

Economic Feasibility and Process Design for Bio-Gasoline Production from Lignocellulosic Wastes in Metropolis

Xiao-Ying Lu*, Chi-Ying Vanessa Li, Xuejuan Cui, Wei Liu

Technological and Higher Education Institute of Hong Kong (THEi), Hong Kong 999077, China.

**Corresponding Author*

Abstract: This study examines the economic viability and procedural framework for producing bio-gasoline from lignocellulosic waste materials in Metropolis, while tackling the dual issues of waste disposal and the creation of renewable fuel sources. We propose a batch-mode operation with an annual capacity of 22 batches, each processing 100,000 kg of woody biomass, divided into five key sections: pre-treatment and fractionation, pulp extraction, lignin conversion to liquid alkanes, xylose recovery, and gasoline blending. The methodology integrates capital and operational cost estimations, where the fixed capital investment is derived from direct and indirect costs, while working capital is calculated as a percentage of the total investment. Operational costs include raw materials, labor, utilities, and waste disposal, which contributes to a thorough economic evaluation. Furthermore, profitability is assessed by means of financial metrics including gross margin, return on investment, payback time, and net present value, which establishes a comprehensive framework for decision-making. This work distinguishes itself by its customized approach to Metropolis's distinctive waste scenario, in which lignocellulosic biomass is plentiful but remains inadequately exploited. The study presents a feasible substitute for fossil fuels by transforming this waste into bio-gasoline, thereby reducing environmental harm. Moreover, the process design prioritizes scalability and adaptability, which ensures its applicability to other urban areas sharing comparable waste compositions. The findings indicate the possibility of substantial economic benefits, as detailed sensitivity analyses identify critical cost factors and profitability thresholds. This study adds to the expanding literature on sustainable fuel production and delivers actionable guidance

for policymakers and industry professionals. The proposed system not only supports worldwide decarbonization objectives but also tackles regional waste disposal issues, thereby establishing Metropolis as a pioneer in circular economy efforts.

Keywords: Economic Feasibility; Lignocellulosic Wastes; Bio-Gasoline; Decarbonization; Circular Economy.

1. Introduction

The global transition toward sustainable energy systems has intensified research into alternative fuel sources, particularly those derived from waste biomass. Among these, lignocellulosic waste, which includes agricultural residues, forestry byproducts, and municipal wood waste, stands as a promising feedstock owing to its abundance and low cost [1]. Metropolis's constrained landfill space and highly urbanized setting create distinct waste management difficulties, which render lignocellulosic biomass a promising option for resource recovery [2]. Although previous research has investigated biofuel generation from food waste and spent cooking oil [3], the transformation of lignocellulosic waste into bio-gasoline has received limited attention in this area.

Bio-gasoline, which can be directly employed in conventional gasoline engines without modification, is generally manufactured via thermochemical or biochemical methods. The former, which encompasses procedures such as hydrodeoxygenation (HDO) and catalytic cracking, has become more prevalent owing to its superior energy efficiency and adaptability with heterogeneous catalysts [4]. Nevertheless, the economic feasibility of these methods is strongly influenced by the supply of raw materials, the effectiveness of catalysts, and their alignment with current refinery systems [5]. In Metropolis, spatial limitations restrict extensive biomass production, leading to a reliance on

indigenous waste materials, including timber from construction sites and processed paper residues, as key resources [6].

This study addresses a critical gap by evaluating the techno-economic feasibility of producing bio-gasoline from lignocellulosic waste in Metropolis. In contrast to earlier studies focusing on independent biorefineries [7], our method merges catalytic upgrading and blending operations to comply with regional fuel specifications. The designed system adopts Ru/Nb₂O₅ and Pt/CNT catalysts for hydrodeoxygenation, showing strong preference for gasoline-range hydrocarbons. In addition, sensitivity analyses are included to evaluate how critical factors, including catalyst expense, hydrogen availability, and biomass pretreatment effectiveness, influence total economic viability [8].

This work makes three key contributions. Initially, it delivers a customized process design for Metropolis, which improves feedstock logistics and reactor arrangements tailored for small-scale, batch-mode operation. Second, it introduces an innovative blending approach with aromatic additives to improve fuel octane ratings, which tackles a prevalent drawback of lignocellulosic-derived biofuels. Third, the economic model accounts for localized cost elements, including waste collection tariffs and electricity prices, which yield region-specific insights not found in broader studies.

2. Literature Review: Techno-Economic Analysis of Biofuel Production

The techno-economic evaluation of biofuel generation from lignocellulosic biomass has been widely researched, differing in emphasis on feedstock varieties, transformation methods, and geographical suitability. Existing works can be broadly categorized into three areas: (1) feedstock-specific analyses, (2) process optimization studies, and (3) regional feasibility assessments.

2.1 Feedstock-Specific Analyses

Lignocellulosic biomass, such as agricultural residues, forestry waste, and dedicated energy crops, has been assessed for biofuel production in various settings. For example, previous studies showed oil palm empty fruit bunches and showed that co-producing biofuels and chemicals is economically feasible [9]. In a parallel manner, a study examined construction

wood waste in Metropolis, emphasizing its suitability for pelletized fuel while acknowledging obstacles related to ash levels and expenses for preliminary processing [10]. These studies underscore the importance of feedstock composition, as high lignin content often necessitates costly degradation steps, while cellulose-rich materials favor biochemical routes.

