

Arch Coal Writes Off Coal-To-Liquid Project

Associated Press

CASPER, Wyo. (AP) — Arch Coal Inc. has written off as a loss its total \$57.7 million investment in a planned coal-to-liquids plant in southern Wyoming but continues to maintain its equity interest in the project, according to a company spokeswoman and a recent report to federal regulators.

Houston-based DKRW Advanced Fuels has planned to build the \$2 billion facility near Medicine Bow to process coal into gasoline and other liquid fuel.

The Casper Star-Tribune reported (<http://bit.ly/1rm0WK0> [1]) on Wednesday that Arch Coal invested \$25 million into the planned DKRW plant in 2006 in exchange for a 24 percent stake in the company and has put in more money since then. Arch had planned to provide coal to the facility.

A receptionist told The Associated Press on Wednesday that DKRW Chairman Robert C. Kelly was not available.

The project, which has struggled with permitting and funding delays, has lost \$62 million during the past seven years, according to a review of Arch's financial filings with the U.S. Securities and Exchange Commission by Taxpayers for Common Sense, a Washington, D.C.-based watchdog group.

Arch loaned DKRW a total of \$44 million between 2006 and 2013, none of which has been paid back, while watching its equity in the company fall to \$13.7 million, the filing states.

Late last year, the coal company signaled it had all but given up on the project after Sinopec Engineering Group, a Chinese firm DKRW had retained to build the facility, did not start work on time. DKRW later terminated its contract with Sinopec.

In its 2013 annual report to the SEC, Arch Coal listed its total \$57.7 million investment in the project — \$44 million in outstanding debts and \$13.7 million in remaining equity — as a loss.

"Given the absence of a specific path forward and timeline for the project, we concluded that ... writing down the value during the fourth quarter of 2013 was the appropriate course of action," Arch spokeswoman Kim Link told the newspaper. "DKRW continues to seek financing for the project, which is an essential next step in order to move forward."

DKRW has pursued federal assistance to build the plant. The U.S. Department of Energy tentatively approved DKRW's request for a \$1.75 billion federal loan guarantee in 2009. The federal approval was contingent on the project passing an environmental review.

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Published on Chem.Info (<http://www.chem.info>)

Review of the DKRW project stalled after the Energy Department's lending program attracted congressional scrutiny for its \$535 million loan to the now bankrupt California solar-panel maker Solyndra. In recent months, DKRW officials have said they were in renewed talks over the loan application.

Autumn Hanna, a senior project manager at Taxpayers for Common Sense, said Arch's write-off raises serious concerns over whether federal funding should be used to finance the project.

"It just looks to me that there is nothing that they can turn it around," Hanna said. "It is just year after year of losses, and even Arch Coal recognizes that."

The Wyoming Industrial Siting Council in December extended a permit for the coal-to-liquids plant, giving DKRW more time to begin construction.

The permit would become invalid if DKRW doesn't submit a construction schedule within 30 months of the December approval.

Source URL (retrieved on 04/27/2015 - 7:47am):

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