

# THE BOND BUYER

## **Private activity allocation funds Indiana plant turning trash to jet fuel**

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The Indiana Finance Authority is planning to sell up to \$500 million of tax-exempt environmental improvement revenue bonds for a California-based company to build a facility in Gary that converts household garbage into sustainable synthetic aviation fuel.

The facility, which will be owned by Fulcrum Centerpoint LLC, plans to convert about 530,000 tons per year of "feedstock" from processed trash into about 31 million gallons of synthetic crude oil, which will then be processed into low-carbon jet fuel.

The project calls for construction on the plant to begin next year and become operational in 2026. The project is expected to create 1,000 construction jobs and employ 130 full-time workers once completed.



**A view of the former cement plant location in Gary, Indiana, where Fulcrum Bioenergy is developing a sustainable aviation fuel plant.** *Fulcrum Bioenergy*

The issue is expected to come to market in the second half of this month and will be underwritten by Morgan Stanley, according to Rick Barraza, vice president at Fulcrum Bioenergy, the firm developing the Centerpoint project.

The deal will be an "escrow bond," structured and refinancing, according to Barraza, \$500 million of Series 2022 bonds [the company sold](#) through the IFA last November, [which are subject](#) to a mandatory tender Nov. 15. It originally sold \$375 million with a similar structure in 2021.

The escrow bonds are sold because private activity bond allocations are issued with an expiration date and will be converted to long-term financing when the firm is ready to deploy the proceeds, according to a [frequently-asked-questions page](#) on Fulcrum's website.

The \$500 million of bonds are part of a larger \$800 million investment in the project, some of which will be provided by private equity investors.

The project will consist of a biorefinery and two regional feedstock processing facilities located on the site of a former cement manufacturing plant in Gary's Buffington Harbor area that has been vacant for over 20 years, which Fulcrum

plans to demolish as part of the project. The property is surrounded by railways and other factories.

According to Fulcrum, which is based in Pleasanton, California, sustainable aviation fuel is an alternative to traditional jet fuel that is made from renewable resources, such as garbage, rather than crude oil.

Rather than burning or incinerating household trash, Fulcrum uses a process known as gasification, which uses a high temperature and low oxygen environment to break the feedstock down into basic molecules, like hydrogen and carbon. The resulting gas – known as syngas – is then converted into fuel.

By converting garbage into jet fuel, Centerpoint says it "will help reduce environmental problems associated with landfills, while reducing the airline industry's dependence on fossil fuel and contribution to climate change. Because of reduced methane emissions from landfills and the renewable material in household garbage, the sustainable aviation fuel produced by Fulcrum will reduce greenhouse gas emissions by more than 80% compared to traditional jet fuel."

The company's goal is to eventually reduce emissions by 100%.

United Airlines and Cathay Pacific Airways have contracted to buy the fuel produced at Centerpoint.

United says it was the first airline to commit to net zero carbon emissions by 2050, without carbon offsets, and [is on track to use](#) 10 million gallons of sustainable aviation fuel in 2023, with agreements to buy the future production of over 5 billion gallons of SAF.

Fulcrum also has backing from BP, Japan Airlines, Waste Management, and the U.S. Department of Defense.

Fulcrum has one other biofuels plant located near Reno, Nevada, that began operations last year. Financing for that facility includes \$20 million of private activity bonds issued in 2020 through the Nevada Department of Business and Industry. The two facilities are part of a program that the company hopes will produce about 400 million gallons of sustainable jet fuel annually.