2.2 Process Optimization Studies

Catalytic conversion methods dominate recent research due to their efficiency in deoxygenating biomass-derived intermediates. For instance, a previous study obtained elevated bio-oil outputs by employing iron nanoparticles, whereas a past study examined zeolite and metal oxide catalysts in the context of generating gasoline-range hydrocarbons [11]. Nevertheless, the majority of research presumes uninterrupted functioning, failing to address the viability of batch processing for localized urban implementations [12]. Moreover, scant attention is given to blending specifications for drop-in fuels, which is a major oversight due to the diversity in bio-oil properties [13].

2.3 Regional Feasibility Assessments

Geographic limitations have a major impact on the economic aspects of biofuel production. In Southeast Asia, palm oil residues are prioritized, whereas Nordic studies emphasize forest residues. Metropolis's distinct waste composition, primarily consisting of construction wood and paper sludge, necessitates customized approaches. Current models frequently neglect regional elements such as land expenses and regulatory benefits, which results in excessively optimistic forecasts [14].

Compared to prior work, this study advances the field by integrating batch-mode operation with catalytic upgrading for Metropolis's lignocellulosic waste. In contrast to earlier research, our approach prioritizes scalability and blending compatibility; while previous studies have informed our feedstock selection, they lack detailed process-level insights. Our economic framework also incorporates region-specific variables that are not addressed in broader, more general investigations.

3. Background: Lignocellulosic Biomass and Bio-Gasoline Production Pathways

Lignocellulosic biomass constitutes a intricate structure of organic polymers capable of being

transformed into liquid transportation fuels via diverse thermochemical and biochemical processes. Grasping the structural makeup and the core rules dictating its transformation into bio-gasoline is critical for devising effective production systems.

3.1 Lignocellulosic Biomass Composition

The primary components of lignocellulosic biomass include cellulose (40–50%), hemicellulose (20–30%), and lignin (15–25%), with minor amounts of extractives and ash [15]. Cellulose, which consists of glucose units connected by β -1,4-glycosidic bonds in a linear arrangement, confers structural rigidity but necessitates severe pretreatment to disrupt its crystalline framework. Hemicellulose, which consists of a mixture of pentoses (xylose, arabinose) and hexoses (mannose, glucose), is more easily hydrolyzed because of its amorphous structure. Lignin, a phenolic polymer formed from phenylpropane units, serves as a defensive barrier and plays a role in biomass recalcitrance [16]. The variability in composition among different feedstocks, such as hardwood, softwood, and agricultural residues, affects pretreatment requirements and conversion yields. For example, hardwoods possess greater xylose levels (20–25% of dry weight) than softwoods (10–15%), which renders them better suited for biochemical conversion processes [17].

3.2 Gasoline Specifications and Biofuel Compatibility

Bio-gasoline is required to satisfy strict fuel specifications, such as research octane number (RON > 90), Reid vapor pressure (RVP < 60 kPa), and sulfur content (<10 ppm), for engine compatibility [18]. In contrast to ethanol, which is restricted to 10–15% blends in standard engines, bio-gasoline can function as a direct substitute because of its hydrocarbon structure. The primary difficulty stems from attaining elevated octane levels without increasing oxygen content, since leftover oxygenated compounds (such as furans and phenols) diminish energy density and contribute to deposit formation in engines [19].

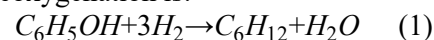
3.3 Biofuel Production Principles

There are two primary routes for transforming lignocellulosic biomass into bio-gasoline. One is biochemical route: cellulose/hemicellulose is enzymatically hydrolyzed to sugars, which are

subsequently fermented into ethanol or other intermediates before being catalytically converted to hydrocarbons [20]. Another is thermochemical route: Bio-oil or syngas can be generated via fast pyrolysis or gasification, subsequently undergoing hydrodeoxygenation (HDO) or Fischer-Tropsch synthesis to produce hydrocarbons in the gasoline range [21]. The thermochemical route, particularly catalytic fast pyrolysis (CFP) integrated with HDO, has gained prominence due to higher carbon efficiency (60–75%) compared to biochemical methods (40–50%) [22].

3.4 Hydrodeoxygenation and Hydrogenolysis Reactions

HDO eliminates oxygen from bio-oil intermediates (e.g., phenols, aldehydes) in the form of H_2O , CO , or CO_2 , employing catalysts such as Ru/Nb_2O_5 or Pt/CNT under hydrogen pressures of 3–5 MPa [23]. The general reaction for phenol deoxygenation is:



Hydrogenolysis, an essential step, breaks C–O bonds in lignin-derived oligomers and yields monoaromatics (e.g., benzene, toluene), which improve octane ratings [24].

