over time. 644

- 645
- 646

Experts	Objectives		
	Economic	Climate Change	Water
1	0.31	0.37	0.32
2	0.50	0.26	0.24
3	0.53	0.24	0.24
4	0.61	0.19	0.19
5	0.33	0.33	0.33
6	0.33	0.33	0.33
7	0.48	0.26	0.26
8	0.50	0.25	0.25
9	0.54	0.25	0.21
10	0.45	0.33	0.21
11	0.44	0.34	0.22
12	0.42	0.42	0.16
13	0.11	0.20	0.69
14	0.61	0.31	0.07
15	0.38	0.24	0.38
16	0.33	0.33	0.33
17	0.74	0.20	0.06

Table 3.1 Final weights of the impacts based on the experts' survey

18	0.33	0.33	0.33
19	0.80	0.10	0.10
20	0.54	0.27	0.19
21	0.74	0.06	0.20
22	0.33	0.33	0.33
23	0.62	0.19	0.19
24	0.06	0.74	0.20
25	0.32	0.30	0.39
26	0.09	0.45	0.45
27	0.19	0.40	0.40
28	0.23	0.12	0.65
29	0.51	0.41	0.08
30	0.58	0.26	0.16
31	0.28	0.42	0.30
32	0.38	0.33	0.29
Geometric Mean	0.37	0.27	0.24
Final Weight	0.42	0.31	0.27





Figure 3.7 Demographic Distribution of Respondents Based on 32 Experts

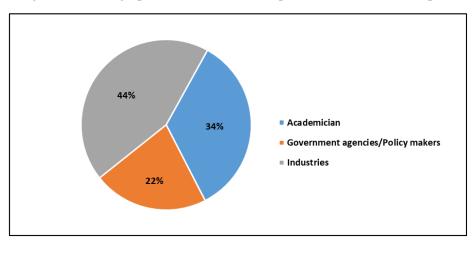
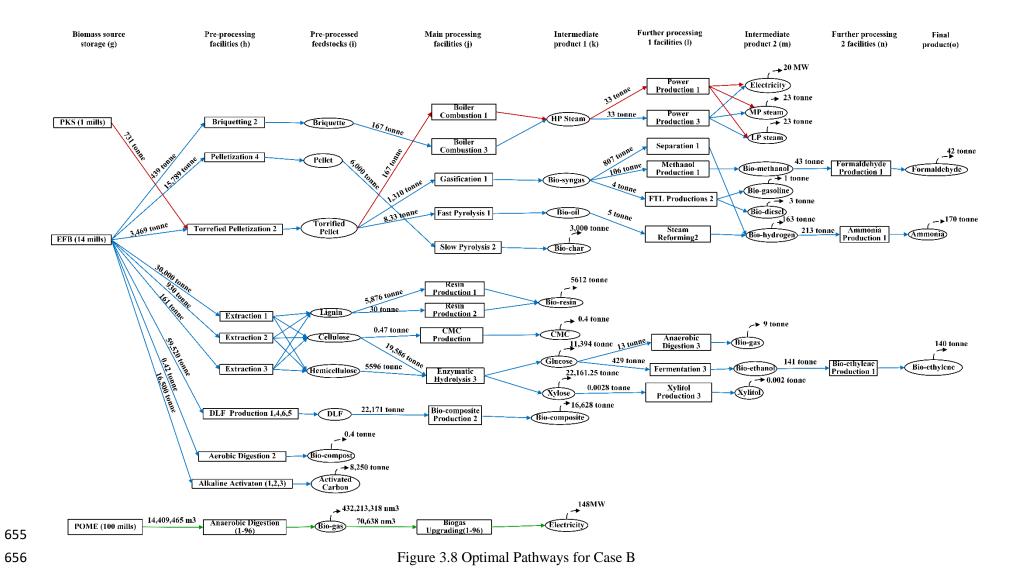
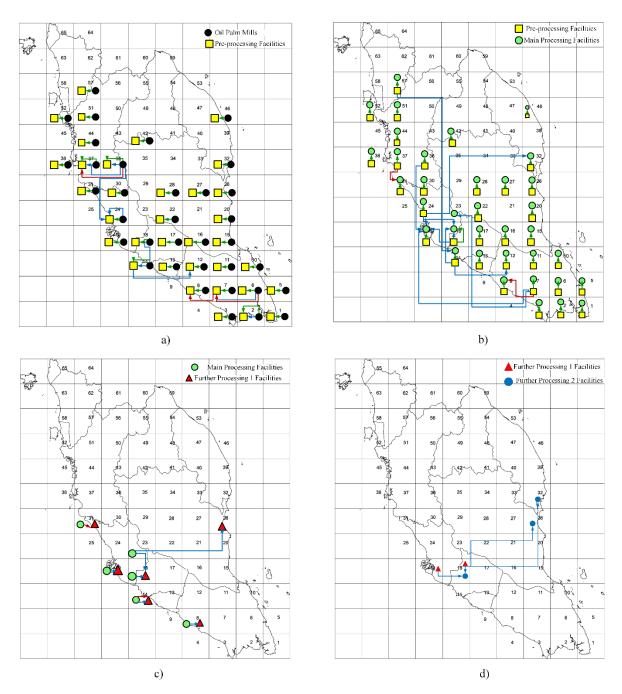




