

Constructing Local Ownership

An assessment of ethanol plant ownership in Iowa

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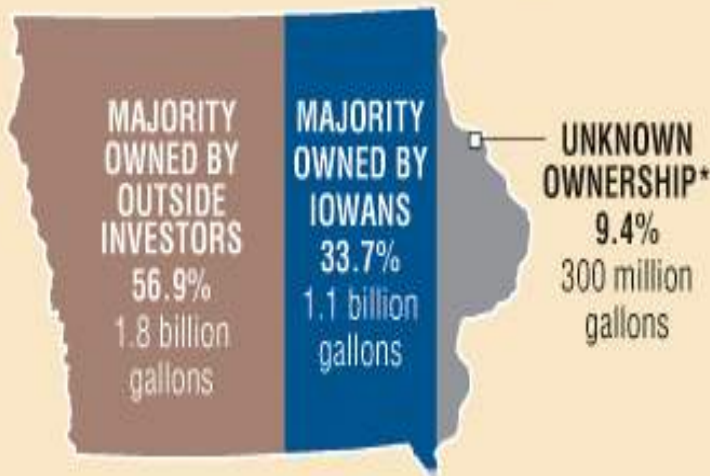
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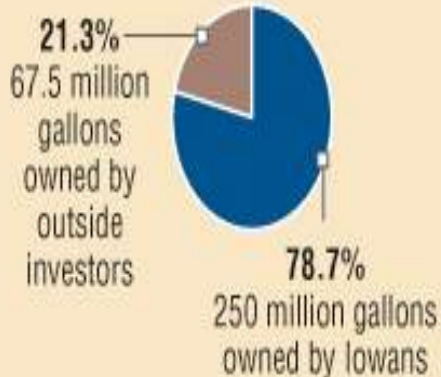
Who owns Iowa's renewable energy?

Most of the renewable fuel industry's 3.2 billion-gallon capacity in Iowa is owned by outside investors.



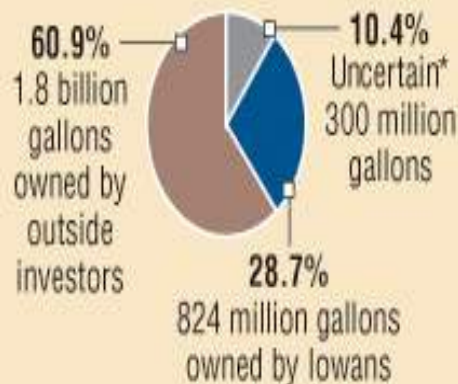
BIODIESEL

Total capacity: 317.5 million gallons

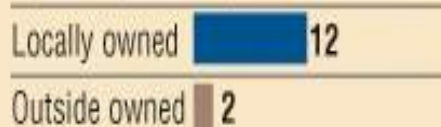


ETHANOL

Total capacity: 2.9 billion gallons



NUMBER OF PLANTS



NUMBER OF PLANTS



Iowa's Ethanol Industry

“Who will control ethanol's future?”

“Iowa's ethanol ownership going up in smoke?”

“Biofuel industry branches out, outside investors flow in.”

Introduction

- Local ownership
 - ensure economic, environmental, social well-being of community
 - firms embedded within communities
 - decisions support local interests not just interests of firm

(Tolbert, et al. 2002; England and Brown 2003; Lyson and Tolbert 2003; Worldwatch Institute 2006; Varghese, *et al.* 2006)

Introduction

Iowa's Ethanol Industry

1. What does local ownership mean?
2. Who participates in decision-making process?
3. Who benefits? Whose interests count?

Lincolnway Energy, LLC

Nevada, Iowa

Created 2004, operating May, 2006; 50 mg ethanol

Methods

- In-depth interviews (16 key informants)
- Content analysis
 - Major local, state newspapers
- Future:
 - Demographic analysis
 - Focus groups
 - Survey



Introduction

- Debate over effects of local vs. nonlocal ownership
 - Distributional issues related to ethanol plants and their outcomes for communities not *inherently* related to spatial concepts of local or non-local

Introduction

- Biofuel plants not simply embedded in local community
- Embedded within regional, national, global value chains and business networks
- Stakeholders in broader network play key role in shaping decisions over distribution of costs and benefits

What do we mean by local ownership?

Lincolnway Energy, LLC

- Original proposal
 - ownership by local farmer-owned grain co-op
- Changed structure from co-op to LLC

Proponents of LWE

- Our board decided “that we would offer shares only to people who live in the state. It was a vote for *local control* and a way to focus our dream strictly on Iowa workers and Iowa investors”.
- “We've got a *community-owned plant* with no big outside guns to control the board”.
- “Having the whole *community involved* is going to be very important”.
- “To allow the *community to share* in the returns”.
- “We just want central Iowa to *invest in their community* and their country”.

Who gets to participate?

- Only lowans eligible to invest
- Minimum investment: \$25,000
- Who invested?
 - 928 mid-lowans contribute \$39 million
 - average \$40,000
 - approx. 50% farmers (initially)
 - no shareholder could own more than 2%

Competing Interests

Non-local ownership

- produce conflict within community
- community resistance to economic development
 - inequitable distribution of costs and benefits
- Regardless of ownership
 - inequitable distribution of costs and benefits

Competing Interests

- **LWE's decision to use coal**
 - Reduces energy costs 75% or \$5m a year
 - Critical to plant's economic success
- **LWE bid to build Des Moines area plant**
 - Investors vs. group of residents
 - Economic vs. community/environment costs and benefits
- **Nevada**
 - Investors/proponents quelled disagreement and debate?

Conclusion

- Cannot assume locally-owned plants lead to more equitable outcomes for communities
- Distributional issues related to ownership and its outcomes empirical questions to be investigated
- Local farmers and individual investors key beneficiaries
- Ownership structure irrelevant to rest of local community
- But weight of proponents might act to silence critics