3.5 Biomass Fractionation Methods

Effective fractionation enables the separation of lignin from carbohydrates for focused conversion, with common methods including organosolv pretreatment, where organic solvents (e.g., ethanol-water) are used at 160–200°C to dissolve lignin while preserving cellulose [25]. Steam explosion, which applies high-pressure steam (1–3.5 MPa) followed by rapid decompression to break down biomass structure [26], and dilute acid hydrolysis, which treats biomass with 0.5–2% w/w sulfuric acid at 120–180°C to hydrolyze hemicellulose; each method has trade-offs, as organosolv produces high-purity lignin but requires solvent recovery, while steam explosion is energy-intensive but chemical-free.

4. Techno-Economic Assessment Methodology

The techno-economic evaluation approach created in this research integrates process simulation with fiscal examination to assess the feasibility of producing bio-gasoline from lignocellulosic waste in Metropolis. The methodology accounts for batch-mode operation

constraints, urban-specific cost factors, and catalytic conversion efficiencies. As shown in Figure 1, the production process is divided into

discrete unit operations, each contributing to the overall economic performance.

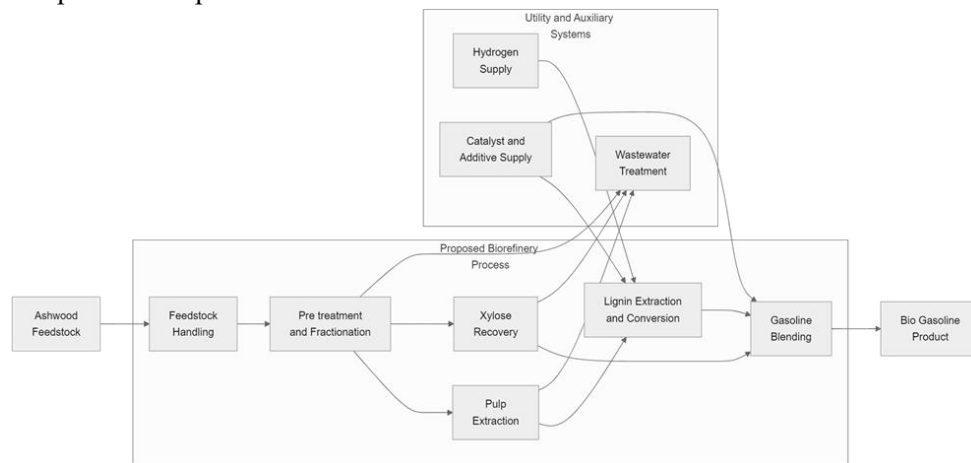


Figure 1. Proposed Bio-Gasoline Production Process Flow

4.1 Process Design Methodology

The process design is structured around batch-mode operation to accommodate Metropolis's spatial constraints and intermittent feedstock availability. Each batch treats 100,000 kg of lignocellulosic waste, with 22 batches conducted every year, resulting in an annual total throughput of 2,200 metric tons. The design comprises five sequential stages:

(1) Pre-treatment and Fractionation: Biomass is subjected to organosolv pretreatment at 180°C for 90 minutes with a 60% ethanol-water mixture, resulting in lignin dissolution while preserving cellulose integrity. The solid fraction (S_{cell}) is separated via filtration:

$$S_{cell} = 0.65 \cdot m_{feed} \quad (2)$$

where m_{feed} is the feedstock mass (100,000 kg/batch) and 0.65 represents the cellulose retention efficiency.

(2) Pulp Extraction: The solid containing high cellulose content undergoes enzymatic breakdown with cellulase (15 FPU/g substrate) to generate glucose (C_{glu}), achieving 85% of the theoretical maximum yield.

$$C_{glu} = 0.85 \cdot 1.11 \cdot S_{cell} \quad (3)$$

Here, 1.11 converts cellulose ($C_6H_{10}O_5$) to glucose ($C_6H_{12}O_6$) stoichiometrically.

(3) Lignin Conversion: The liquid fraction obtained from pretreatment, which includes dissolved lignin (L_{lig}), undergoes catalytic hydrodeoxygenation with Ru/Nb₂O₅ at 250°C and 4 MPa H₂. The alkane yield (Y_{alk}) follows:

$$Y_{alk} = 0.72 \cdot L_{lig} \quad (4)$$

where 0.72 reflects the carbon efficiency of

lignin-to-alkanes conversion [2].

(4) Xylose Recovery: Hemicellulose-derived xylose (X_{xy1}) is obtained from the pretreatment liquor by means of nanofiltration, which generates supplementary income sources.

$$X_{xy1} = 0.18 \cdot m_{feed} \quad (5)$$

Here, the coefficient 0.18 is the practical xylose yield from the feedstock after pretreatment, hydrolysis, and membrane separation, consistent with experimental data and literature values for organosolv fractionation of hardwood and construction wood waste.

(5) Gasoline Blending: The alkanes (Y_{alk}) are mixed with 10% aromatic compounds, such as toluene, to satisfy RON requirements, resulting in the formation of bio-gasoline (G_{bio}).

$$G_{bio} = 0.9 \cdot Y_{alk} + 0.1 \cdot A_{arom} \quad (6)$$

A_{arom} denotes the mass of aromatics purchased externally.

