

BUSINESS

Iogen joins VW, Shell in feasibility study for ethanol plant in Europe

BY ANDREW MAYEDA

Ottawa biofuel producer Iogen Corp. has signed an agreement with Volkswagen AG and Royal Dutch Shell PLC to study the economic feasibility of producing cellulose ethanol in Germany.

If the results are encouraging, the companies could enter into a longer-term agreement to pursue the construction of a cellulose-ethanol plant there, said Iogen executive vice-president Jeff Passmore.

"Volkswagen would like to see a plant built in Germany,

for sure," he said after returning from Detroit, where the companies signed a letter of intent at the North American International Auto Show.

Ethanol fuel is traditionally made from corn, wheat or sugar cane. But Iogen has developed a method for producing ethanol from the inedible portion of crops, such as cereal straw and corn stover.

According to the U.S. Department of Energy, cellulose ethanol reduces greenhouse-gas emissions by 90 per cent over the fuel's life cycle when compared with gasoline.

All car manufacturers warrant blends of gasoline and up to 10 per cent ethanol in North America and up to five per cent in Europe.

In April 2004, Iogen became the first company in the world to deliver a commercial shipment of cellulose ethanol. Since then, it has been searching for a location to build a commercial-scale plant.

The United States and Canada had recently raced ahead of Germany and Britain as potential sites for the plant. But Mr. Passmore said the involvement of Volkswagen puts Germany

back on the radar.

"Instead of riding two ponies, now we're riding three, and the German pony is trying to catch up."

He said securing a cheap, reliable feedstock for the fuel and financing from the German government will be the two key issues in the study, which the companies hope to complete this spring.

In Saskatchewan and Idaho, two favoured sites for Iogen's first plant, the company has signed contracts with farmers to ensure the supply of crops.

Mr. Passmore said the com-

pany has had "very good" discussions with U.S. Department of Energy officials since the summer, when U.S. legislators passed an energy bill that offers loan guarantees for cellulose ethanol producers.

He said the company was also making progress with Industry Canada on a comparable package when the federal election was called. "We're in a bit of a hiatus."

Royal Dutch Shell invested \$46 million in Iogen in 2002 to develop cellulose ethanol. Petro-Canada has also been a significant investor.