

DEALS & DEAL MAKERS

Ethanol IPOs Generate Buzz

With Energy Prices Rising, Companies Seek to Cash In On Search for Alternatives

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Amid a steady flow of initial public offerings by oil-and-gas companies this year comes a new play on rising energy prices: ethanol.

Three companies that specialize in ethanol production have filed for IPOs with the Securities and Exchange Commission since March. **VeraSun Energy Corp.**, **Hawkeye Holdings Inc.** and **Aventine Renewable Energy Holdings Inc.**—the second, third, and fourth-largest ethanol producers in the U.S., respectively—are hoping to raise about \$350 million each on the New York Stock Exchange.

Although it's clear there is strong demand for ethanol, there are risks. One of the primary issues facing the ethanol industry, besides its dependence on high oil prices and low corn costs, is distribution. Most ethanol is produced in the Midwest, but because of its chemical composition, it can't be added to petroleum pipelines that cross the U.S.

"The fast growth in the ethanol industry over the next few years is going to face many obstacles, including the difficulty in transporting it, ramping up corn production on a scale that could be demanded if ethanol is to significantly replace oil, and the difficulty in splash-blending ethanol into gasoline as a product for the consumer," said Robert Wilder, chief executive of California-based WilderShares LLC, creator of the WilderHill Clean Energy Index of 40 publicly traded ethanol, solar-power and fuel-cell companies. "Nonetheless, ethanol still seems poised for possible strong growth ahead."