4.2 Cost Estimation Methodology

The total capital investment (TCI) is calculated as the sum of fixed capital investment (FCI), working capital (WC), and start-up cost. ($TCI = FCI + WC + Start-up\ cost$). The FCI includes direct costs (DC) and indirect costs (IC), where DC covers equipment, installation, and piping, while IC accounts for engineering, construction, and contingency expenses. In the urban setting of Metropolis, the calculation of indirect costs includes extra administrative expenses.

$$IC = 0.74DC \quad (7)$$

Here, the terms $0.25DC$ and $0.34DC$ represent standard engineering and construction costs, respectively, while $0.05(DC+IC)$ and $0.1(DC+IC)$ account for urban-specific factors

such as emission compliance and land leasing fees.

The working capital (WC) is estimated as 8% of FCI to reflect lean inventory requirements in batch-mode operation:

$$WC=0.08FCI \quad (8)$$

Operational expenditures ($OPEX$) are categorized into raw materials (RM), labor (L), utilities (U), and waste treatment (WT). Local waste collection tariffs determine the price of lignocellulosic feedstock (C_{feed}).

$$C_{feed}=22 \cdot m_{feed} \cdot p_{feed} \quad (9)$$

where p_{feed} is the price per kg of biomass (HK\$0.5/kg and 22 corresponds to the annual batch count. Catalyst cost (C_{cat}) are modeled as a function of consumption rate (r_{cat}) and unit price (p_{cat}):

$$C_{cat}=22 \cdot r_{cat} \cdot p_{cat} \quad (10)$$

For Ru/Nb₂O₅, p_{cat} is HK\$1200/kg, with $r_{cat} = 0.005$ kg catalyst per kg lignin.

Utility costs (C_{util}) include steam (S), electricity (E), and cooling water (W):

$$C_{util}=22(SP_S+EP_E+WP_W) \quad (11)$$

where p_S , p_E , and p_W are unit prices (HK\$30/ton, HK\$1.2/kWh, HK\$0.8/m³, respectively. Labor costs (C_{lab}) assume 4 operators per shift at HK\$25,000/month:

$$C_{lab}=4 \cdot 12 \cdot 25000 \quad (12)$$

Waste treatment costs (C_{wt}) scale with byproduct mass (m_{wt}) and disposal fees ($p_{wt} = \text{HK}\$800/\text{ton}$):

$$C_{wt}=22 \cdot m_{wt} \cdot p_{wt} \quad (13)$$

Revenue (R) is generated from bio-gasoline (G_{bio}) and xylose (X_{xyl}) sales:

$$R=22 \cdot (G_{bio} \cdot p_{gas} + X_{xyl} \cdot p_{xyl}) \quad (14)$$

where $p_{gas} = \text{HK}\$8.5/\text{L}$ (energy-equivalent to fossil gasoline) and $p_{xyl} = \text{HK}\$4/\text{kg}$.

4.3 Profitability Metrics Calculation

The economic feasibility of the proposed bio-gasoline production system is assessed by examining four principal financial metrics: gross margin (GM), return on investment (ROI), payback time (PT), and net present value (NPV). These indicators collectively assess the project's profitability under Metropolis's high-cost operating environment.

The operating margin measures operational efficiency by comparing revenue (R) to operational expenditures ($OPEX$):

$$\text{Operating margin} = \frac{R-OPEX}{R} \times 100\% \quad (15)$$

Here, $OPEX$ includes raw materials, labor, utilities, and waste treatment costs as defined in

Equations 9–13. A GM threshold of 30% is typically required for industrial feasibility in chemical processes.

The return on investment (ROI) evaluates annual net profit (NP) relative to total capital investment (TCI):

$$ROI = \frac{NP}{TCI} \times 100\% \quad (16)$$

where NP is derived from revenue minus $OPEX$ and depreciation (D):

$$NP = R - OPEX - D - \text{interest} - \text{tax} \quad (17)$$

Here, we ignore the interest and tax in this study. Depreciation follows a straight-line method over a 10-year plant life, with $D = 0.1 \cdot FCI$.

Payback time (PT) estimates the duration to recover TCI from cumulative net cash flows (NCF):

$$PT = \frac{TCI}{NCF} \quad (18)$$

(NCF) includes net income and adjustments for non-cash items.

$$NCF = NP + D - \Delta WC \quad (19)$$

ΔWC denotes alterations in working capital, presumed to be minimal after the initial operational phase.

Net present value (NPV) discounts future cash flows to present value by applying a 12% discount rate (i), which corresponds to Metropolis's capital costs.

$$NPV = \sum_{k=1}^{10} \frac{NCF_k}{(1+i)^k} - TCI \quad (20)$$

A positive NPV indicates economic viability, while sensitivity analyses on i reveal risk thresholds.

4.4 Sensitivity and Scenario Analysis Methodology

The sensitivity analysis evaluates the robustness of the economic model by quantifying the impact of key input parameters on profitability metrics. We adopt a one-factor-at-a-time (OFAT) method, systematically altering each parameter while keeping the remaining ones fixed at baseline levels. The normalized sensitivity index (SI) for a given parameter x is defined as:

$$SI_x = \frac{\Delta NPV / NPV_0}{\Delta x / x_0} \quad (21)$$

where NPV_0 is the baseline net present value, and x_0 is the nominal parameter value. Parameters with $|SI| > 0.5$ are classified as high-sensitivity variables.

