

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Request to Approve Project for Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**Aemetis Advanced Products Keyes, Inc.  
Application No. 18-SM037**

**Tuesday, December 18, 2018**

Prepared By: *Xee Moua, Program Analyst*

**SUMMARY**

**Applicant** – Aemetis Advanced Products Keyes, Inc.

**Location** – Riverbank, Stanislaus County

**Industry** – Biomass Processing and Fuel Production

**Project** – New Biomass Processing and Fuel Production Facility (Alternative Source)

**Value of Qualified Property** – \$153,076,838

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$12,797,224

**Estimated Quantifiable Net Benefits** – \$6,139,699

**Application Score** –

Fiscal Benefits Points:	1,373
<u>Environmental Benefits Points:</u>	<u>107</u>
<b>Net Benefits Score:</b>	<b>1,480</b>

<u>Additional Benefits Points:</u>	<u>110</u>
<b>Total Score:</b>	<b>1,590</b>

**Staff Recommendation** – Approval

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<sup>1</sup> All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.36%.

**THE APPLICANT**

Aemetis Advanced Products Keyes, Inc. (“Aemetis” or the “Applicant”), a Delaware corporation, is a wholly-owned subsidiary of Aemetis, Inc., which is publicly traded under the symbol AMTX. Aemetis formed in October 2014 for the purpose of producing cellulosic ethanol from the use of agricultural waste biomass. The Applicant has future plans to deploy forest, vineyard, and construction/demolition waste as feedstock, as well. Aemetis’ production process also yields a high-protein meal byproduct that is marketed as fish feed to the aquaculture industry across the state. Currently, Aemetis, Inc. has two additional existing facilities located in Keyes, California and Kakinada, India.

The corporate officers of Aemetis are:

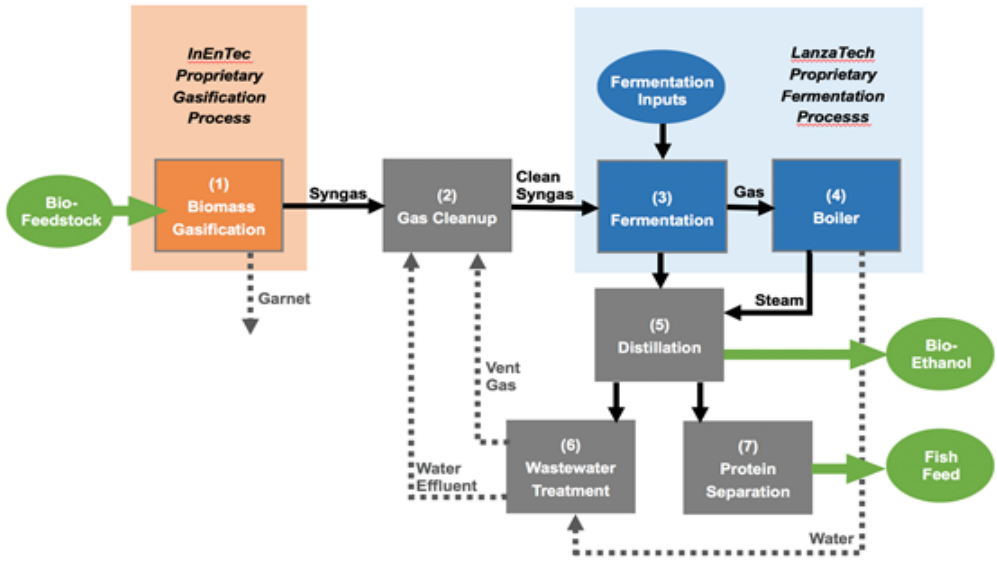
- Eric A. McAfee, Chairman and Chief Executive Officer
- Todd Waltz, Director, Chief Financial Officer
- Paul Schroeder, Treasurer

**THE PROJECT**

Aemetis is requesting a sales and use tax exclusion to build a new biomass processing and fuel production facility located in Riverbank that will convert woody mass into cellulosic ethanol (the “Project”). According to the Applicant, the Project will utilize approximately 138,000 tons of locally-sourced agricultural waste such as almond shells, almond wood, walnut shells, walnut wood, and pistachio shells to produce syngas that will be converted to approximately 12 million gallons of cellulosic ethanol per year to be used as transportation fuel. The Applicant represents that the agricultural waste biomass is currently being burned in the Central Valley and is a contributing factor to the region’s air pollution crisis. Aemetis represents that by obtaining feedstock that would otherwise decompose, be incinerated, or produce emissions known to accelerate climate change, its biofuel has been assigned a provisional carbon intensity (CI) of -43.86 by the California Air Resources Board, demonstrating the capacity to achieve a negative lifecycle carbon footprint with substantial benefit to air quality in the Central Valley.

