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Qatar Air Targets Cleaner Fuel for Flights With Stake in Byogy

By Louise Downing - Apr 10, 2012

Qatar Airways Ltd. plans to invest in California's Byogy Renewables Inc. to produce cleaner jet fuel from alcohol, curbing carbon output to meet emission goals.

"We're looking to underwrite an investment into Byogy of up to 10 percent, coupled with an off-take agreement," Chris Schroeder, senior manager of corporate social responsibility, environment and fuel optimization, said by phone, declining to disclose the value of the transaction. "This will enable the company to go into the market and look for further equity investment or other partners."

Byogy, based in San Jose, makes jet fuel from alcohol in the U.S., where it expects the ASTM International standards body to endorse the manufacturing process by late 2013. Airlines have already won approval to mix fuel from inedible plants and organic waste with traditional kerosene-based jet fuel, and Deutsche Lufthansa AG (LHA) and Air France-KLM (AF) Group are among carriers to have flown planes using the blend.

"Being cautious, we hope we will have a couple of flights to Europe by the end of 2014 on a 'drop-in' jet fuel made from ethanol," Schroeder said. Drop-in biofuels are sufficiently similar in chemical composition to kerosene to be blended in.

The use of alcohol as feedstock would help curb carbon output as airlines seek to meet International Air Transport Association targets to halt the growth of emissions from 2020 and to cut greenhouse gases in half by 2050 from 2005 levels. IATA wants about 6 percent of jet fuel to be met by biofuels by 2020.

Byogy Expansion

Byogy plans to build plants in Brazil, the U.S. and the Middle East, Chief Executive Officer Kevin Weiss said by telephone, adding that lenders have shown "preliminary interest" in providing debt funding. The company will construct at least two factories next year, with commercial output targeted by early 2015, Weiss said.

Byogy expects the projects to cost about \$80 million in total and is "pretty confident" it can obtain debt financing for a "good portion" of that, he said, citing talks with development banks.

"Our discussions with the Inter-American Development Bank to support our work in Latin America are very positive and they are anxious to move the talks forward," Weiss said. The IADB confirmed that they've been in talks with Byogy.

Byogy has signed an agreement with a Brazilian ethanol maker to use its alcohol and is "finalizing terms" with airline Azul Linhas Aereas Brasileiras SA to market the fuel, it said. Byogy is also working with an investment bank in Brazil to raise as much as \$30 million by the fourth quarter, Weiss said, without identifying the lender. The money will be used to accelerate its fuel testing with ASTM, he said.

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