

Energy Asset Solutions, LLC

In Focus: The Importance of Natural Gas Strategy & Supply for Ethanol Facilities

By EAS Staff

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As even casual observers know, in most ethanol plants, aside from corn, natural gas is usually the next largest on-going expense. But what happens when natural gas supply (or lack thereof) becomes *the* stumbling block on your way to getting your development opportunity financed? Who can you turn to for help?

Read on to find out how an [EAS Strategic Partner](#) saved the day for an ethanol facility at a fork in its financial road.

In the world of project development, almost nobody finances the entirety of construction cost with equity. As a result, getting lenders lined up to fund the debt component of development is a major task on the way to becoming a producing plant. Among the items of due diligence for an ethanol facility that consumes natural gas for processing is the existence of adequate supply from a credit-worthy counterparty.

For one developer, acquiring adequate supply turned out to be a major stumbling block. The reason was simple and not unusual: pipeline capacity was severely constrained in the area where they had prospectively sited their plant. As a result, they had to contemplate either moving the facility to another area – a major undertaking, given land options, permitting, etc. – or finding a way to overcome their gas supply limitations.

Fortunately, they knew who to call for immediate, expert assistance: Energy Management Resources, Inc. (EMR). With a reputation for solving even the thorniest strategy and supply problems, EMR put its considerable resources to work to get the job done. Over the next several weeks, EMR analyzed pipeline capacity & supplier options for firm service, conducted a detailed service structure analysis of pipeline direct interconnection vs. local utility service factoring in capital cost, operating cost, balancing tolerances & risk and developed a long term gas supply strategy.

The result: In short order, EMR secured a supplier “Will Serve” letter for firm service, negotiated interconnection, firm gas transportation & supply agreements to get the financing completed and the plant ready for an on-schedule startup. In addition, EMR’s strategic and tactical advice allowed the facility to avoid over \$1,000,000 in balancing and penalty risk exposure.

Just another day at the office for EMR!

To learn more about EMR’s services – including how they can help you plan, execute and manage your on-going energy needs – click [here](#).