

Biobutanol firm to shift to ethanol in short-term

DIRK LAMMERS - Associated Press - Associated Press

A next-generation biofuels company says it's suspending plans to produce isobutanol from corn at its Minnesota plant and will instead make ethanol in the near term while it tweaks its process.

Englewood, Colo.-based Gevo Inc. had hoped that its Luverne, Minn., plant would be producing 1 million gallons of isobutanol per month by the end of the year. The industrial chemical can be used as an additive to gasoline, plastics and paints.

Pat Gruber, Gevo's chief executive, said the plant will likely start making isobutanol sometime in 2013.

"With these startups with new technologies, you always have to learn a lot in a very short period of time, both what works well and what needs to be tweaked," Gruber said during a Monday afternoon conference call.

Gevo made the announcement late Monday. On Tuesday, its shares plunged \$1.17 cents, or 35 percent, to \$2.14 per share.

The pushed-back timetable will also delay the conversion of a South Dakota corn ethanol plant.

Redfield Energy is teaming with Gevo to convert a 50 million gallon-per-year ethanol plant in Redfield to a 40 million gallon-per-year biobutanol plant using the same 18 million bushels of corn a year.

Tom Hitchcock, CEO of Redfield Energy, said the co-op was expecting a year-and-a-half ago to be producing isobutanol in the fourth quarter of this year. He said the announcement likely will push back Redfield's timetable into 2014.

Redfield board members learned about the delay during a conference call with Gevo Tuesday morning.

"Our board has been patient in this process knowing that they've got to get it right at Luverne first before we want them to come over here and spend a whole bunch of capital dollars on our facility," Hitchcock said.

The Redfield plant is a co-op owned by 650 members, and Hitchcock has said Gevo is paying for the \$30 million retrofit in exchange for an equity interest in the partnership. The motivation for members to make the switch was that the demand for butanol goes well beyond its role as a fuel additive.

Gruber said the company wants to get the process right before starting the conversion in South Dakota.

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"All the effort's on Luverne," Gruber said. "Once we get it worked out, we'll turn our attention to Redfield but it doesn't change anything fundamentally."

Butanol has traditionally been used as paint thinner, cleaner and adhesive, and it can be converted into plastics and solvents. As a fuel additive, it contains more energy than ethanol and could be blended into existing cars at higher percentages.

Gevo's process uses yeasts to turn the sugars in corn or other plant matter into isobutanol and a device that then separates the isobutanol.

Gruber said the commercial-scale Luverne plant spent 17 weeks producing and shipping biobutanol in railcar quantities, but it hasn't been able to achieve the consistency in quality and quantity that he'd like to see.

He said the plant can produce and sell ethanol to maximize the company's cash flow while the technology team works on isobutanol related production changes to improve efficiency.

"I don't like running the plant in isobutanol production mode below break-even production rate," Gruber said. "It's a waste of money, especially when I have alternatives."

Pavel Molchanov, an analyst at Raymond James said in a research report that Gevo's move was "just the latest example of the industry's frustrating but inevitable growing pains."

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