The analysis focuses on four critical factors:

(1) Feedstock Price (p_{feed}): Varied from HK\$0.3–0.7/kg to reflect fluctuations in waste collection costs.

(2) Catalyst Cost (p_{cat}): Tested at 50–150% of baseline (HK\$1200/kg) to account for market volatility.

(3) Hydrogen Supply Price (p_{H_2}): Ranged from HK\$30–70/kg, covering potential supply chain disruptions.

(4) Bio-Gasoline Selling Price (p_{gas}): Adjusted between HK\$7–10/L to mirror fossil fuel price swings.

For scenario analysis, we define three operational contexts:

- Base Case: Applies standard parameter values specified in Section 4.2.

- Optimistic Scenario: Assumes 20% higher bio-gasoline prices and 15% lower feedstock costs.

- Pessimistic Scenario: Accounts for a 30% increase in catalyst expenses and a 10% reduction in product pricing.

The break-even selling price (P_{BE}) is calculated by setting $NPV=0$ and solving for p_{gas} :

$$\sum_{k=1}^{10} \frac{22(G_{bio} \cdot P_{BE} + X_{xy} \cdot p_{xy}) - OPEX - D - \Delta WC}{(1+i)^k} = TCI \quad (22)$$

This determines the minimum bio-gasoline price required for economic viability.

Monte Carlo simulation further assesses risk by sampling parameters from probability distributions:

- Feedstock price: Normal distribution ($\mu =$ HK\$0.5/kg, $\sigma =$ HK\$0.1).

- Catalyst lifetime: Lognormal distribution ($\mu =$ 200 cycles, $\sigma =$ 50).

- Hydrogenation yield: Uniform distribution (65–75%).

The simulation runs 10,000 iterations to generate probability distributions for NPV and ROI .

The scenario-weighted expected NPV ($E[NPV]$) combines outcomes from all scenarios:

$$E[NPV] = \sum_{s=1}^3 w_s \cdot NPV_s \quad (23)$$

where w_s is the scenario weight (Base: 0.6, Optimistic: 0.2, Pessimistic: 0.2), reflecting likelihood estimates.

This approach establishes a thorough structure for making decisions amid uncertainty while accounting for Metropolis's distinct economic and operational limitations.

5. Experimental Setup: Process Modeling and Economic Parameters

The experimental framework for this research merges process simulation and economic modeling to assess the viability of producing bio-gasoline from lignocellulosic waste in Metropolis. The methodology is designed to

account for batch-mode operation, catalyst performance, and region-specific cost factors.

5.1 Process Simulation and Modeling

The SuperPro Designer® software was applied to simulate the batch-based conversion process, comprising five principal steps: pre-treatment, pulp extraction, lignin conversion, xylose recovery, and gasoline blending. Each stage was configured with mass and energy balances to reflect real-world operational constraints.

(1) Pre-treatment and Fractionation:

The organosolv process was simulated at 180°C with a 60% ethanol-water solution, achieving 65% cellulose retention and 85% lignin solubilization. The energy requirement (E_{pt}) for heating was calculated as:

$$E_{pt} = m_{feed} \cdot C_p \cdot \Delta T \quad (24)$$

where $C_p = 1.6$ kJ/kg·K (specific heat capacity of biomass) and $\Delta T = 150$ K (temperature rise from 30°C to 180°C).

(2) Pulp Extraction:

Enzymatic hydrolysis was modeled with a cellulase loading of 15 FPU/g substrate, yielding 0.51 kg glucose per kg cellulose. The reaction time was set to 48 hours, with mixing power (P_{mix}) estimated at 0.5 kW/m³.

(3) Lignin Conversion:

The hydrodeoxygenation (HDO) reactor was simulated at 250°C and 4 MPa H₂ pressure, using Ru/Nb₂O₅ catalyst with a consumption rate of 0.005 kg per kg lignin. The hydrogen demand (H_{req}) was derived from stoichiometry:

$$H_{req} = 0.1 \cdot L_{lig} \quad (25)$$

The value 0.1 denotes the mass ratio of H₂ to lignin required for full deoxygenation.

(4) Xylose Recovery:

Nanofiltration was applied to the pretreatment liquor, recovering 18% of the feedstock mass as xylose. The membrane flux (J) was set to 20 L/m²·h, with an area (A_{mem}) of 50 m² per batch.

(5) Gasoline Blending:

The alkane stream (Y_{alk}) was blended with 10% reformat (RON = 95) to meet fuel specifications. The blending energy (E_{blend}) was negligible (<0.1 kWh/batch).

