

## Goldman Takes Stake in Iogen

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Goldman Sachs Group Inc. is placing a bet on "cellulosic ethanol," the alternative-fuel technology touted by President Bush in his State of the Union address earlier this year.

The Wall Street firm is investing 30 million Canadian dollars (US\$26.8 million) for a minority stake in Iogen Corp., a closely held Canadian company that has been at the forefront of efforts to turn agricultural waste into ethanol.

The move underscores growing investor interest in cellulosic ethanol, as the U.S. looks for ways to reduce its reliance on oil amid rising gasoline prices. The investment also broadens Goldman's foray into alternative-energy technologies. Goldman last year acquired a Texas-based wind-energy company; it is also involved in a venture with BP PLC's solar-energy unit.

"We believe that [the Iogen investment] has the potential to yield attractive returns," said Michael DuVally, a Goldman spokesman. He declined to specify the percentage stake that Goldman will hold in the Ottawa firm.

A person familiar with the matter said Iogen plans to use the funds to help with development work as it moves toward assembling financing for its first industrial-scale plant.

Royal Dutch Shell PLC, another minority holder in Iogen, has helped bankroll Iogen's development costs over the years.

Boosters of cellulosic ethanol say fuel made from nonfood matter such as corn stalks, wood chips and switch grass has the potential to replace 30% of current U.S. gasoline consumption. They also say it is more environmentally friendly than ethanol made from corn, the main source of current U.S. ethanol production, since the feedstock is readily available as a byproduct of farm crops.

But farm waste such as wheat straw or corn stalks must be broken down into sugars that can be fermented, making the production process for cellulosic ethanol more complex than for conventional ethanol. Iogen and other companies have been developing techniques to reduce production costs.

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