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Ethanol Ventures, a company investing in two wheat-to-ethanol plants in Grimsby and Teeside, has had to resort to novel financing to replace GBP 60m (USD 92.5m) of senior debt, which constituted 36% of the projects' initial costs.

"Up until three months ago we were well on our way to fulfilling our investment plans. But then the markets went awry and we were forced to re-think our financing strategy," said CEO Tim Levy of Future Capital Partners, a director of Ethanol Ventures. "We had orally negotiated terms with an oil major concerning the long term off-take of our finished product, But with senior debt no longer available it made sense to reconsider our options. We are currently in discussions with several oil companies and considering our options," he said.

Ethanol Ventures' initial GBP 330m investment plans for both projects were leveraged with GBP 60m of senior debt and GBP 40m (USD 61.7m) of more expensive mezzanine debt. "The lack of liquidity in the credit markets at the moment has pushed up interest rates so that senior debt is looking more like mezzanine debt," Levy explained. "There is no shortage of debt out there, just no cheap debt. A short while ago investors were buying corporate bonds at half a percent above Libor. Now those same bonds are trading at 8-10% above Libor," he added.

The upside is that Ethanol Ventures expects to be able to develop its Grimsby and Teeside ethanol plants for markedly lower costs. "We were originally going to spend GBP 165m (USD 254m) on each project but these have since been re-estimated down to a net cash-cost of GBP 70-100m (USD 108-154m)," Levy said. The recent crash in steel prices was a contributory factor.

Ethanol Ventures chose to drop the senior debt part of the project financing package and aims to reduce cash costs by including vendor financing, whereby its equipment suppliers will provide it with loans which it will subsequently use to buy the company's goods.

"We are also in negotiations with our preferred engineering contractor regarding taking a stake in the project," Levy said. "Overall, the total reduction in project costs of GBP 65-95m (USD 100-147m) exceeds the GBP 60m we have lost with the absence of our senior debt."




Future Capital Partners, the promoter of the investment offering, expects to close on both the equity and debt financing for the first of its projects by the end of April 2009.

"Once the financing for the first plant is complete we will start construction and the fundraising process for the second plant," Levy explained.


Levy was not overly concerned by the UK transport minister Andrew Adonis recommendation to postpone the country's biofuels blending target from 5% in 2010-11 to 2013-14. "The government has promised 50% GHG savings by 2050. Given than the transport sector it the largest emitter I cannot see any alternative route for the country to achieve its targets," he said.

Source: Interview with New Energy Finance

:: Related organisations

Organisation Name	Country	Abstract	Subactivities	Parents / Operational investors	Daughter companies	Record Checked
 Vireol	United Kingdom	Start-up planning to produce bioethanol in Teesside,UK. http://www.vireol.com/	Fuel production - Bioethanol production		Ethanol Ventures (25%)	
 Future Capital Partners	United Kingdom	Future Capital Partners is a provider of innovative financial products and services in the UK. http://www.futurecapitalpartners.com/h...	Financial & legal services - Investor - VC and PE for companies		Ethanol Ventures	
 Ethanol Ventures	United Kingdom	Company aims to deliver at least 378 million litres a year of bioethanol from two Facilities in Grimsby and Teesside from 2010. http://www.ethanol-ventures.com	Fuel production - Bioethanol production	Future Capital Partners Vireol (25%)		

:: Related people

Name	Organisation	Other/former organisations with which this person is associated	Job function	State	Country
 Levy, Mr. Tim	CEO Future Capital Partners		General Management		United Kingdom

:: Related funds

Fund name	Fund manager	Geography	Fund size	Key dates	Status	Investment focus	Abstract	Record Checked
Bioethanol Partners LLP	Future Capital Partners	EU Europe United Kingdom England	656.57 m (Target)	30 Jun 2008 (Target Close) 26 Feb 2008 (Marketing Start) 26 Feb 2008 (First Announced)	Fundraising - not yet investing	Renewable power projects	An investment vehicle launched to finance the construction and operation of two wheat-based bioethanol plants.	Alistair Jaftha 03 Mar 2008

:: Related renewable energy projects

Project name	Country	Sector	Capacity	CHP Heat Capacity	Total value (\$)	Original developers	Current owners	Date	Status	Abstract	Cogeneration capacity (MW)	Record Checked
Vireol Teesside Ethanol Plant	United Kingdom	Biofuels	190 mLpa			Vireol	Ethanol Ventures	07 Feb 2008	Announced / planning begun	Proposed 190mLpa ethanol plant in Teesside, United Kingdom and to be developed by Vireol.		Alistair Jaftha 03 Mar 2008
Vireol Grimsby Ethanol Plant	United Kingdom	Biofuels	190 mLpa		154 m	Vireol	Ethanol Ventures	07 Feb 2008	Announced / planning begun	Proposed 190mLpa ethanol plant in Grimsby, United Kingdom, to be developed by Vireol.		Alistair Jaftha 03 Mar 2008

:: Related renewable energy asset financings

Name	Sponsors/Equity providers/Acquirers/Investors	Lead Debt Provider/Arranger	Country	Date	Transaction type	Financing type	Transaction value (\$)	Abstract	Status
Vireol Grimsby Ethanol Plant	Ethanol Ventures		United Kingdom	27 Nov 2008	New build	Lease/Vendor Financing	154 m	Ethanol Ventures is in the process of securing GBP 100m (USD 154m) in finance for the development of its 190mLpa Grimsby Ethanol Plant.	Announced

:: Primary sector

[Biofuels](#)

Sector

:: Primary country

Country Code	Country	Continent	Top Country?
GBR	United Kingdom	EU Europe	Yes

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