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<http://cleantech.com/news/4859/lax-rentech-synthetic-diesel-rtk>

LAX signs first supply deal for synthetic diesel from Rentech

Emma Ritch, Cleantech Group

Stock soars 86 percent today as Rentech discloses 2012 plans to sell clean-burning fuel made from grass, sewage and other biomass feedstock to power vehicles at Los Angeles International Airport.

Los Angeles-based synthetic fuels and fertilizer company Rentech (AMEX:RTK) said today it signed a deal to supply up to 1.5 million gallons per year of renewable synthetic diesel fuel for the ground-based equipment of at least eight airlines starting in late 2012.

Vice President of Investor Relations Julie Dawoodjee said it's the first commercial deal since Rentech brought in a new management team three-and-a-half years ago to commercialize its technology based on the Fischer-Tropsch process. Rentech's process uses biomass and sewage sludge to make synthetic diesel and electricity.

Shares of the company were up more than 86 percent to close at \$2.40 today.

"There's a big distinction between what we have and what's in the market. It's very different from ethanol and biofuel because we're not using fats, oils or food feedstocks; we're using waste materials that are being diverted from landfills," Dawoodjee told the Cleantech Group. "These are drop-in fuels that can be used in today's engines and infrastructure. They don't require blending, but you can."

Rentech did not disclose financial details of the agreement with Aircraft Service International Group, which provides fueling at the Los Angeles International Airport (LAX) to a number of companies. Its clients that signed the deal to use Rentech's fuel were Alaska Airlines, American Airlines, Continental Airlines, Delta Air Lines, Southwest Airlines, United Airlines, UPS Airlines and US Airways. Dawoodjee said each airline signed on for a portion of the 1.5 million gallons, and there is remaining fuel under the contract that can be sold to other airlines. She declined to give specifics, or provide the length of the multi-year deal.

The late-2012 fuel delivery is timed with the expected commissioning date of Rentech's proposed plant in Rialto, Calif., which is undergoing feasibility studies expected to be completed this fall. Rentech declined to give the cost of the facility, which is expected consume urban woody waste such as lawn clippings, in addition to sewage sludge supplied by EnerTech Environmental.

In Rentech's process, the feedstock goes through a proprietary gasifier, with the resulting syngas being cleaned with the company's conditioning technology and a cleaning technology from UOP, a unit of Honeywell. The pure hydrogen and carbon monoxide then enter Rentech's reactor, producing long-chain hydrocarbons that are fed into an upgrading unit from UOP to refine into the final product of synthetic diesel fuel. Alternately, the syngas can be used to produce electricity.

Dawoodjee said Rentech plans to evenly split the energy input between the fuel and electricity processes. The expected production capacity is 600 barrels per day of fuel, with the LAX agreement representing up to one-sixth, or 100 barrels per day. Rentech said the facility will have the capacity to export 35 megawatts of electricity to the grid, in addition to an undisclosed amount of electricity that Rentech expects to use to power the fuelling process.

Dawoodjee said Rentech has already filed a proposal with Rosemead, Calif.-based utility Southern California Edison (SCE) to sell the utility the remaining electricity produced. Early this morning, SCE announced a deal with First Solar to buy power from two large-scale solar power projects totaling 550 MW in Southern California (see First Solar, SCE sign PPA for 550 MW solar projects).

Rentech's process is based in part on a biomass gasification technology developed by SilvaGas, which Rentech acquired in July. Rentech says the RenDiesel fuel is compatible with existing engines and pipelines, and is virtually free of particulates, sulfur and aromatics.

Today's deal is to supply fuel for ground service vehicles, not planes, but the company noted that its synthetic jet fuel RenJet qualifies for commercial airline use, under an Aug. 5 ruling of the standards organization ASTM International's full governance committee that approved up to a 50/50 blend of synthetic Fischer-Tropsch jet fuel. Rentech says its fuel is derived using the Fischer-Tropsch process.

Rentech is eager to sell into that market. Dawoodjee said Rentech expects the Federal Aviation Administration to pursue approval of 100-percent synthetic Fischer-Tropsch jet fuel, but there's no need to rush.

"The reality is there aren't any facilities in the United States producing these fuels," she said. "You need a large-scale facility coming online very quickly to meet even the 50-50 blend."

Rentech plans to build a \$4 billion-to-\$4.5 billion plant in Natchez, Miss., to produce 560 MW of electricity, as well as about 28,000 barrels of synthetic jet fuel per day. In 2007, the Mississippi Business Finance Corporation approved a tax exemption for bonds up to \$2.75 billion for the facility (see Mississippi extending sweet deal to coal-to-fuels plant).

Rentech must still go out and raise the bonds, but the state incentive will make the financing less expensive for Rentech and more attractive to potential buyers, Dawoodjee said. The process has been slowed by the economic downturn, she said. Rentech is also seeking equity partners and project financing.

Rentech has completed a feasibility study and is undergoing the permitting process, she said. Construction will likely take a couple years because of the project's scale, causing it to come online after the Rialto plant, Dawoodjee said. Still, Rentech is already in talks with airlines to sell the fuel.

Specifications for jet fuels are extremely stringent because the industry is more risk-averse than other transportation methods, but a consortium of the airline industry formed last year to require its members to use biofuels produced from nonfood sources and with minimal environmental impact. The Sustainable Aviation Fuel Users Group includes Boeing and UOP, as well as the commercial airlines that account for 15 percent of commercial jet-fuel use: Air France, Air New Zealand, All Nippon Airways, Cargolux, Gulf Air, Japan Airlines, KLM, SAS and Virgin Atlantic Airways (see [Game-changing day for jet biofuels](#)).

Dawoodjee said the RenJet fuel has applications as either a pure fuel, or a blend with traditional fuel in jets. That could be attractive to airlines looking to comply with California's low-carbon fuel standard that requires transportation providers to reduce emissions.

"As well as selling a pure, neat fuel, you can also think of us as selling a blending fuel to those users," Dawoodjee said. "We could be the cost-effective solution to reducing the carbon intensity of traditional fuels."

Several carriers including Virgin Atlantic Airways, Air New Zealand, Continental Airlines and Japan Airlines have demonstrated that biodiesel can be used in jet fuel (see [Virgin takes off with commercial biofuel test flight](#), [Continental Airlines to test biofuels](#) and [Japan Airlines completes camelina biodiesel flight](#)).