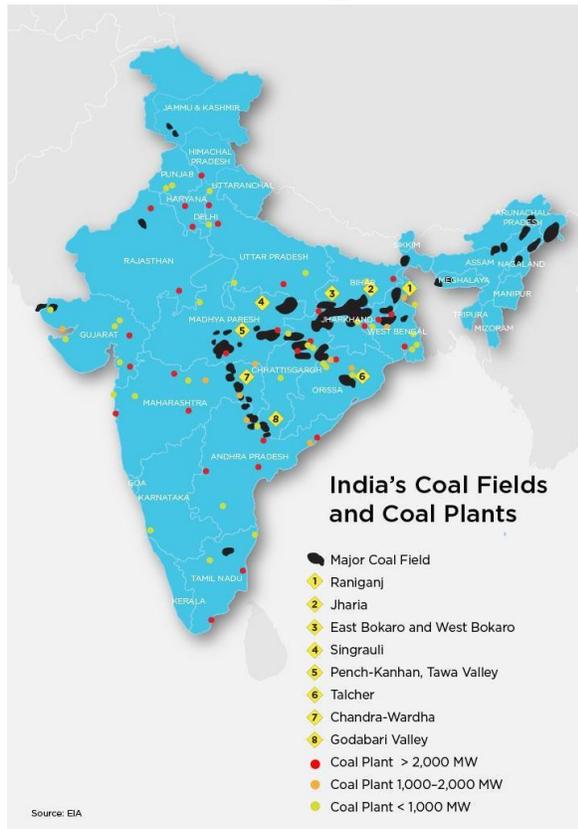


Synthesis Energy Systems' new CEO takes steps to ensure Indian operations follow 'same basic pattern' as China



Synthesis Energy System Inc's (SES) coal gasification technology is “strongly favored” to be adopted at China’s next coal-to-substitute natural gas (SNG) gasification projects, according to Vice Chairman and former CEO Robert Rigdon.

Several new, large-scale projects are in the early planning stages in China now, and SES’ technology is considered a frontrunner because of its superior environmental performance and lower cost, he said. The company’s gasification platform is unique in that it can run on a variety of low-rank coals.

SNG projects are a strategic priority in China. The country has an abundance of coal, and converting it into natural gas, which burns much cleaner than coal, is regarded as a way to simultaneously insulate China from volatile global energy markets and reduce pollution. Two years ago, the country’s central government announced plans to build some 50 some gasification projects in remote regions of Inner Mongolia and Xinjiang. However, these projects have been plagued by cost overruns and other delays, so only a few have come online in the last few years.

Rigdon's comments came during SES' latest earnings call, at which the company's management team shed light on the company's other lines of business in China.

In Henan province's Dengfeng city, a distributed generation project that will use SES gasifiers in conjunction with **General Electric Company's** (GE) aeroderivative turbines has "completed a significant portion of the work on the final feasibility study," Rigdon said. The plant design must now be approved by a local power design institute and government body, at which point construction is expected to begin, he said.

Rigdon was recently replaced as CEO by DeLome Fair, a former general manager at GE's global gasification business. Several years ago, SES and the Massachusetts-based industrial technology company signed a partnership under which they jointly agreed to pursue distributed generation projects utilizing SES gasifiers around the globe. Fair's shift to the CEO role may imply that the company considers distributed generation projects to be a key, if not the most important, driver of future growth. SES gasification systems are economical in settings where power prices are greater than USD 0.06/kWh, and in many parts of the developing world's fast-growing energy markets, power can cost as much as USD 0.20/kWh, Fair said.

"This is by far the largest potential market for our coal gasification technology," she said.

Elsewhere in China, SES is working on proposals to assist east coast refineries in expanding their hydrogen production capabilities. The falling price of oil is prompting many facilities to expand, and China is replete with coal, making gasification a viable strategy to boost hydrogen production. Hydrogen is used to process crude oil into refined fuels such as gasoline, diesel and jet fuel.

Finally, the company is also working on several industrial fuel gas-related projects. The company's successful 2014 deal with the Aluminum Corporation of China, under which it supplied the latter with seven gasification systems worth in total USD 17.5m for smelting operations in Shandong, Henan and Shanxi, has attracted the interest of other industrial companies, Rigdon said.

"There's multiple syngas projects that are in that queue," he said.

Syngas, a mix of hydrogen, carbon monoxide and carbon dioxide, can be used to power a range of industrial processes and is produced via the gasification of coal.

SES is generally aiming to deploy its technology in the People's Republic through project participation and equity ownership deals, as reported late last week. This may require it to shed some of its existing, non-core assets, such as its Shandong province Zao Zhuang joint venture coal-to-methanol plant. SES' stake in the facility is estimated to be worth about USD 10m, and the company told analysts last week it may try to divest it during the coming quarters.

India emerging

SES is also beginning to launch operations in India, where it is trying to mirror the headway made in China.

“I believe this will be the next large regional market for clean energy projects with SES coal gasification technology,” Rigdon said. “I’m in the process of engaging a third-party company to provide us with additional arms and legs on the ground.”

Fair told this news service in a follow-up interview that SES was looking to follow the same basic pattern it has developed in China. It’s engaged with a party in India that “knows the culture, the players and how business gets done,” she said.

“Ultimately, what we’d like to do is find parties that are interested in working with us to grow SES in India either as a partner on our technology licensing side or on a project participation or equity basis.”

Engineering companies, equipment manufacturers and financial firms with the power to provide investments for the construction of new facilities would all serve as suitable candidates, she said.

SES has a relationship with Midrex Technologies Inc, a subsidiary of Japan's **Kobe Steel Ltd**, under which it serves as their exclusive gasification supplier for the firm’s direct reduction ironmaking technologies.

“They’re heavily active in India, and we both think the country is a very likely candidate for the first large-scale use of our technology at a DRI plant,” Fair said.

By Matthew Volkov in New York