

Shakeout in Algae Biofuels: An exciting time for algae business development.

By Robert Henrikson. March 14, 2011.

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This year, Rand Corporation positions the algae biofuel industry as a research topic, calling into question the viability of renewable biofuels made from algae. Royal Dutch Shell Oil exits from its algae biofuel venture as Monsanto enters the algae industry. Is this the beginning of the shakeout?

Algae ventures have successfully raised millions for research and development for algae biofuels based on early promises. But will they be able to deliver algae biofuels that are cost competitive with conventional fuels within this decade?

So far algae biofuels have been an engaging and expensive R&D project. The challenge of scaling up to demonstration projects begins now. Funding required for scale up is huge, and the lack of access to funding will amplify this shakeout.

Watch these scenarios unfold in the shakeout as the algae industry moves toward more realistic, sustainable business models.

- Those ventures with access to deep financial backing from big oil or government funds, and with technology that works, will be prepared to stay the course and produce biofuel products.
- Some high profile ventures are already pivoting their business models to develop more valuable and more immediate 'co-products' from algae. Two years ago, many ventures had dismissed co-product markets for algae food and feed products as 'niche' markets.
- Other ventures who realize they can't make it all the way to biofuel commercialization will license or sell off assets such as algae research, cultivation knowhow, intellectual property, technology or system design or components.
- Some big venture partners will bail. The executive decision will be: "had a good look, got some good green press, but now we are cutting our losses and moving on to more immediately profitable opportunities."
- Other ventures will continue with smoke and mirrors, touting their secret sauce, proprietary IP or GMO breakthrough to keep grabbing R&D funds or government grants. They operate on the hope that they can sell out to bigger fish before the world perceives they have no clothes.

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- More ventures will shut down. Surviving ventures will pick off infrastructure, technology and personnel, like carrion birds feasting on a carcass.

Big investments in algae biofuels are bringing big benefits. Breakthroughs in identifying and adapting algae and innovating new technology and systems will lower algae production costs and open new markets for higher value algae food and feed products.

The scramble intensifies for algae ventures to show how their business model can actually produce algae at a reasonable cost for markets that are real and immediate. Smart algae biofuel companies are redirecting finite financial resources toward more immediate income streams from algae products to survive in the shakeout.

Large corporate players are now realizing the huge potential market for algae food, feed and nutraceuticals. Much investment will be directed towards algae, such as spirulina, that can already be successfully cultivated at lower cost.

We are entering a very exciting time for algae business development. ###

Robert Henrikson has previously blogged on algae industry topics:

<http://roberthenrikson.wordpress.com/>

Biofuels from Algae? How Ventures can Harvest from the Third Great Algae Bloom.

By Robert Henrikson. April 15, 2009.

How big investments in the 'biofuel of the future' will grow our future food and its own bio-packaging from algae. By Robert Henrikson. November 7, 2009.

Spirulina World Food - How this micro algae can transform your health and our planet. By Robert Henrikson. October 28, 2010.

2011 International Algae Competition Launch: A Global Challenge to design visionary algae food and energy systems. By Robert Henrikson. January 10, 2011.

Robert Henrikson has been a green business entrepreneur for over 30 years in sustainable development business models for algae, bamboo and natural resources. He recently founded the 2011 International Algae Competition (algaecompetition.com), a global challenge to design visionary algae food and energy systems. He is an Algae Alliance (algaealliance.com) consultant on business development, branding, sales and marketing, advising companies and investors in algae ventures.

Robert began developing algae as a global resource in 1977, was a founder of Earthrise Farms, world's largest spirulina algae farm, and for 20 years, was President of Earthrise Company, pioneer in algae. He developed Earthrise® Spirulina brand products in the USA and 30 countries. Authored and published the book "Spirulina World Food" in 2010, previously "Earth Food Spirulina", translated into 6 international editions (spirulinasource.com).

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