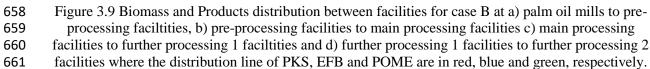
Table 3.2 Proposed optimal solutions under different objectives and expert-based solution

Objectives	Profit (Million USD)	Climate change impact (Million ton CO ₂ eq)	Water impact (Million m ³)	
Maximum economic benefits	267.12	36.62	34.35	
Minimum climate change impact	263.78	33.01	34.99	
Minimum water impact	267.12	36.62	34.35	
Expert-based solution	176.72	3.42	1.01	









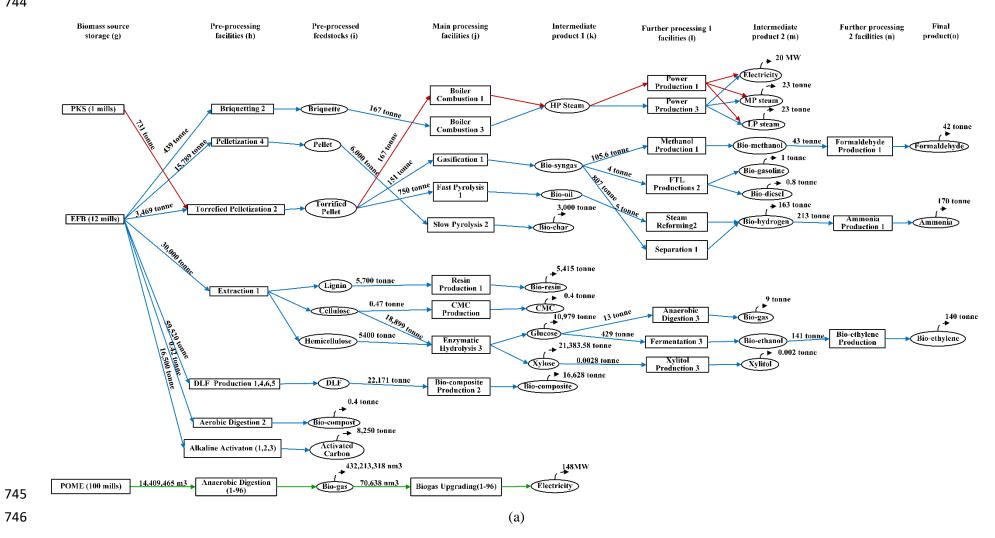
3.4 Case C: Production level variation with consideration of environmental impacts

