Financial Troubles Rock Ore. Biofuels Plant

PENDLETON, Ore. (AP) — A few weeks after announcing that it made ethanol from sawdust at a demonstration plant in Eastern Oregon, a Colorado company has curtailed work while it tries to raise capital for a project that already has big federal dollars behind it.

ZeaChem Inc., of Lakewood, Colo., is trying to build a $400 million refinery to create biofuels in Boardman, along the Columbia River.

The company failed to close on a bridge loan, leading to layoffs at the Oregon plant as well as a lab in California and the Colorado headquarters, the East Oregonian reported [1].

"These are the kinds of things that can happen when you're running a startup," CEO Jim Imbler told the paper. "Our team is very excited, and business is going to work. There's a reason this isn't for the faint of heart."

Imbler wouldn't say how many people were laid off. He said the Boardman facility remains staffed at a much-reduced capacity and the company hopes to have financing lined up in a few weeks.

ZeaChem got $25 million from the U.S. Department of Energy in 2009 and $12 million from the U.S. Department of Agriculture in 2011 to build a demonstration facility at the Port of Morrow. It uses sawdust from a local poplar tree farm as biomass for fuel.

It also has a $232.5 million Department of Agriculture loan guarantee and backing from investors such as Valero Energy Corp. to build the commercial plant.

The product is known as cellulosic ethanol — made not from corn but rather from the inedible parts of plants. The company announced March 13 that the demonstration plant was producing ethanol, although it didn't say how much.

The demonstration plant has a capacity of 250,000 gallons a year. The biofuel refinery would produce 25 million gallons a year.

ZeaChem estimates the plant would create 100 construction jobs and 65 full-time positions.

Most investors remain on board and are excited, Imbler said. Valero spokesman Bill Day said the company continues to back ZeaChem.

"ZeaChem is working on emerging biofuels technology. It's really interesting stuff," Day said. "We hope to apply that to our existing ethanol plants once that technology becomes available."

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Information from: East Oregonian, http://www.eastoregonian.info [2].

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