Aemetis will be purchasing gasification and gas clean-up equipment, as well as processing and gas fermentation equipment to convert syngas into finished fuel-grade ethanol. The major components to be installed at the facility includes a biomass subsystem, gasifier, gas clean-up quench vessel, ethanol and protein separator, ethanol purifier, wastewater treatment system, and bioreactors.

According to the Applicant, its product meets the renewable fuel and greenhouse gas reduction requirements under the Federal Renewable Fuel Standard and California’s Low Carbon Fuel Standard.



*Figure 1: Biomass Processing Diagram*

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Biomass Handling and Preparation Equipment	\$ 10,723,600
Gasifying Components and Systems	51,127,868
Syngas Clean-Up and Ethanol Purge Equipment	17,626,200
Bioreactor Components	15,538,180
Fermentation Equipment	4,574,600
Byproduct Treatment Systems	12,474,000
Oxygen Plant and Central Plant Control Room	24,920,000
Wastewater and Water/Fire Suppression Systems	15,312,390
Office Equipment, Electronics, and Communications System	780,000
<b>Total</b>	<b><u>\$153,076,838</u></b>

*Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components (of the Project) over original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.*

## **TIMELINE**

According to the Applicant, engineering of the Project facility was completed in August 2018 and construction of the site is scheduled for Q1 2019 through late 2019. Performance testing and fine tuning will occur late December 2019 for a duration of approximately two months.

## **PROJECT EVALUATION**

### **NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$153,076,838 and the total quantifiable net benefits are valued at \$6,139,699 for the Project. The Project received a Total Score of 1,590 points, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 107 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (1,373 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant which amounts to \$17,565,901, resulting in a Fiscal Benefits score of 1,373 points for the Project.
  
- B. **Environmental Benefits (107 points)**. The Project will result in \$1,371,022 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 107 points for the Project. These benefits derive from the production of biofuel, which offsets the need for use of fossil fuel.
  
- C. **Additional Benefits (110 points)**. Applicants may earn additional points for their Total Score. The Applicant submitted information and received 110 additional points.
  1. **Production Jobs (20 of 75 points)**. The Applicant represents that the Project will support a total of 122 production-related jobs at its Facility. CAEATFA estimates that approximately 14 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 20 points for the Project.
  
  2. **Construction Jobs (40 of 75 points)**. The Applicant represents that the Project will support a total of 500 construction jobs at its Facility. CAEATFA estimates that approximately 58 of these jobs will be attributable to a marginal increase in jobs created due to the approved STE, resulting in a Construction Jobs Score of 40 points for the Project.
  
  3. **Unemployment (50 of 50 points)**. The Applicant's Project is located in Stanislaus County which has an average annual unemployment rate of 8%. This is above 110% of the statewide average annual unemployment rate which

was 5.1% in 2017, the dataset used in the application. This results in an Unemployment Score of 50 points for this Project.

### **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Applicant represents it is in the final design, engineering, and permitting phase of the Project. According to Aemetis, its Land Use permit is in good standing and the Applicant is working with City of Riverbank to ensure the Project is in compliance with the California Environmental Quality Act. Additionally, the Applicant states it is working with San Joaquin Valley Air Pollution Control District to obtain an Air Quality permit by January 2019 and a Permit to Operate by November 2019.

### **LEGAL QUESTIONNAIRE**

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

### **CAEATFA FEES**

In accordance with CAEATFA Regulations,<sup>3</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$350,000.

### **RECOMMENDATION**

Staff recommends approval of Resolution No. 18-SM037 for Aemetis Advanced Products Keyes, Inc.'s purchase of Qualified Property in an amount not to exceed \$153,076,838, anticipated to result in an approximate sales and use tax exclusion value of \$12,797,224.

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH AEMETIS ADVANCED PRODUCTS KEYES, INC.**

December 18, 2018

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Aemetis Advanced Products Keyes, Inc.** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized in an Advanced Manufacturing process or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement to acquire Project equipment with an estimated cost not to exceed \$153,076,838 over a period of three years; and

WHEREAS, the Applicant believes that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The requested master regulatory agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director, Deputy Executive Director, or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

**Agenda Item – 4.A.2**  
**Resolution No. 18-SM037**  
**Application No. 18-SM037**

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant's Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to consummate the Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property listed in the semi-annual reports pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement, as defined in CAEATFA Regulations Section 10035(a), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.