- The current focus of Malaysia is to improve environmental management through cleaner 664 production. However, achieving the environmental objectives whilst experiencing fluctuation 665 666 in production level changes is a challenging task [57,58]. Therefore, this case study provides insights on how companies can achieve environmental requirements by controlling the 667 production rate in the value chain. Two scenarios are discussed in this case to illustrate the 668 production level changes in a company. Scenario 1 assumes that the company experiences 669 demand fluctuations for pellets, glucose, bio-diesel and ammonia. Demand fluctuations are a 670 common challenge in any production system. Scenario 2 assumes that some of the processing 671 facilities experience shutdown or are undergoing technical maintenance. Therefore, by using 672 optimal pathways in Case B as a reference, several facilities will be set as no production activity 673 to see the effects on environmental impact. For real situations, a shutdown is unlikely to happen 674 because it is an extreme situation that could affect the entire profit. Facility shutdown for 675 technical maintenance is a valid reason but also incurs losses [59]. Moreover, it can lead to 676 product delivery delay to the customer. Both scenarios are the value chain disruptions that 677 could happen unpredictably. For example, due to the COVID-19 outbreak, many countries have 678 679 experienced a significant loss due to closures of production facilities. Many companies are unprepared to handle the disruptions caused by COVID-19. The lockdown orders in every 680 nation result in demand disruptions where the demand for essential products such as food and 681 medicine is rapidly increasing and non-essential products have less or no demand [60]. 682 Therefore, conducting a scenario production planning is essential to ensure adequate 683 684 production planning and scheduling during periods of disruptions. Table 3.3 shows the results 685 for the two scenarios that are considered in this study. Other products and processing facilities could be selected as well because the purpose of this analysis is to observe the effects on the 686 optimal value chain solutions by manipulating the production level. The minimum amount of 687 33 million tonne CO₂eq of CO₂ emissions and 34.35 million m³ of water consumption in Case 688 B is taken as an environmental standard in this study. 689
- 690 The results for scenario 1 in Table 3.3 show that as the demands increase, the profit, CO₂ emissions and water consumption also increase. For scenarios 1(a) and 1(b), the profits 691 692 increased by 52%, compared with Case B. However, the increment of the processing capacity 693 of extraction facilities to produce glucose is needed to avoid infeasible solution in the model. The capacity is suggested to increase by 281,869 tonnes/year in order to produce 50% more 694 glucose. In scenario 1(c) and scenario 1(d), the reduction of other products result in an 695 infeasible solution. The amount of pellets that have been reduced is enough for more bio-696 methanol production through methanol production plant but the demand for biochar cannot be 697 satisfied. The solution to the problem is to reduce biochar production by 20% and 50% for 698 scenario 1(c) and scenario 1(d), respectively. However, a decreased supply of biochar could 699 affect the sales of the value chain. The profit generated for scenario 1(c) and scenario 1(d) are 700 1% and 2%, slightly lower compared with that in Case B. For this case, increasing the price of 701 the biochar could be a solution to increase the profit. Therefore, demand planning is a critical 702 factor to consider in the value chain. A practical plan could help companies to accurately 703 forecast the demand in the future and determine the product prioritisation [61]. The result from 704 scenario 1 implies that more profit can be generated when production is increased. However, 705 the value chain needs to be modified, including the processing capacity size and demand 706