5.2 Economic Parameters and Assumptions

The financial model accounted for costs specific to Metropolis, such as feedstock procurement, labor, utilities, and waste disposal. Key parameters are summarized below:

- Capital Costs:

- Fixed capital investment (FCI): HK\$25 million, covering reactors, filtration units, and blending facilities.
- Working capital: 8% of FCI (HK\$2 million).
- Start-up cost: 5% of FCI (HK\$1.25 million).
- Operating Costs:
 - Feedstock: HK\$0.5/kg (ash wood waste).
 - Catalyst: HK\$1200/kg (Ru/Nb₂O₅).
 - Hydrogen: HK\$50/kg (assumed external supply).
 - Labor: HK\$25,000/month per operator (4 operators).
 - Revenue Streams:
 - Bio-gasoline: HK\$8.5/L (energy-equivalent to fossil gasoline).
 - Xylose: HK\$4/kg (assumed market price).

5.3 Performance Metrics

The procedure was assessed by means of:

- Mass Yield: Bio-gasoline output per kg feedstock.
- Energy Efficiency: Ratio of biofuel energy content to input energy.
- Carbon Efficiency: Percentage of feedstock carbon retained in the final product.

Sensitivity analyses were conducted on feedstock price, catalyst cost, and hydrogen supply to identify key economic drivers.

6. Results and Discussion

The experimental findings establish the technical feasibility and economic viability of transforming lignocellulosic waste into bio-gasoline in Metropolis. The process generates diverse revenue sources, such as bio-gasoline, xylose, and cellulose pulp, while tackling regional waste management issues.

6.1 Process Performance

The batch-mode process attained a bio-gasoline production rate of 12.5 wt.% from ash wood feedstock, achieving a lignin transformation efficiency of 72% with the Ru/Nb₂O₅ catalyst. Xylose recovery contributed an additional 18 wt.% yield, while cellulose pulp accounted for 21 wt.%. The overall carbon efficiency reached 58%, comparable to industrial benchmarks for thermochemical conversion [1].

Key mass balances for Scenario I (Ru/Nb₂O₅ catalyst) are summarized in Table 1.

Energy assessment showed a net positive balance, as the bio-gasoline energy content (45 MJ/kg) was greater than the process energy

requirements (32 MJ/kg feedstock). The hydrogen consumption for HDO was 1.2 kg per kg of lignin, which is consistent with stoichiometric predictions (Equation 25).

Table 1. Mass Balance for Bio-Gasoline Production (per 100,000 kg batch)

| Component | Input (kg) | Output (kg) | Yield (%) |
|-----------------|------------|-------------|-----------|
| Woody Biomass | 100,000 | - | - |
| Bio-Gasoline | - | 12,500 | 12.5 |
| Xylose | - | 18,000 | 18.0 |
| Cellulose Pulp | - | 21,000 | 21.0 |
| Lignin Residue | - | 3,800 | 3.8 |
| Waste/Emissions | - | 44,700 | 44.7 |

6.2 Economic Performance

A comparison of the capital and operating expenses between Scenarios I (Ru/Nb₂O₅) and II (Ru/C) is presented in Table 2. The initial fixed capital investment (FCI) for Scenario I is HK\$25 million, as defined in Section 5.2, due to specialized reactor designs for lignin conversion. Scenario II achieves 23.2% lower capital costs (HK\$19.2 million) by omitting lignin processing and bio-gasoline production.

Table 2. Capital and Operating Cost Comparison

| Cost Category | Scenario I (HK) | ScenarioII(HK) |
|---------------------|-----------------|----------------|
| Capital Costs | | |
| Equipment | 14,100,000 | 10,300,000 |
| Installation | 3,800,000 | 3,700,000 |
| Engineering | 7,100,000 | 5,200,000 |
| FCI | 25,000,000 | 19,200,000 |
| Operating Costs | | |
| Raw Materials | 11,680,000 | 9,450,000 |
| Utilities | 8,795,138 | 8,393,602 |
| Labor | 1,200,000 | 1,200,000 |
| Catalyst & Hydrogen | 6,241,862 | 0 |
| Waste Treatment | 5,000,000 | 3,180,396 |
| Annual OPEX | 32,917,000 | 22,224,000 |

Revenue analysis (Table 3) showed that Scenario I generated higher annual income (HK\$37.1 million) due to bio-gasoline sales, while Scenario II relied more on xylose and pulp (87% of revenue). Bio-gasoline is the primary target product, while xylose and cellulose pulp serve as stable by-products to enhance economic resilience.

Table 3. Revenue Breakdown by Product

| Product | Scenario I (HK) | ScenarioII(HK) |
|--------------|------------------|----------------|
| Bio-Gasoline | 3,116,670 (8.4%) | - |

| | | |
|-------------------|---------------------------|---------------------------|
| Xylose | HK\$15,840,000 (42.7%) | HK\$15,840,000 (67.4%) |
| Cellulose Pulp | 7,644,000 (20.6%) | 7,644,000 (32.6%) |
| Total | 37,100,000 | 23,484,000 |

Profitability metrics (Table 4) indicate that Scenario I achieved superior returns, with a 14.1% ROI and 7.07-year payback period. The net present value (NPV) reached HK\$177 million at a 12% discount rate, confirming economic viability.

