



March 6, 2013

Mr. Jeffrey Zientz
Deputy Director for Management
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Mr. Boris Bershteyn
Acting Administrator
Office of Information and Regulatory Affairs
725 17th Street, NW, Room 10102
Washington, DC 20503

Dear Deputy Director Zientz and Acting Administrator Bershteyn:

I am the President and CEO of Chemtex International, Inc (Chemtex). We are planning to build a commercial scale biofuel refinery in Clinton, NC. This project is expected to create over 65 new direct jobs and 240 indirect jobs in a new agriculture sector. We are very concerned that the Administration has yet to approve *Arundo donax* as an acceptable feedstock for the production of cellulosic ethanol to meet the requirement of the Renewable Fuel Standard (RFS). If *Arundo donax* is not approved by March 30th, we will not have enough time to sign farmers up for this year's growing season which will likely delay the project's start date and economic feasibility. We seek your immediate assistance in helping get *Arundo donax* approved as soon as possible so farmers can start planting the crop this spring in time for our planned 2014 opening.

On June 13, 2012, the farmers in our North Carolina project area became eligible to receive \$3.9 million from the U.S. Department of Agriculture (USDA)'s Biomass Crop Assistance Program (BCAP). On August 22, 2012 we received a \$99 million loan guarantee from the USDA's 9003 Biorefinery Assistance Program. Since June, we have been actively trying to sign up farmers to grow adequate biofuel feedstock for our facility. In cooperation with the North Carolina Cooperative Extension Service, Chemtex contacted every registered farmer in the targeted area by mail and hosted several meetings in the three counties surrounding the proposed Chemtex facility. Each meeting hosted well over 100 participants. The only approved feedstocks for that program were "Freedom" miscanthus and switch grass. Even with the BCAP program supporting the planting of the two approved crops with a 50% subsidy, we have only been able to sign 770 acres under BCAP. An additional 6000 acres has been committed to our project outside of the BCAP program but these acres are awaiting the approval of more attractive crop options for the farmer, specifically higher yielding biomass crops such as *Arundo donax*. If we were to supply our entire facility with feedstock which currently has an approved pathway under the RFS, we would have to sign up approximately 30,000 more acres of farmland in these counties. Beyond daunting, at this point, this may not be a realistic option. If allowed to plant *Arundo donax* we would need only 10,000 acres more and we would be approaching our goal.

The feedback and farm economics of *Arundo donax* indicate that signing up those additional farmers is possible if we act quickly. According to data collected by the Biofuels Center of North Carolina, at a targeted biomass cost that will produce ethanol competitive without subsidy, high yielding crops such as *Arundo donax* are the only attractive options for farmers (see appendix). Even without a BCAP subsidy, the economics of *Arundo donax* are better for the farmer than miscanthus and switchgrass when they receive a 50% subsidy to plant the crops.

CHEMTEX INTERNATIONAL, INC.

1979 EASTWOOD ROAD • WILMINGTON, NORTH CAROLINA 28403-7214
TEL: (910) 509-4400 • FAX: (910) 509-4567 • E-mail: inquiries@chemtex.com

WILMINGTON SHARON CENTER TORTONA MUMBAI BANGALORE BEIJING SHANGHAI



Some have raised the issue that *Arundo donax* should be considered an invasive plant. Despite unfortunate infestations in California and Texas, which were initiated by mismanagement over 100 years ago, *Arundo donax* occurs in many parts of the United States, including North Carolina, where the state Department of Agriculture stated last week that the plant already grows in over 20 counties in the state and it does not appear to behave in an invasive nature due to competition with local plants (enclosure). Additionally, *Arundo donax* has been grown commercially – without spread – in Italy, Spain, Mexico, Australia, Japan, California, Oregon, France, and Portugal. As a company, we recognized the concern by outside groups and are on the record with the Office of Management and Budget stating that we fully agree with Executive Order 13112 and have agreed to contractually require our farmers to meet and/or exceed all of the Department of Interior's Invasive Species Advisory Committee's best management practices for biofuels (enclosure).

On February 26, 2013 the North Carolina Department of Agriculture – after extensive research and consultation with numerous stakeholders – unanimously ruled that *Arundo donax* should not be considered an invasive plant (enclosure), clearing the way for commercial cultivation of *Arundo donax* in North Carolina.

The concerns about *Arundo donax*'s potential invasiveness have been answered. Chemtex has been a cooperative, and willing, partner throughout this entire process to ensure that the best management practices are in place while also actively trying to sign farmers up since June 2012. Issuing *Arundo donax* as an approved pathway will also significantly help the Administration meet its cellulosic ethanol fuel requirements as these high yielding crops are the only route for ethanol to be competitive with petroleum. No further delay is warranted or necessary. If *Arundo donax* is not an approved pathway by March 30th, we will not be able to grow adequate feedstock for the facility's targeted opening, severely jeopardizing the economic stability of the Chemtex facility in North Carolina.

Thank you for your time and assistance on this important matter. Please contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Pedro Losa", written over a light-colored background.

Pedro Losa
President & CEO
Chemtex International, Inc.

Enclosures

Cc: Secretary Tom Vilsack, U.S. Department of Agriculture
Secretary Ken Salazar, Department of the Interior
Acting Administrator Bob Perciasepe, U.S. Environmental Protection Agency
Chairwoman Nancy Sutley, White House Council on Environmental Quality
Mr. Doug McKalip, White House Domestic Policy Advisor on Rural Affairs
U.S. Senator Kay Hagen
U.S. Congressman G.K. Butterfield
U.S. Congressman Mike McIntyre



Appendix

Data collected from the U.S. EPA and the Biofuels Center of North Carolina

Feedstock	Estimated Yield (dry tons/acre)	Greenhouse Gas Analysis (kg CO₂ emissions/mmBtu fuel)	Year 6 Per-Acre Annual Profit for Producers
<i>Arundo Donax</i> <i>("Giant Reed")</i>	Range of 12-28	11	\$237.71
<i>Energy Cane</i>	Range of 11-20	17	(unavailable)
<i>Miscanthus</i>	Range of 9-16	≈13 ¹	\$111.71*
<i>Switchgrass</i>	Range of 4.5-6.6	13	\$75.71*

Source: Regulation of Fuels and Fuel Additives: Identification of Additional Qualifying Renewable Fuel Pathways Under the Renewable Fuel Standard Program, 77 Fed. Reg. 699 (Jan. 5, 2012) (to be codified at 40 CFR pt. 80)

*Profit figures above assume BCAP award paying for 50% of cost to plant miscanthus and switchgrass. No such award is assumed for Arundo.

- Emissions associated with energy cane (*Arundo donax's* closest competitor in terms of yield) are more than 50% higher than emissions associated with *Arundo donax*.
- *Arundo donax's* two closest competitors in terms of emissions (switchgrass and miscanthus) yield substantially less in dry tons per acre.
- *Arundo donax* generates substantially more profit for producers than any other approved feedstock.

¹ Because the yields for miscanthus are higher than switchgrass without additional inputs, EPA assumed that emissions would be at least as low for miscanthus.

