

02/26/2009

Corn stover operation may pave way for cellulosic ethanol plant

By: LORI POTTER , Hub Staff Writer

KEARNEY - Plans for projects to harvest corn stover as the raw product for a cellulosic ethanol plant were unveiled this morning by Amherst farmer-energy business developer Paul Kenney.

Kenney, who is president of a new business called Energy Grains Biomass, said the first step is to contract with farmers for corn stover off of 83,000 central Nebraska acres for the first year of production by a 20-million-gallon cellulosic ethanol plant to be developed at an undetermined location by NextStep Biofuels Inc.

"We'll be going after contracts hard," Kenney said about EBG's role in the multipart venture.

He estimates that the price will be around \$15 per ton. With three tons per acre harvested, farmers could get an additional \$45 per acre from their cornfields.

The plan also is to give participating farmers a first chance to invest in the ethanol plant and get the nutrient ash that will be a co-product of the ethanol processing.

The initial seven-year stover contracts are vital to making the ethanol plant project attractive to investors, Kevin Dretzka said by telephone. Dretzka, a private equity investor in Los Angeles, is chief executive officer of EGB and also is president and director of NextStep Biofuels.

He said a long-term supply of corn stover must be in place before dollars can be raised. The NextStep team is reviewing four or five technologies for cellulosic ethanol production.

Kenney and Dretzka said the general engineering could begin late this summer or next fall, while EGB is getting contracts signed for a 2011 stover harvest. That means ethanol production could start in 2012.

Dretzka said the estimated cost of the plant is \$3 to \$5 per gallon or \$60 million to \$100 million. However, that could vary depending on whether it's decided to build a new plant, acquire an exiting ethanol plant or co-locate with an existing plant.

The decision also will determine how many employees are needed, but he said it likely will be around a full-time equivalent of 30.

Meanwhile, Kenney said EGB will create about 26 full-time and 24 seasonal jobs for harvesting crews and to operate two collection sites - each holding stover within a 30-mile radius of the cornfields, with the



Hub photo by Mike Konz

Corn kernels are the major raw ingredient in today's ethanol, but Amherst farmer Paul Kenney of Energy Grains Biomass today announced plans to gather stover — waste stalks and leaves — to use in future cellulosic ethanol plants.

plant in the middle - and innovative processors that will turn stover into pellets that can be used by the ethanol plant or other plants using burners. A patent is pending on the pellet process.

For example, he said coal-fired power plants could use pellets as a way to reduce their carbon footprints.

EGB's budget includes \$5.9 million just for "rolling stock," Kenney said, which are the tractors and balers to be operated by 11 two-tractor crews working 10-hour days for 90 days during and after the corn harvest.

There will be other costs for pellet processors and storage. He said EGB's business is unique because the pellets can be stored long term, will be easy to transport anywhere and are usable in many plants.

Trucks to haul stover bales will be contracted locally.

Kenney said the stover contracts also will be the key to choosing locations for the two collection sites and the ethanol plant. "Look at the map," he said, for an idea of possible areas.

The map, prepared by Nebraska Public Power District, color codes counties with the highest corn stover production. The highest concentrations are in counties on either side of the Platte River.

When asked if a Grand Island site owned by Energy Grains, another company for which Kenney is founder and president, might be considered for the cellulosic ethanol plant, he said, "It's on the list."

"We still think it's a viable site," Kenney said, but with today's low oil and energy markets, there hasn't been the need to go forward with original plans to build a corn-based ethanol plant there. "But it's as good a site as any around."

EGB and NextStep officials are pursuing their projects to take advantage of the growing demand and federal tax incentives for cellulosic ethanol. Kenney said the federal renewable fuel standard calls for 16 billion gallons of cellulosic ethanol production by 2022.

Another benefit of growing the industry, he said, is that "it might be the end of the food versus fuel debate" over corn-based ethanol.

When asked about building a new ethanol plant at a time when several Nebraska corn-based plants have closed, Kenney said, "Ethanol plants didn't go broke from running, but in being in a bad position."

In some cases that involved speculating on corn prices, he added.

Today, cellulosic ethanol resembles the corn ethanol industry 20 years ago, Kenney said. "Cellulosic will become a viable source of biofuels."

e-mail to:

lori.potter@kearneyhub.com

On the Net:

www.energygrainsbiomass.com

www.nextstepbiofuels.com

Contact:

Energy Grains Biomass

315 W. 60th St., Suite 200

Kearney, NE 68845

308-234-3620