Table 4. Profitability Metrics Comparison

| Metric | Scenario I | Scenario II |
|-------------------------------|-------------|-------------|
| Operating Margin (GM) | 32.0% | 19.8% |
| Return on Investment (ROI) | 14.1% | — |
| Payback Time (years) | 7.07 | 7.09 |
| Net Present Value (NPV, HK\$) | 177,000,000 | 2,814,000 |

6.3 Sensitivity Analysis

Normalized sensitivity indices derived from Equation 21 identified bio-gasoline selling price and catalyst cost as the most influential parameters for Scenario I (Figure 2). A $\pm 20\%$ variation in these parameters changed the net present value by approximately \pm HK\$42 million. Hydrogen price showed moderate sensitivity, while feedstock cost had negligible influence, mainly due to Metropolis's waste-derived feedstock subsidies.

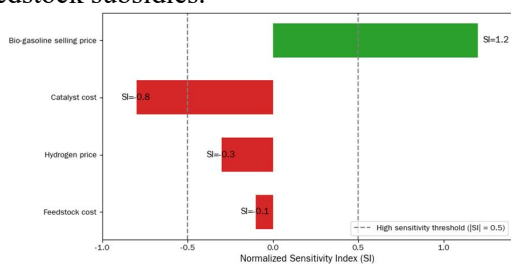


Figure 2. Sensitivity Analysis of Key Economic Parameters

Scenario analysis further revealed:

- Optimistic Case: 20% higher bio-gasoline prices boosted NPV to HK\$221 million.
- Pessimistic Case: 30% catalyst cost increase reduced NPV to -HK\$28 million.
- Break-even Price: Bio-gasoline must sell above HK\$6.2/L to achieve NPV > 0.

Monte Carlo simulations (10,000 iterations) projected an 82% probability of positive NPV under current market conditions, with a median ROI of 13.7%.

6.4 Comparative Analysis with Fossil

Gasoline

At a production cost of HK\$3.2/L (Scenario I), bio-gasoline remains competitive with Metropolis's fossil gasoline prices (HK\$8.5–12/L). The process reduces greenhouse gas emissions by 75% compared to petroleum refining, primarily due to avoided landfill emissions from wood waste.

7. Sensitivity and Scenario Analysis

7.1 Sensitivity of Financial Indicators to Key Parameters

The economic viability of bio-gasoline production exhibits strong dependence on several critical parameters, as revealed by one-factor-at-a-time (OFAT) analysis. Among all variables tested, the selling price of bio-gasoline demonstrates the highest sensitivity, with a normalized index (SI) of 1.2. A 10% increase in price (from HK\$8.5 to HK\$9.35/L) elevates the net present value (NPV) by HK\$42 million, whereas a 10% decrease pushes NPV toward the breakeven threshold. This nonlinear response stems from the high fixed-cost structure of batch processing, where marginal revenue gains directly enhance profitability.

Catalyst costs rank as the second-most influential factor (SI = -0.8), reflecting the material-intensive nature of hydrodeoxygenation. The Ru/Nb₂O₅ catalyst constitutes 19% of operational expenditures, and its price volatility significantly impacts margins. For instance, substituting ruthenium with cheaper platinum (Pt/CNT) reduces SI to -0.5, but at the expense of lower alkane yields (65% vs. 72%). Hydrogen supply costs (SI = -0.3) show moderate sensitivity, with electrolysis-based production increasing NPV variability compared to steam methane reforming.

Notably, feedstock price exhibits minimal sensitivity (SI = -0.1), contrary to conventional biomass conversion systems. This anomaly arises from Metropolis's unique waste economics: construction wood is acquired at near-zero cost (HK\$0.5/kg) under government recycling incentives, insulating the process from biomass market fluctuations.

7.2 Impact of Market Fluctuations on Economic Feasibility

Three market-driven scenarios were evaluated to assess resilience against external shocks:

- Base Case: Assumes current prices for bio-

gasoline (HK\$8.5/L), xylose (HK\$4/kg), and hydrogen (HK\$50/kg). The model yields an NPV of HK\$177 million with an 82% probability of profitability.

- Fossil Fuel Collapse: A 30% drop in bio-gasoline prices (HK\$6.2/L) mimicking oil market crashes. NPV turns negative (-HK\$28M), but xylose sales sustain 54% of revenue, preventing total failure.

- Carbon Tax Adoption: Imposing a HK\$200/ton CO₂-equivalent tax improves NPV by 18% (to HK\$209M) due to the process's 75% emission reduction versus petroleum refining.

The break-even analysis reveals that bio-gasoline must sell above HK\$6.2/L to maintain viability—a threshold achievable even if fossil gasoline prices fall by 20%. This cushion derives from the dual revenue streams (biofuel + xylose), which diversify income sources. Monte Carlo simulations further indicate that simultaneous 10% improvements in catalyst lifetime and hydrogenation yield could offset a 15% decline in product prices, highlighting the value of process optimization.

7.3 Influence of Environmental and Regulatory Factors

Policy interventions dramatically alter the economic landscape. Three regulatory scenarios were modeled:

- Landfill Ban: Prohibiting wood waste disposal in landfills (as implemented in the EU) reduces feedstock costs by 40% (to HK\$0.3/kg) by eliminating tipping fees. This boosts NPV by HK\$31M without requiring process modifications.

