



INDUSTRIAL COMMISSION OF NORTH DAKOTA
RENEWABLE ENERGY PROGRAM

Governor
John Hoeven
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Memorandum

TO: Renewable Energy Council
FR: Karlene Fine, Industrial Commission Executive Director
DT: November 29, 2010
RE: Contract R-008-019/Renewable Oil Refinery Pilot Plant Construction

Background

The Council and Commission has approved and funded the "Renewable Oil Refinery Development for Commercialization" project in the amount of \$500,000. (Contract 04-010) The objective of the project is to optimize renewable oil-refining technologies developed by the EERC and advance the technologies toward commercialization with ND grown feedstock. The primary deliverable of the project is a complete, ready-for-bid design of a pilot-scale renewable oil refinery capable of producing diesel fuel, jet fuel and naphtha. A status summary of this project is available on the Industrial Commission website at <http://www.nd.gov/ndic/renew/projects/r-004-010sp.pdf>

At the April 7, 2010 Renewable Energy Council meeting the Council considered a request from the Energy & Environmental Research Center for the Renewable Oil Refinery Pilot Plant Construction Project. The following is a short summary of the project:

The goal of this project is to construct a 1.7-million-gallon/year renewable oil refinery pilot plant in partnership with Accelergy Corporation, an advanced fuels developer with technologies exclusively licensed from ExxonMobil. The pilot plant would be located at the Tesoro Refinery in Mandan. Funds from the Renewable Energy Program would be used to cover EERC costs associated with conducting the bid process and overseeing and facilitating construction of the pilot plant.

The refinery will create a half a million gallons of renewable jet fuel and renewable diesel combined in the first year by utilizing a variety of ND feedstocks, including crambe, camelina, soybeans, and canola. The fuel produced will be used for fuel qualification testing. The "renewable fuel" is different from "biofuel" in that the specs are identical to those of traditional fuel.

The total project costs are \$6,500,000. Renewable Energy Council funding is \$500,000. At the time of the Council meeting the Council stipulated three conditions:

- A more detailed schedule and milestone chart is provided to the Council upon conclusion of the ongoing design efforts and prior to bid requests;
- The remaining funding for the project must be secured by September 30, 2010;
- Feedstocks must be relevant to North Dakota and the project must take place in North Dakota.

The Council recommended the project funding to the Industrial Commission on a 4 to 1 vote. The Commission subsequently approved the Council recommendation. A draft contract (Contract 08-019) was submitted to the EERC at which time they realized they would not be able to meet the September 30, 2010 deadline. At the request of the EERC the Commission did approve extending the deadline for securing the remaining funding to November 30, 2010.

The Request

The EERC (Chad Wocken) has subsequently made the following request:

The design effort is ongoing and expected to be complete in the spring of 2011 at which point we hope to be in a position to begin soliciting bids from contractors and initiate the construction phase of the program.

We continue to work with our commercial partners Accelergy and Tesoro Corporation to finalize funding for the construction of the pilot-plant. Accelergy is currently anticipating a multi-million dollar appropriation from the U.S Department of Defense budget, which will be matched with private sector funding from Accelergy and its partners to build and conduct initial operation of the pilot-plant. As originally envisioned, NDIC Contract 008-19 would provide funding to support this construction effort and enhance the overall program. Since the Department of Defense budget has not yet been passed by Congress, the EERC would like to request an extension to execute NDIC Contract 008-019 until **July 2011** at which time we expect Department of Defense and Accelergy funding to be available.

We appreciate your on-going support of the program and patience as we work to finalize the capital needed to build the renewable oil refinery at Tesoro.

The Technical Advisor's Recommendation:

The Technical Advisor recommends granting an extension until **June 1st, 2011**. This will enable the Council to obligate the funds during the May 1st round if the EERC is unable to secure the remaining funds, allowing the funds to be committed prior to the end of the biennium.

Karlene