

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Bakersfield Renewable Fuels, LLC
Application No. 24-SM029**

Tuesday, July 16, 2024

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant – Bakersfield Renewable Fuels, LLC

Location – Bakersfield, Kern County

Industry – Renewable Diesel

Project – New Renewable Diesel Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$23,696,000	\$1,999,942

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$3,528,117	1,764
Estimated Environmental Benefits	\$2,444,604	1,222
Additional Benefits	N/A	120
Total	\$5,972,721	3,106
Estimated Quantifiable Net Benefit	\$3,972,778	

Competitive Criteria Score – 185

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.44%.

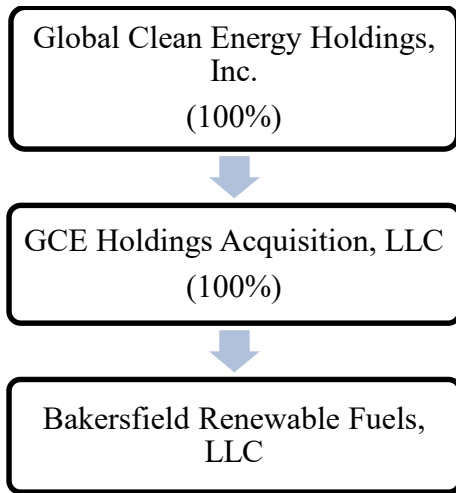
³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Bakersfield Renewable Fuels, LLC (the “Applicant”) is a Delaware limited liability company that formed in 2020. The Applicant is headquartered in Bakersfield and specializes in developing low cost, renewable diesel products. The Applicant, along with its owners and management team have extensive experience in the renewable energy space and have provided feedstock and finished fuel products to the U.S. Military, major international airlines, paint companies, chemical manufacturers, nutraceutical producers, biofuel refineries and animal feed distributors.

The major shareholders (10.0% or greater) of the Applicant are:



The company officers of the Applicant are:

- Noah Verleun, President
- Wade Atkins, Executive VP, CFO
- Antonio D’Amico, Executive VP, General Counsel
- Steve Bonner, General Manager
- Cole Norton, VP, Informational Technology
- Jaco van Walsem, VP, Supply & Trading
- Ryan Riches, Treasurer

THE PROJECT

The Applicant is requesting a sales and use tax exclusion (“STE”) award to build a new renewable diesel facility located in Bakersfield (the “Project”). The Applicant states the Project entails converting an idle 520-acre crude oil refinery into a 15,000 barrel a day renewable diesel refinery. The Applicant intends to develop its renewable diesel using non-food-based feedstock such as Camelina Sativa. Camelina is a plant from the Brassicaceae or mustard family of flowers. Camelina was primarily known in North America as a weed with little or no use, however, Camelina contains about 35 to 38 percent oil, which makes it suitable for renewable diesel production. Camelina processing could reduce greenhouse gas emissions by 40 percent when used in lieu of petroleum diesel. The Applicant states that, in addition to producing renewable diesel, which accounts for 90% of its production, it will produce renewable propane and renewable naphtha. According to the Applicant, renewable diesel can be used to effectively power cars, trucks, buses, boats, tractors, and trains. Furthermore, the Applicant’s renewable propane can be used as industrial gas and for cooking and heating purposes, whereas its renewable naphtha will replace petroleum-based naphtha, which is used to dilute heavy oils to make high-octane fuels, lighter fluid, and metal cleaners.



Figure 1: Camelina Sativa Seeds

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Manufacturing/Processing Machinery, Equipment & Materials	\$6,000,000
Facility Buildout, Upgrades & Infrastructure Improvements	\$6,000,000
Research & Development Equipment	\$2,000,000
Logistics, Transport, Storage Systems & Related Property	\$2,000,000
Lab Instruments & Devices	\$2,000,000
Quality Control Testing & Related Property	\$2,500,000
Computers, Industrial Controls, IT & Related Property	\$1,500,000
Lab Materials & Related Property	\$1,696,000
Total	<u>\$23,696,000</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

According to the Applicant, the Project is expected to be complete in July 2024.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states all remaining building, installation and operational permits have been secured with the City of Bakersfield and Kern County.

COMPETITIVE CRITERIA SCORE

The Applicant received 185 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Applicant has a Project that produces an Alternative Source product, component, or system, and, therefore, 100 points are awarded.
2. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Kern County, which has an average annual unemployment rate of 8%.⁵ When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant 50 points.
3. **Job Creation 20 of 75 points)**. The Applicant anticipates the Project will support a total of 128 production-related jobs at its Facility. CAEATFA estimates that approximately 1.73 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant’s Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. Project’s industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

⁵ Unemployment rates are based on data available in December 2023.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 3,106 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,222 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,764 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant’s sales and use taxes, personal income taxes paid by the firm’s employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$3,528,117, resulting in a Fiscal Benefits score of 1,764.

- B. **Environmental Benefits (1,222 points)**. The Project is anticipated to result in \$2,444,604 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,222 points. These benefits derive from the production of renewable diesel, which offsets the need for the use of fossil fuels.

- C. **Additional Benefits (120 points)**. Applicants may earn additional points for their Total Score. The Applicant received 120 additional points.
 - 1. **Production Jobs (20 of 75 points)**. The Applicant anticipates the Project will support a total of 128 production-related jobs at its Facility. CAEATFA estimates that approximately 1.73 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

 - 2. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 13 construction jobs at its Facility. CAEATFA estimates that approximately 0.17 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.

 - 3. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Kern County, which has an average annual unemployment rate of 8%. When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant 50 points.

 - 4. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of renewable diesel.

 - 5. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental and vision benefits, bonuses, retirement

contributions, and profit sharing to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$94,784.

RECOMMENDATION

Staff recommends the approval of Resolution No. 24-SM029-01 for Bakersfield Renewable Fuels, LLC’s purchase of qualifying tangible personal property in an amount not to exceed \$23,696,000, anticipated to result in an approximate STE value of \$1,999,942.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH BAKERSFIELD RENEWABLE FUELS, LLC**

July 16, 2024

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Bakersfield Renewable Fuels, LLC** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$23,696,000 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the

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qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained, and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.