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Chevron's Search for Plant-Based Alternative Fuels Flounders

Joe Carroll, Bloomberg

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CHICAGO -- Chevron Corp.'s attempts to turn plants into alternative fuels for profitable, large-scale production have failed.

The second-largest U.S. oil company by market value spent "significant sums" and assigned some of its best scientists to evaluate more than 100 kinds of feedstock and 50 techniques for converting them into fuels without success, Chevron Chairman and Chief Executive Officer John Watson said during an address to the Economic Club of Minnesota in Minneapolis today.

"The smartest minds in my company and others haven't yet cracked the code on pairing the right feedstock conversion technology and logistics in an economic and scalable package," Watson said.

Major crude producers from Chevron to BP Plc have been [scaling back investment in renewables](#) to focus on higher-profit ventures such as deep-water oil wells. Chevron's setbacks [echo those of Exxon Mobil Corp.](#), which last year said its \$600 million foray into algae-based fuel may not succeed for another 25 years. [BP put \\$3.1 billion of wind assets for sale last year](#) after withdrawing from solar in 2011.

Chevron sold an energy-efficiency unit last month that had been losing money for half a decade, Watson said. The company remains dedicated to other forms of renewables such as geothermal and continues to pursue research into some types of biofuels, Watson told reporters after his speech. Chevron's plants research focused on non-food crops, he said.

Watson, a University of California at Davis-trained agricultural economist, also said the U.S. government should reconsider the mandate requiring domestic refiners to add corn-based ethanol to gasoline.



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'Good Energy?'

"Is it really good energy or land-use policy to have 40 percent of our corn crop effectively mandated for fuel use?" Watson asked in the prepared remarks. Minnesota is the fourth- largest U.S. corn-producing state, according to the Agriculture Department in Washington.

Meanwhile [POET-DSM opened the first commercial-scale cellulosic biofuel plant](#) in the U.S. earlier this month, which uses corn stover (leaves, husks, etc. left in the field after harvest). The plant will produce 20 million gallons of fuel per year and plans to ramp up to 25 million gallons in the near future.

Chevron rose 0.6 percent to \$124.96 at the close in New York today. Exxon is the largest U.S. oil producer by market value.

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