- satisfaction of all products, in order to address interruptions that may occur. Capacity planning should be considered in the value chain. A decision of finding the trade-off between capacity shortage and capacity excess needs to be taken into account. Capacity expansion, wherein new facilities are added into the process, is possible to meet the growing demand. However, some companies may have difficulty in conducting capacity expansion due to high cost, technology advancement, complicated process and risk to capacity scarce and wasting [62].
- 713 Figure 3.10 shows the optimal pathways for scenarios 2(a) and 2(b). In scenario 2(a), extraction 2 and extraction 3 are selected to observe the effects to the value chain when only one facility 714 is left to be considered for the particular process. For instance, the exclusion of extraction 2 715 and extraction 3 will give significant effects to the amount of product associated with it. The 716 717 total amount of EFB supplied to the pre-processing facilities is 1% lower than that of Case B. Excluding extraction 2 and extraction 3 limits the EFB supplied up to 30,000 tonnes/year, 718 which is the maximum capacity that extraction 1 can take. The reduction of the total production 719 in this scenario results in a slight decrement of 2% of the profit, 0.2% of CO₂ emissions and 720 1% of water consumption compared with that in Case B. The result of scenario 2(b) is the same 721 as that of Case B. The significant differences in this scenario are the replacement of FTL 722 production 2 and fermentation 3 facilities to FTL production 1 and fermentation 2, respectively. 723 In a real situation, the substitution of a facility to another facility is likely to happen. However, 724 when no other facility is available, the current facility needs to be in operation in order to fulfil 725 product demand [63]. In this scenario, FTL production and fermentation facilities need to be 726 considered in the value chain in order to fulfil the demand for bio-gasoline, bio-diesel and bio-727 ethanol. Moreover, the substitution of the facility does not provide any effect to the value chain 728 as there are multiple facilities in the value chain. 729
- Both scenarios can illustrate the uncertainty that might happen in the value chain. Demand 730 changes often occur because the market will change over time. Shutdown of facilities is 731 unlikely to happen, but production planning is essential to prevent losses in economic benefits. 732 CO₂ emissions and water consumption for all scenarios are proportional to the production rate 733 of the product. The production at each facility has its environmental footprints. Thus, 734 increasing the production level will increase the environmental impact. Table 3.3 shows that 735 the average CO₂ emissions generated and water consumption in this scenario are 2.99 million 736 tonnes CO₂eq of CO₂ emissions and 0.54 million m³, respectively. Therefore, it is considered 737 acceptable as the amount is below the environmental standards. From these results, the changes 738 in the value chain will generate different optimal solutions. 739

Table 3.2 Scenarios and the model results

Scenarios 1:	Model input changes	Profit (Million USD)	Climate change impact (Million ton CO ₂ eq)	Water impact (Million m ³)
Scenario 1: Demand disruptions (Change production level of pellet, glucose, bio-methanol	a) Increase 50% production of all product	268.52	3.64	1.25
and ammonia from Case B)	b) Increase 50% glucose production and maintain other product	268.47	3.62	1.22
	c) Increase 75% of bio-methanol production and decrease 20% of other product	175.14	3.40	0.99
	d) Decrease 50% production of all product	172.77	3.37	0.95
Scenario 2: Operational Disruptions	a)Setting extraction 2 and extraction 3 facility capacity to zero	173.26	3.41	0.99
	b) Setting FTL production 2 and fermentation 3 facilities capacities to zero.	176.71	1.01	3.42



