Plant reports quarter loss

Verenium cites higher spending, building costs

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Verenium Corp., the company trying to develop cutting-edge ethanol production at a new plant in Jennings, reported a net loss this week for the 2008 first quarter, citing rising construction costs and higher spending plans for the rest of the year.

The Massachusetts-based company made more money than ever before in the first quarter ($15.2 million, up 35 percent from 2007), but also had a record loss of $17.2 million, or 62 percent worse than the same time last year.

Verenium built a small plant in Jennings in 2006 to test new ways to make cellulosic ethanol from basic plant matter and wasted farm scraps like sugar cane bagasse (pulpy fiber) and wood chips. It’s one of a few pilot plants in the U.S. acting like chemistry labs in search of the cellulosic breakthrough.

In February 2007, Verenium broke ground on a 1.4 million gallon per-year demonstration plant right next to the Jennings pilot site. It was finished this spring and operations are warming up. It’ll soon serve as the second phase where Verenium will fine-tune its enzymes, ethanol production and feedstocks (primarily local cane bagasse) before it goes full-scale with a third plant.

For the rest of 2008, Verenium projects it will spend about $50 million on capital expenses, or 30 percent more than in previous forecasts. Labor shortages in Louisiana are causing the cost of its Jennings demonstration plant construction to rise, the company said. Total spending in 2008 is now estimated to be $114 million, or 22 percent more than in previous projections.

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Plant

Finding a cheap way to break down large amounts of plant matter into simple sugars would solve a lot of ethanol arguments in the U.S., and improve the biofuel’s long-term chances with consumers.

Verenium says it’s closer than most, with branches in Florida and California researching and engineering an ideal enzyme to break down a plant’s complex cellulose into sugars that can be turned into alcohol. Its Jennings site is where everything comes together for testing.

Verenium pointed to a pair of funding streams that could protect it against losses as it ramps up ethanol production. In February it borrowed $45 million in private placement notes at 8 percent interest. It also won a $33.8 million federal grant, one of a handful given out by the U.S. Department of Energy to specifically encourage cellulosic ethanol research.

Verenium’s planned commercial-scale third plant could make 25 million to 30 million gallons of ethanol per year from biomass as far away as New Iberia, if it were built in Jennings. Sites in Florida and Texas are also being considered for the plant.