Latest Developments in Finance for Advanced Biofuels Projects

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Briefly about WSGR . . .

• 50+ years in Silicon Valley, now 14 offices around the world
• Dedicated to serving growth companies and the institutions that finance them
• More venture capital, private equity and IPO experience than any other law firm
• Leading practices in venture capital, IP, life sciences, energy/cleantech, project finance and capital markets mesh well with the legal requirements of the advanced biofuels industry.
• Dedicated biofuels team, including unique government initiatives practice helping clients obtain financing from federal and state governments
WSGR Advanced Biofuels Experience

- **DOE Loan Guaranty**: POET, KiOR, various new applicants
- **USDA 9003**: Fulcrum, Algenol, REG, Range, Sapphire, Zeachem, Enerkem, Coskata . . . (SVB as LoR)
- **Joint Ventures**: POET/DSM, Total/Amyris, Cobalt/Rhodia, Solazyme/Bunge, Lanzatech/Baosteel . . .
- **VC/IP**: Amyris, Aurora, Cobalt, Kiverdi, Lanzatech, OPX, Sapphire, Skyonic, Solazyme, Total, Verdezyne, Virdia . . .
- **IPOs**: Amyris, Codexis, Solazyme, others . . .
- **Government Advisory (including DoD grants)**: Cobalt, Fulcrum, Metabolix, Proterro, REG, Solvay, Verdezyne . . .
- Biofuels project finance since 2001
2012-14 Have Been Rough

- Sapphire was last USDA 9003 loan to close (2011)
- Zero USDA 9003 closings in 2012, 2013 and 2014 YTD
- Myriant USDA B&I loan only project financing of any sort (2012)
- Shift to JVs, strategic investments and non-US projects

BUT:

- New USDA team, sense of urgency and announcements
- New USDA lenders of record
- Sapphire repayment, 2014 projects on-line
- Recent USDA and DOE applicants look strong
- $210 million DoD grants awarded
USDA Current Status

• Expect 3-4 closings through 2015 (all with different LORs)
• At least 4 strong projects submitted in January
• Farm Bill provided expanded scope and funding
• Solicitation pending for biochemicals and manufactured bioproducts – and more biofuels projects
• USDA team is overloaded but motivated
• Sapphire early repayment in 2013 helped to erase Range overhang (but Ineos . . .)
• OMB still a black box
Return of the DOE Loan Guaranty Program

- Two solicitations open now
- December 2013 “Innovative and Advanced Fossil Energy” solicitation
  - $8 billion loan guaranty authority
  - Rolling applications
  - Biofuels and bioproducts fall under “carbon capture”
  - $2.5 – 4 billion loan guaranty authority
  - $150 million loan sweet spot
  - Some funds available for credit subsidy cost
What’s Different About DOE

- Best suited for large projects with strong backing
- High up-front costs due to fees and DOE advisors
- May have to pay credit subsidy cost depending on program and appropriations
- No need for LOR; loans made by Treasury
- DOE very responsive to industry comments made during comment periods and focused on fuels
- Fully staffed and experienced at closing deals
- Must be “drop-in” biofuels produced via new, “catalytic” technology and reduce greenhouse gases
What to be Thinking About

- Watch USDA for new solicitations on biochemicals and biobased product manufacturing, plus additional biofuels opportunities (spring 2015?)
- Consider two-track strategy of both DOE and USDA
- Review DOD grants and offtake opportunities
- Watch for:
  - Non-guaranteed financings from leading banks
  - Technology insurance
  - Biochemicals will be hot
  - Re-opened equity public markets
Thank you

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