

Alternative Energy: Bionic Man

As both the captae using energy and the per capita usage increases, the need to find a reliable, renewable form of energy becomes ever greater. BRAVE Partners reviews the market.

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We can rebuild him, but we can't afford the Lego

While on the bus to school, BRAVE Partner Christopher Cloke-Browne, and fellow pupils managed to corrupt the Six Million Dollar Man strap line to: "... we can rebuild him, but we can afford the Lego." Much like the Bionic Man, some bio-fuels are now established as a viable fuel source, but the outstanding issue is whether the world can afford the Lego; or in this case the plant and inputs to create the fuels on the mass scale required.

The technology

The May 2010 Petroleum Review reports an interesting development where Shell now has a demonstration plant to produce gasoline and gasoline components, rather than ethanol, direct from plant sugars. Several other technologies are well known and in scientific development.

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Christopher Cloke-Browne
Managing Partner
BRAVE Partners LLP

Affording the Lego

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ExxonMobil also make this point in the May Petroleum Review. Bill Corporon from the company explains in the article "From pond to pump" how ExxonMobil is working with Synthetic Genomics Inc. (SGI) to develop the right strains of Algae to produce the right bio-oils in large enough quantities to make them economically viable.

Partner or perish

Reinforcing the point made by BRAVE Partners in "[First to be second](#)", the Boston headquartered research firm, Lux Research, has recently issued a report entitled: "Aligning contribution: Partnering strategies in biofuels and biochemicals." In the words of Petroleum Review:

“... a final and more daunting hurdle now confronts biofuel developers- competing on scale with the multi-trillion dollar petroleum industry.”

Standard Oil might have been broken up into the Seven Sisters, but those seven sisters piled on a few pounds (or is it dollars?) over the years. In the opinion of BRAVE Partners, the resource differential between an oil major and a private equity backed biofuels company simply cannot be bridged.

Investability

BRAVE Partners believes that this entrenched dominance of major oil firms means that entrepreneurial activity within the biofuels sector should be geared towards an exit through partnering with an oil major. This is a fundamentally different business strategy to one which would exit through the development of a business or brand in its own right. Biofuels as a segment has lost its appeal in the private equity world. These firms are looking for business models that can clearly work within a fixed time scale that can be built into a brand and sold. Biofuel investment will remain speculative. At the small end there will be highly speculative investment from business angels and venture capitalists. At the larger end the speculative investment will be provided by the major incumbents who will consider it as R&D investment as these firms seek to develop their businesses beyond the end of fossil oil.

BRAVE Partners' services

BRAVE Partners can advise management teams on the optimal strategy for success. The firm has been ahead in thought leadership on the process for converting solid academic research into viable business propositions that will ultimately reward the entrepreneurs.

Interaction

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- BRAVE Partners believes that biofuels companies need to be established and run to maximize the possibility of a partnership exit.
- This requires a different approach and investors to those of a classic business venture.
- BRAVE Partners has the vision, experience and expertise to assist biofuels businesses in developing their strategy within this framework.

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