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Greenspan backs ethanol made from biomass

He says the corn-based type will do little to cut reliance on foreign oil.

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Washington, D.C. — Former U.S. Federal Reserve Chairman Alan Greenspan endorsed a form of ethanol as an alternative that may reduce the nation's dependence on oil from overseas.

Ethanol made from crop waste, switchgrass and other biomass, known as cellulosic ethanol, "would help to wean us of our petroleum dependence," Greenspan said Wednesday in testimony before the Senate Foreign Relations Committee.

Corn-based ethanol from corn grain has "only a limited role," he said. "Its ability to displace gasoline is modest at best."

President Bush has also promoted the development of cellulosic ethanol, but the version remains more expensive to make than traditional ethanol. Researchers and businesses around the world - including in Iowa, the No. 1 ethanol producer - are seeking ways to make cellulosic ethanol from cornstalks and other plant matter.

The technical obstacles to cellulosic ethanol are formidable, said Dan Reicher, president of New Energy Capital Corp., a Waltham, Mass., private equity firm with stakes in three corn distilleries.

"Patent 5,000,000 was issued in the early 1990s for a cellulosic ethanol breakthrough. But we're still not there yet," Reicher said.

The United States should move as quickly as possible "to find out whether cellulosic ethanol is actually a practical alternative," Greenspan told the Senate panel, which is examining the effect of U.S. dependency on foreign oil. He described the commercial-scale production of cellulosic ethanol as still "theoretical."

The need for new energy sources is underscored by the vulnerability of global crude oil supplies, Greenspan said. "The balance of world oil supply and demand has become so precarious that even small acts of sabotage or local insurrection can have a significant impact on oil prices."

Greenspan said Wednesday that high energy costs are beginning to stunt U.S. economic growth. But he also said sharply higher oil prices have not produced any "serious erosion" of world economic activity.

Attacks on facilities in Nigeria and the threat of a cutoff of Iran's oil because of the dispute over its nuclear research pushed prices to \$75.35 a barrel in April, the highest since New York trading began in 1983. Gasoline pump prices in the United States are about \$2.89 a gallon on average nationwide, up 29 percent this year, according to Energy Department data.

Oil prices more than doubled since the end of 2003 as rising energy demand in the United States and China eroded the cushion that suppliers have to make up for disruptions.

Crude oil and gasoline prices are likely to stay high enough to make cellulosic ethanol an attractive alternative over the next decade, Greenspan said.
test



Alan Greenspan

Oil situation is 'precarious'

"The balance of world oil supply and demand has become so precarious that even small acts of sabotage or local insurrection can have a significant impact on oil prices," former Fed Chairman Alan Greenspan tells the Senate Foreign Relations Committee on Wednesday. He says high energy costs are starting to stunt economic growth.

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