

Marathon plans ethanol plant

Joint venture with Andersons considers a Greenville site

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Bloomberg News

Marathon Oil Corp. announced the first ethanol investment by a major U.S. oil company in 26 years, saying it plans to build plants with grains marketer Andersons Inc. to meet rising demand for the fuel additive.

The joint venture's first ethanol plant — to be run by Ander-

sons — would have annual production capacity of 110 million gallons, the companies said Monday in a written statement. Ethanol plants of that size can cost as much as \$195 million to build, said Linda Casey, a spokeswoman for Houston-based Marathon. Andersons is based in Maumee, a suburb of Toledo.

Demand for ethanol, distilled mostly from corn in the United

States, is rising as refiners replace methyl tertiary butyl ether, the additive known as MTBE. U.S. Energy Secretary Samuel Bodman in May said oil producers should invest more in renewable fuels such as ethanol, use of which will almost double by 2012 under legislation signed into law by President Bush.

"We're going to see all the big refiners" getting into ethanol

production, said Gene Gillespie, an analyst at Howard Weil Inc. in New Orleans who rates Marathon shares a "buy" and doesn't own any. "From both an opportunistic and a defensive point of view, it's almost a requirement," he added.

Marathon and Andersons haven't decided on a site or target completion date for their first plant, the companies said. For-

mation of their 50-50 joint venture is pending approval by the boards of both companies.

However, in a news release issued by Andersons on Monday, the company said it has submitted the appropriate requests for an air permit in preparation for a potential ethanol plant to be constructed in Greenville, Ohio, in southwestern Ohio.

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"This location is just one of several sites being considered by the company," Neill McKinstray, Andersons' vice president & general manager for Ethanol, said.

Marathon spokeswoman Casey declined to comment on how many plants the venture may build. Marathon sees the venture as a means of "ensuring reliability of supply," she said.

The last ethanol investment by a U.S. oil company was the former Texaco Inc.'s partnership in 1980 with CPC International.

Texaco, now part of Chevron Corp., abandoned the project in 1995, when it sold the business to Williams Cos. of Tulsa, Okla.

San Ramon, Calif.,-based Chevron is considering investing in ethanol plants, Chief Technology Officer Donald Paul

said in May.

Like Marathon, Chevron cited the need to ensure its own supplies of the additive, which reduces tailpipe emissions and improves engine performance.

U.S. Sens. Tom Harkin of Iowa and Evan Bayh of Indiana last year urged the Energy Department to investigate why refiners weren't using more ethanol. The Consumer Federation of America accused oil companies of boycotting ethanol to keep fuel prices high.

The largest ethanol-producing region in the United States is the Midwest, where Marathon is the biggest refiner.

Marathon can refine 974,000 barrels of crude oil a day at its plants in Illinois, Ohio, Michigan, Kentucky, Minnesota, Texas and Louisiana.

The company blended 550 million gallons of ethanol into gasoline last year and estimates it will need about 1 billion gallons a year as demand rises, Casey said.