

Italian Investor's Biofuel Project Sparks Kenyan Opposition

by Tommaso Ebhardt, and Lauren Van Der Westhuizen,



■ Energy company Nuove Iniziative Industriali Srl owner Luciano Orlandi walks through the jatropha plantation he is developing in the Malindi District of Kenya's Coast Province. Source: Nuove Iniziative Industriali Srl via Bloomberg

Aug. 5 (Bloomberg) -- Kenyan conservation groups are opposing the biofuels project of an Italian businessman, saying the proposal to produce energy from jatropha may cause environmental damage.

Kenya's National Environmental Management Authority has scaled back a plan by Luciano Orlandi, the owner of renewable energy company Nuove Iniziative Industriali Srl, to develop a 50,000 hectare plantation of jatropha, a non-edible plant that would be used to produce 150,000 tons of biodiesel for clients led by Swedish retailer IKEA. The Kenyan agency said July 9 the project "may not enhance sustainable development."

Orlandi is investing in vegetable oils as the European Union seeks to raise the overall share of energy from renewable sources to an average 20 percent by 2020 from 10.3 percent in 2008. Biofuels may help the bloc reduce its reliance on fossil fuels, which are blamed for global warming. Orlandi's firm has almost 1 million hectares of land to cultivate jatropha across four African countries to produce as much as 2 million tons of biodiesel.

Nature Kenya, the oldest conservation group in Africa, opposes the Italian venture because it may destroy parts of the Dakatcha coastal woodland forest and displace as many as 20,000 people. The forest, located in the Malindi District of Kenya's Coast Province, is classified by the BirdLife International conservation organization as an important bird sanctuary. The Malindi County Council on July 22 approved an initial plan to cultivate 10,000 hectares.

Orlandi should delay his program until its effects on biodiversity in the region are determined, said Alex Ngari, conservation program manager for Nature Kenya. The country has "no policy guidelines for biofuels in place," he said.

Pressure Groups

"It's a pretentious protest made just by a small group," Orlandi said in a July 20 interview at his company's headquarters located in a 100-year-old hydroelectric plant near the Ticino River, outside Milan. "We have the approval of the local community and Malindi's authorities."

The 64-year-old Italian businessman, who has been making cogeneration plants for almost four decades, said his company paid 50,000 euros (\$66,155) for a "rigorous environmental impact" assessment. He added that 20 families will be displaced in two new villages outside the plant and all will be hired to work on the project.

The cost for the African venture will be as much as 450 million euros and as many as 200,000 people will be employed over the lifespan of the projects, said Orlandi. His company will build 100 houses based on the design of traditional northern Italian farmhouses known as "cascine" for the people displaced in Kenya.

Harvest

Orlandi will harvest the first hundred hectares of jatropha next month and plans to cultivate 20,000 hectares by 2012. Kenya Jatropha Energy Ltd, Orlandi's Kenyan unit, will pay 120,000 euros a year to lease the land. Seventy percent of the biodiesel is slated for export to Italy and the rest will be sold locally, Orlandi said.

In addition to the 50,000 hectare concession granted by the Kenyan government, Orlandi said his company has lease agreements with the governments of Senegal for 50,000 hectares, Ethiopia for 40,000 hectares, and Guinea for 700,000 hectares. Planting has begun in Senegal and Ethiopia, he said.

Orlandi's company expects to double revenue this year to 80 million euros after winning customers such as IKEA, which has eight cogeneration biofuels plants. Two more facilities are under construction at IKEA sites in Italy, as Orlandi aims to supply power for all of the company's stores in the country.

IKEA

Nuove Iniziative earns 1.5 million euros a year for every 840 kilowatt plant it installs at an IKEA site as part of its 12-year contract with the Swedish retailer. IKEA can save more than 10 percent on electricity costs with the plants, said Orlandi, who expects to provide its plants to other IKEA outlets in Europe.

His company is investing in the renewable energy industry with money Orlandi made from the sale of Telecogen Srl to Swiss engineering firm ABB Ltd. The Italian businessman has set up energy-service companies with fashion groups Ermenegildo Zegna SpA and Cerruti 1881, which use his biofuels plants.

Nuovo Iniziative also has an agreement to supply power plants and biodiesel with a franchiser for 20 malls in Italy of French chain Carrefour SA, and is in talks with retailer Auchan SA and the Italian supermarket Esselunga SpA.

Orlandi said he's attracted interest from possible investors, including the Italian branch of Amber Capital Investment Management. Amber Capital declined to comment.

"We receive calls every day from potential clients and investors," he said. "We are going to sign more deals in coming months. The business is blooming in our hands."

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