

7 New Changes in USDA Biorefinery Funding Opportunities: Now is the Time to Take Advantage

By Cynthia Thyfault, Founder & CEO

The USDA Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program, also known as the “9003” program, provides loan guarantees up to \$250 million to assist in the development, construction, and retrofitting of commercial scale biorefineries using eligible technology and of biobased product manufacturing facilities that use technologically new commercial scale processing and manufacturing equipment to convert renewable chemicals and other biobased outputs of biorefineries into end-user products, on a commercial scale. Applicants are encouraged to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. The next application deadline is April 1, with a letter of intent deadline to USDA by March 1.

This USDA program uses a 2-phase application process. The Part 1 applications which are due on April 1 will be evaluated for eligibility, technical and financial feasibility, and sufficient project equity. Applicants with the highest priority scoring may be invited to submit Phase 2 applications.

Substantive changes in the 2018 Farm Bill also provides new opportunities for these types of projects. As the Energy Subcommittee Co-Chair for the National Rural Lenders Association, I was involved in lobbying efforts to get these changes made to expand and enhance this important loan guarantee program to broaden manufacturing opportunities for these types of new technologies. I have also been involved in this program since its inception in 2008, writing feasibility studies and providing consulting services for applicants, lenders, and other service providers.

Here are 7 new changes:

1. Eliminating the need to produce an advanced biofuel from a biorefinery, which broadened the definition and loan opportunities for biochemical and bioproducts manufacturing at commercial scale.
2. Ethanol can now be used as a feedstock to make renewable chemicals and/or bioproducts. This has increasing significance for U.S. ethanol producers, as there is an overcapacity of ethanol and currently depressed corn prices as well.
3. Corn sugar or corn syrup can be used as a feedstock to make renewable chemicals or biobased products.

4. Advanced biofuels can be made from any feedstock except corn kernel starch.
5. New mandatory funding was approved for 2019 and 2020, and the current USDA loan guarantee capacity is at \$1.5 – \$2 billion depending on the subsidy rate.
6. There is a competitive process for loan approval and loan guarantee issuance, and the project must meet all USDA requirements to complete the loan guarantee process, including an integrated demonstration unit test of 120 days if this testing has not been completed.
7. Commercial equipment is now eligible, and projects are not restricted to only first-of-a-kind technology.

Benefits of using the USDA Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program include:

- Loan guarantees up to \$250 million.
- 20% minimum equity requirement which is less than other forms of financing and lower interest rate on the guaranteed portion of the loan which reduces the overall cost of financing.
- Non-recourse financing structures are available through lenders that are familiar with this loan guarantee program.
- The project can be in an urban or rural area, and is not restricted to areas under 50,000 population as in other USDA loan guarantee programs.
- There is a competitive loan guarantee process so projects that move through the approval process more rapidly will be awarded on a first come, first serve basis after conditional commitment completion.
- More information is available at <https://www.rd.usda.gov/programs-services/biorefinery-renewable-chemical-and-biobased-product-manufacturing-assistance> or contacting Aaron Morris, Director of Guaranteed Lending, at aaron.morris@usda.gov.

The preparation of the Part 1 application will include all details of your project. The information that you will need to apply within the 45-day window will include:

- History of technology development and stage of development.
- Proforma results using mass balance calculations and other relevant technical and economic information, including conservative industry sales prices or benchmarks.
- Feedstock and offtake agreements developed at least through active discussions and/or letter of intent.
- Cash and/or equity commitments or letters of intent to pay for costs through the two-stage USDA application process.
- Strong, experienced management team.
- Experienced EPC that will be able to issue a payment and performance bond for the project.

A lender of record is required to submit the application to USDA. Our firm also works with several lenders that are experienced in this program and welcoming applications, and we can provide a list of potential lenders as well.

Applicants will need to obtain a detailed Feasibility study by an independent consultant as part of the application process. Global BioFuture Solutions has been effectively evaluating feasibility studies since 1994. Our firm has also developed the QuantaVision Risk Management System to successfully measure, manage and mitigate the diverse risks of any given Green Tech project. Our firm has successfully completed financial consulting assignments that have resulting in over \$3 billion of financing for biomass conversion technologies, including biofuels, bio-chemicals, and bio-power, both domestically and internationally, as well as value-added agriculture manufacturing and rural commercial businesses, and was the consultant for the last two USDA 9003 loans that have been closed to date, as well as other assignments.

Going through the USDA loan guarantee process is detailed and can be daunting, even for the most experienced technical and business development teams. We are here to help you save time and money, and get your project financed in the shortest time frame possible.

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