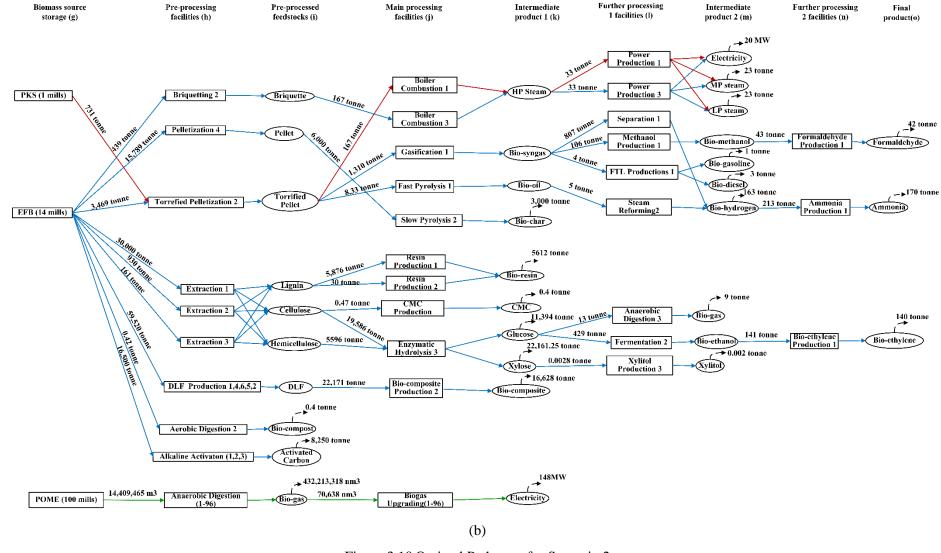




Figure 3.10 Optimal Pathways for Scenario 2

- 750 3.5 Case D: Interactions with the EFEW nexus
- 751

752 Concerns on environmental impact can be diminished when the oil palm biomass utilisation is linked with the EFEW nexus to meet the standard requirements [64]. The purpose of this case 753 study is to analyse the interactions between the nexus and to identify the improvements that 754 755 can be made in the value chain model for future studies. The interlinkages between the nexus 756 in the value chain are presented in Figure 3.11. EFB, PKS and POME can be used to produce various bio-products, and they can be considered as a source of energy and food. The food-757 758 based products are CMC, glucose and xylose. CMC is known as cellulose gum and widely used 759 in the food industry [65]. Glucose, xylose and xylitol are used as a sweetener in the food industry [66,67]. The production of these food-based products is beneficial in terms of food 760 supply and improves livelihoods without land expansion. Moreover, the production of glucose 761 from enzymatic hydrolysis has a synergistic effect with the production of biogas, bio-ethanol 762 and bio-ethylene as bioenergy and biofuel products. 763

764 The interactions of biomass with energy contribute to the production of bioenergy products 765 such as electricity, biogas, bio-ethanol, bio-methanol, bio-hydrogen, bio-gasoline and biodiesel in the value chain. For instance, electricity production from EFB and PKS through power 766 production and from POME through biogas upgrading can produce a total of 168 MW 767 electricity. This finding implies that the production of electricity from renewable sources is 768 possible. Although electricity generation from the value chain is small, it can contribute to the 769 electricity supply in Peninsular Malaysia. Biogas contains mostly methane and CO₂, which 770 could harm the environment. The utilisation of biogas from POME offers a great way to reduce 771 environmental impact [68]. On the basis of these results, the value chain is capable of producing 772 bioenergy products whilst minimising environmental impacts. 773

All of the products in the value chain are interconnected but compete at the same time. They 774 also act as a feedstock for other products, which add more competition issues in their 775 production. The production also requires water. The total water consumption of Case B is 776 479,555 m^3 /year. This amount of water is estimated to be equal to the water supply for 6,123 777 people [69]. This finding implies that the high water consumption will compete with household 778 water consumption. Therefore, better water management is important to avoid shortage of 779 water supply to a residential area in Peninsular Malaysia and water pollution resulting from 780 water disposal. The water consumption considered in this study affects the product yield and 781 economic benefits. The product yield needs to be reduced to minimise water consumption, but 782 this will also result in loss of profit. Thus, a water treatment technology should be adopted into 783 the value chain as water recycling may help minimise the water impact. However, water 784 treatment or water recycling is out of the scope of this study, and further studies are 785 recommended. The total CO₂ emission generated from this study is shown in Figure 3.12. The 786 CO₂ emissions generated in this study are higher than those of our previous study (99% higher 787 for Case A and 93% higher for Case B). The addition of PKS and POME utilisation in the value 788 chain increased the total CO₂ emissions. The CO₂ emissions generated are from anaerobic 789 790 digestion and biogas upgrading. The results imply that the production of bio-products from oil palm biomass will produce significant CO₂ emissions and water footprint that need to be 791 792 quantified and minimised.

