

INVESTMENT ADVISER

Wheat to fuel next FCP venture.

Bio-ethanol fund will allow investors to capitalise on two production plants turning wheat into fuel, due to be built by 2010

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Future Capital Partners is looking to bio-fuel for its next retail venture, following on from the launch of the Sage Bhartiya Infrastructure fund on 14 January.

The group will launch a bio-ethanol fund on 20 February, offering investors to capitalise on two construction projects in Grimsby and Teesside.

Tim Levy, chief executive of Future Capital, said the firm was working with an experienced management team to plan the two bio-ethanol production plants, which will convert wheat to fuel.

The fund has already raised AGBP5m in capital, including AGBP1m from Future Capital's own coffers.

The team is in the process of securing engineering contracts and negotiating with wheat suppliers and petroleum companies, with a view to commencing construction this summer.

Mr Levy explained: "By about the end of April we will have all the elements in place - equity, debt from the banks, uptake contracts from petroleum companies, wheat supply contracts - and we will start construction on the first plant this summer.

"This is going to end up as a vertical integration play for the petroleum industry. As it makes sense for them to control bio-ethanol production, they will rapidly want to take over the plant."

Construction of the first plant is expected to be completed by early 2010 and the second plant is hoped to be finished by September or October the same year.

Future Capital said it hoped new legislation, which would require 5.5 per cent of the UK's fuel consumption to be bio-fuel by 2010, would support demand for bio-ethanol.

According to Future Capital's estimates, the UK will use 1m tonnes of bio-ethanol by 2010, compared with the 300,000 tonnes used at present.

The group's investment team has set a target of raising AGBP120m of equity, with another AGBP200m coming from bank debt.

Mr Levy said: "This is a very interesting story in another fascinating sector. People are excited about it."