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Build Your Own Biodiesel Plant

For \$2 million, you can buy the franchise for your own alternative fuel factory. Xenerga supplies everything you need to start making money

by [Stacy Perman](#)

In recent years, consumers in the U.S., the world's largest consumer of oil energy, have been looking to alternative fuel sources to keep their costs down as well as to help protect the environment.

One option is biodiesel, a clean-burning fuel that can be used in any diesel engine without modifications and is derived from feedstock made from renewable sources such as soy, corn, and even cooking oil and then converted to usable fuel. With more diesel cars being introduced into the U.S. market, the demand for biodiesel is increasing.

Already it is considered the fastest growing alternative fuel in the country. According to one report released this year, between 2002 and 2004 biodiesel production in the U.S. nearly doubled from 16 million gallons to 31 million gallons (see [BusinessWeek.com](#), 11/13/06, "[Harvesting Green Power](#)").

British-born entrepreneur Jason Sayers, who previously co-founded FiltaFry, a business with over 500 franchises around the world that clean commercial and restaurant deep-fryers and recycle cooking oil, is now set to start his second business: Xenerga, a nationwide network of turnkey biodiesel-production facilities using waste cooking oil as a feedstock.

In mid-December, the Orlando (Fla.)-based company plans to launch its first franchise. To enter into a partnership franchise agreement, franchisees must have \$2 million, but Sayers estimates they have the potential to make \$2.5 million a year.

Recently [BusinessWeek.com](#) staff writer Stacy Perman spoke to Sayers about building his new business.

How did you come to establish Xenerga?

We had a franchise business called FiltaFry that we still own. We remove used cooking oil from restaurants and also [repurposed] it into biodiesel fuel. We had kept an eye on the biodiesel market in the U.S. for the past eight years but it wasn't quite ready. In [Britain] we saw big biodiesel plants going up. The future of fuel is biodiesel, because now 50% of the cars in Europe are diesel.

In the U.S. we saw that most of the biodiesel plants that were going up were in the northern states where the soy fields are. Logistically there was a problem getting a lot of product feedstock in and distributed out because of the concentration of farmers. For example, biodiesel is more expensive in Florida and Texas because of shipping costs.

What is Xenerga's contribution to the growing biodiesel market here?

[Because of the distribution issues of feedstock] we looked at doing this on a local basis, putting biodiesel plants all over

in cities. We looked for the best biodiesel equipment and discovered that it is made in Germany. This German company that makes it installed 100 plants in Europe and Asia, so we partnered with them and bought a 30% stake in the company. Europe is six to seven years ahead of the U.S. in terms of biodiesel.

If you look at the national studies, 50% of the biodiesel tested in the U.S. does not meet ISTN standards set for biodiesel across the U.S. so that cars can run on it properly. We are trying to raise the quality and amount of fuel produced. We have on-site testing for each batch produced. One bad batch and you're dead—you will get a reputation for selling bad biodiesel and no one will buy from you.

We offer a turnkey business model. Nobody else is doing that. We have the machines built in Germany and shipped here and in two weeks they are working on site. It takes other people two years to build plants.

So then, what is Xenerga?

Our experience is in franchises. What we are doing is providing partnerships for biodiesel plants. People can invest \$2 million and get a turnkey operation. We provide a package: we set up the plant, guarantee feedstock, and get the customers. The main problem is that much of the feedstock [needed to produce biodiesel] is locked up because of big companies that buy soybean oil for food.

What stage is Xenerga at now?

The first plant is being shipped and will be up and running in mid-December in Orlando, Fla. Once it is up and running we will seek partnerships. We have 15 potentials right now but we want to wait until the first is running. We expect to have 40 locations around the country by the end of 2007.

Although the market for alternative fuel is growing, is there really enough of a demand that you expect to be profitable so quickly?

The appetite for biodiesel is there; it's a supply issue. Biodiesel today stands at under 1% of the total diesel fuel market but production will grow as the fuel becomes more recognized. People are buying diesel cars here as in Europe. The problem isn't demand, but availability of feedstock.

Who is your competition?

There are about 50 biodiesel plants in the States at the moment, and there are a lot of big plants being built. Nearly all use new oil, not waste oil. Our plants are smaller, and use only waste oil which is more profitable because it's cheaper.

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