

WSGR ALERT

SEPTEMBER 2011

DEPARTMENTS OF NAVY, AGRICULTURE, AND ENERGY RELEASE REQUEST FOR INDUSTRY FEEDBACK ON \$510 MILLION BIOFUELS OPPORTUNITY

On August 30, 2011, the Departments of the Navy, Agriculture, and Energy released a Request for Information¹ (RFI) following their recent announcement² of plans to invest up to \$510 million in advanced drop-in biofuels through the Defense Production Act (DPA). The principal objective of this forthcoming government-industry partnership is to construct or retrofit multiple domestic commercial or pre-commercial scale advanced drop-in biofuel plants and refineries. However, the goals of producing advanced fuels qualified for military use, deploying these facilities in a geographically diverse and strategic manner, and avoiding any impact on the supply of agricultural commodities are significant. Designing this effort will require a great deal of input from private industry. The RFI will be one of the primary methods for the departments to obtain industry feedback on a variety of topics, from conversion technologies to cost projections and other market drivers for (or obstacles to) the commercial production of advanced biofuels. Responding to the RFI is the next critical step in the process for industry members, as responses will be utilized to design the overarching framework for the \$510 million investment partnership.

Background

As described in the RFI, to better understand the challenges and requirements necessary to accelerate commercial-scale production of biomass conversion technologies, the

government seeks to identify and obtain information regarding possible producers and suppliers of biomass-derived alternative fuels. Information is requested pertaining to feedstock production, processing, transportation, and logistics, as well as the design, retrofit, construction, financing, operation, validation, and qualification of multiple domestic, commercial-scale, integrated biorefineries (IBRs). It is expected that these IBRs will employ various feedstocks and conversion technologies to produce a variety of products, but the focus will be on producing and delivering drop-in hydrocarbon biofuels.

The government seeks to understand the market and technical feasibility of meeting Department of Defense (DOD) objectives so that viable technologies and market strategies are incorporated into the government's investment and project development approach. For example, the government estimates the need for a 10 million gallon capacity of neat fuel per year of operation (or a 20 million gallon blended capacity objective assuming a 50:50 blend ratio); however, the departments are seeking input on what constitutes a realistic commercial-scale operation. Furthermore, while the Navy's demand for advanced fuels will provide companies with a solid off-taker, DPA investments are intended to support sustainable business growth and market development independent of government support.

Significance and Impact of Industry Participation

The RFI will play a significant role in shaping and influencing the subsequent Request for Proposal (RFP) under this opportunity. Responding to the RFI is therefore essential for companies in the advanced biofuels sector, and Wilson Sonsini Goodrich & Rosati strongly encourages companies with applicable technologies and project development experience to submit comments. In addition to collecting RFI responses, the departments will announce and host an industry day in the coming months to obtain further private-sector feedback. Industry must weigh in so that this opportunity becomes a useful stepping stone for building domestic capacity for advanced fuels. The RFI responses are due by September 30, 2011, and those interested in responding are requested to notify the DOD by September 13, 2011.

Wilson Sonsini Goodrich & Rosati's government initiatives team members would be pleased to assist in the development of a response to the RFI, and they are also available to answer any questions you may have. For more information, please contact Chris Groobey (cgroobey@wsgr.com), Taité McDonald (tmcDonald@wsgr.com), or Sara Hochman (shochman@wsgr.com).

¹ Read the full RFI at https://www.fbo.gov/index?s=opportunity&mode=form&id=e63ff978dc9078d2223687cb7f099b0c&tab=core&_cview=0.

² "Department of Defense Announces Billions of Dollars in Opportunities for Renewable Energy and Energy Efficiency Companies – Navy Declares Domestic Biofuel Production Critical for National Energy Security and "Net Zero" Army Bases Signify a Wealth of Opportunities," WSGR Alert, August 17, 2011.

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