793 The oil palm biomass value chain along with its interaction with the nexus has been developed to identify the trade-offs between economic benefits and the nexus. The maximum contribution 794 795 of biomass to the nexus could be seen in the value chain, where the biomass is capable of 796 producing various bio-products that are environmentally friendly. In addition, through biomass utilisation, the dependence on fossil fuels for bioenergy and biofuel products could be reduced. 797 However, the utilisation of the biomass also generates environmental impacts. Therefore, a 798 799 specific analysis on complete balance of CO₂eq is needed to carry out due to the displacement of petroleum derived products. In this study, such analysis was not considered but the models 800 regulate the overall CO₂ emission by optimizing the overall impact to climate change, water 801 and economic. 802

803

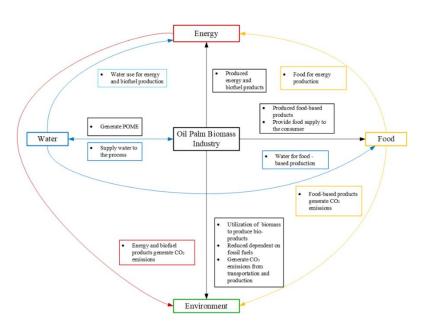
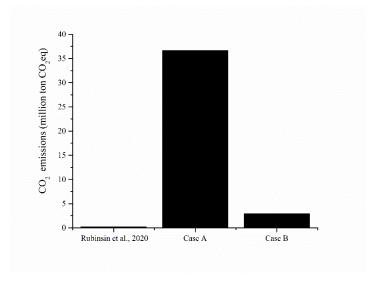


Figure 3.11 Overview of interactions of the EFEW nexus in the value chain



806 807

Figure 3.12 CO₂ emission generated from different cases

808 4.0 CONCLUSION AND FUTURE WORKS

809

An oil palm biomass value chain model was developed to generate expert-based optimal 810 solutions. The optimal solutions suggested important decisions, such as production level, 811 transportation of products, location of palm oil mills and processing facilities, degree of 812 environmental impact and FAHP decision, to incorporate the stakeholder and expert's 813 814 judgement into the value chain. Overall, the case studies demonstrated the economic benefits concerning each of the environmental impacts. The environmental impact of climate change 815 impact and water impact is minimised whilst obtaining economic benefits. The analysis of the 816 production uncertainty also provides important insights in order to avoid financial risks in a 817 company. Therefore, this study could help encourage active participation of companies in the 818 819 biomass industry and public-private partnerships between various industries and stakeholders in Malaysia to work together in order to achieve sustainable development goals through the oil 820 palm biomass value chain. This study also provides insights for future policymaking related to 821 822 technology deployment to convert oil palm biomass such as EFB, PKS and POME; green technology; and renewable energy. 823

824 However, future studies need to investigate the interactions of biomass utilisation and the nexus. The water recycling or water treatment system needs to be considered in the value chain. 825 This strategy could minimise the usage of clean water that will be used for other purposes, 826 especially for household or residential areas. Access to clean water has also become an issue 827 of concern in Malaysia [64]. Therefore, water supply or source areas need to be included in 828 future studies in order to identify the impact generated. Land expansion analysis was not 829 included in this study because the study considered the available palm oil mills and processing 830 facilities in Peninsular Malaysia. However, land use analysis should be considered in future 831 studies because the identification of available land in Peninsular Malaysia could help in 832 decisions regarding the installation of processing facilities. Recycling of products should also 833 be included in the value chain. For instance, the electricity generated in the value chain can be 834 recycled back to the processing facilities. This strategy could minimise the usage of fossil fuels 835 as a power supply for the operation of processing facilities. For this case, the cost, technical 836 aspects and energy distribution station should be considered. Such analysis requires extensive 837 838 efforts, but in the future, the oil palm biomass value chain is expected to become more efficient and effective to be used as a decision tool in the oil palm industry. 839

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