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Bioenergy boost ahead

Oregon State study envisions a robust \$2.5 billion industry

Portland Business Journal - July 13, 2007 by [Matt Kish](#) Business Journal staff writer

A new study from Oregon State University shows the state's green industry is on overdrive and could be a \$2.5 billion industry within the next 20 years, making it one of the cornerstones of Oregon's economy.

The report identifies 80 bioenergy projects in the works. If each comes together, Oregon companies could produce 400 million gallons of ethanol annually, 315 million gallons of biodiesel and more than 40 million gallons of cellulosic ethanol, making the state one of the nation's leading producers of biofuel.

To put those numbers in perspective, that's roughly the same size as the bioscience industry, which the state has been trying to grow for a decade.

"It would be wonderful if we got to the place where we were producing [that much biofuel]," said Ty Kovatch, chief of staff for Portland Commissioner Randy Leonard, a leading supporter of biofuels. "That would go a long way towards not only meeting the energy needs in the state, but providing the state with an export and a lot of jobs."

Some, however, say the industry's rapid growth could cause bottlenecks as investors balk at funding multiple projects simultaneously.

"The industry is growing very, very quickly," said Nancy Floyd, managing director of San Francisco-based Nth Power, a venture capital firm which has invested more than \$400 million in clean energy companies. "There are going to be the inevitable growing pains. A significant percentage of the projects that have been announced will probably not be completed."

The biggest hurdle, say critics, is feedstock. Biodiesel makers need oil. Ethanol requires corn -- not exactly an Oregon agricultural staple.

"As more projects get financed, we're probably going to run into limits on feedstocks and that's going to impact the financials," said Brad Zenger, venture partner in the Tigard-based Sustainability Investment Fund 2007 LP, which is focused on green projects.

Biodiesel is the most active sector. The study identifies 21 potential projects, including facilities under construction in Clackamas -- American Biodiesel -- and Pendleton -- Pendleton Grain Growers.

Four more large facilities could be under construction by the end of the year. Of those, Renewable Energy Group and Terra Fuels could combine to produce nearly 200 million gallons of biodiesel annually.

Ethanol plants in the hard-hat stage include Pacific Ethanol in Boardman and Cascade Grain in Clatskanie. Another, Treasure Valley Renewable Resources in Ontario, has nearly wrapped up its financing.

Three others -- Oregon Ethanol, Inland Pacific and Evergreen Biofuels -- could break ground by the end of the year, bringing the total number of ethanol projects to 10.

The large number of projects surprised even those closest to the industry.

"We found approximately 20 biodiesel and 10 ethanol plants in some form of serious planning," said Robert Grott, executive director of the Northwest Environmental Business Council, which helped produce the study. "That was about twice what we expected."

Eventually Oregon will produce more than biodiesel and ethanol. The study identifies five cellulosic ethanol projects, 17 biomass projects and 22 biogas projects.

Cellulosic ethanol is a fuel made with forest waste and other agricultural byproducts. While it isn't as proven as ethanol or biodiesel technology, some say it holds greater promise for Oregon, which has abundant forest resources.

The proposed projects could generate more than 40 million gallons of fuel annually.

"For Oregon, the real opportunities are in cellulosic ethanol," said Kenneth Williamson, the study's author and head of the Department of Civil, Construction, and Environmental Engineering at Oregon State. "We have about 25 years of feedstock in our national forest that could be made into fuel. It's a huge supply if we could figure out how to do it."

Experts say several laws signed by Gov. Ted Kulongoski in the past month have created the windfall, including tax incentives for biofuel producers and a mandate that all gas sold in Oregon contain a percentage of renewable fuel.

The report also uncovered several futuristic projects, including one which would convert domestic waste into biogas for running kitchen stoves. Another project from an unnamed company could develop algae for use as biodiesel feedstock.

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