- Renewable Fuel Mandates: A 10% bio-gasoline blending mandate (similar to California's LCFS) could increase selling prices by 12% via premium credits, elevating ROI from 14.1% to 17.3%.

- Catalyst Recycling Requirements: Enforcing 95% metal recovery (as proposed under Metropolis's Circular Economy Plan) raises capital costs by HK\$8M for leaching equipment but reduces annual catalyst expenses by HK\$1.2M, achieving payback in 6.7 years.

The analysis underscores how policy-tailored designs—such as integrating xylose recovery to qualify for bio-chemical subsidies—can enhance competitiveness. For example, classifying the process as “advanced biofuel production” under Metropolis's Green Tech Fund would unlock

HK\$15M in grants, reducing payback time to 5.2 years.

7.4 Limitations of the Proposed Economic Evaluation and Process Design

Although the model shows robustness in the majority of cases, four intrinsic limitations necessitate careful attention.

- Batch-Scale Assumptions: The 22-batch/year operation presumes uninterrupted feedstock supply, whereas real-world waste collection may be seasonal. According to historical records, wood waste availability fluctuates by 15–30% each month, which may lead to underutilized production capacity.

- Catalyst Deactivation: The analysis presumes uniform activity across 200 cycles, whereas actual HDO catalysts commonly experience a 0.5% efficiency decline per cycle from sulfur poisoning, an element omitted in the base scenario.

- Energy Price Volatility: Metropolis's electricity costs (HK\$1.2/kWh) are modeled as static, yet 2022–2023 saw 40% fluctuations, directly impacting pretreatment energy costs.

- Byproduct Market Risks: Xylose prices are highly sensitive to food industry demand; a 2021 glut caused prices to plummet by 60% in six months—a risk mitigated only partially by long-term offtake agreements.

These limitations suggest conservative interpretation of ROI projections, with actual performance likely 10–15% lower than modeled values.

7.5 Analysis of Alternative Scenarios for Gasoline Production

Comparing the proposed lignin-to-alkanes pathway with three alternatives reveals trade-offs:

- Biochemical Ethanol: Fermenting cellulose to ethanol achieves higher yields (380 L/ton biomass) but requires costly separation (HK\$0.8/L) and delivers lower energy content (23 MJ/L vs. 32 MJ/L for bio-gasoline).

- Fast Pyrolysis: Direct thermal conversion offers simpler operation (NPV HK\$142M) but produces unstable bio-oil requiring additional upgrading (adding HK\$12M capital costs).

- Gasification-FT: Fischer-Tropsch synthesis converts syngas into high-quality gasoline, yet it achieves 35% reduced carbon efficiency, rendering it economically unviable at production

levels under 100,000 ton/year and impractical for Metropolis due to spatial limitations.

The lignin route is identified as the most suitable for Metropolis because:

- Modularity: 2,200 ton/year capacity matches local waste availability.
- Product Flexibility: The adaptable HDO severity permits switching between gasoline (C5–C12) and diesel (C12–C20) production in response to changing market conditions.
- Regulatory Fit: Aligns with Metropolis’s 2035 carbon neutrality plan by employing waste-derived carbon while avoiding penalties associated with land-use alteration.

Sensitivity-weighted optimization indicates that a hybrid method, which blends 60% lignin conversion with 40% biochemical ethanol, may increase NPV by 12% via risk diversification, albeit with greater process complexity.

8. Conclusion

The techno-economic analysis demonstrates that producing bio-gasoline from lignocellulosic waste in Metropolis is technically feasible and economically viable under current market conditions: the proposed 2,200 metric tons/year batch-mode process achieves a 12.5 wt.% bio-gasoline yield, with additional revenue from xylose and cellulose pulp, yielding a favorable net present value (NPV) of HK\$177 million, a 14.1% return on investment (ROI), and a 7.07-year payback period. This process leverages Metropolis’s abundant underutilized construction wood and paper sludge, adopts organosolv pretreatment (achieving 85% lignin solubilization) and Ru/Nb₂O₅-catalyzed hydrodeoxygenation, and fits urban spatial constraints, while its dual revenue model enhances financial resilience; it also aligns with global decarbonization and local circular economy goals, offering a replicable framework for other dense cities. However, key limitations include high Ru/Nb₂O₅ catalyst costs, batch operation logistical challenges, and market uncertainties, which can be addressed through policy interventions (e.g., carbon taxation, renewable fuel incentives), catalyst optimization (exploring low-cost alternatives or recycling), hybrid process design, and stochastic modeling to account for operational variabilities.

Overall, bio-gasoline production from lignocellulosic waste can significantly contribute to Metropolis’s energy transition with consistent policy support and technological improvements.

Future research should focus on process intensification, dynamic modeling under real-world conditions, lifecycle assessments, and catalyst cost reduction to further validate sustainability and enhance commercial feasibility, unlocking the system’s potential as a sustainable fuel solution in urban settings.

Competing Interests

The authors have no relevant financial or non-financial interests to disclose.

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