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SES seeks to enter US market

Washington DC, 9 November 2012 (Argus) — Synthesis Energy Systems (SES) is aiming to get around financing and permitting hurdles in the US by building its first domestic gasification units using low-quality coals and mining waste to produce synthetic gas for the chemical and transportation industries.

The Houston-based company has built two plants in China using its U-GAS fluidized bed gasification technology, licensed from the Gas Technology Institute. Both facilities convert low-rank coal into methanol for gasoline though the technology can also be used to make other chemicals.

The US was not initially viewed as the best location for SES to build its first plants because of the recession and its aftermath, Robert Rigdon, SES' chief executive, told *Argus*.

"There was a lack of interest, a lack of being able to raise debt or equity, even to do projects in the US," he said. That has begun to change, causing SES to seek partners to build new US plants.

Byproduct profits

In the US, SES will focus its technology on creating gases such as methanol that can be used to create gasoline and various chemicals. The opportunity to sell an additional product, the CO_2 created by the gasification process, will create another stream of revenue, particularly due to growing demand for its use in enhanced oil recovery.

"We believe the economics on those projects right now are compelling," Rigdon said.

In the past, developers of gasification plants for transportation fuels applications have tried to lower costs by planning massive plants that would cost billions of dollars, he said. The plants SES envisions would be built on a much smaller scale, using its technology.

Costs would also drop because SES uses low-quality fuels. Its technology focuses on using low-rank products such as lignite or high-ash coals, allowing manufacturers to produce synthetic gas at a much lower cost than with higherquality steam or metallurgical coals. Using those coals would allow owners of existing but often unusable products to make money from those resources, he said, which would increase the value of their overall coal portfolio.

SES has begun talking to several potential partners. It is initially looking to build in Texas' Permian basin and the Powder River basin in Wyoming and Montana. Both are located near coal reserves as well as potential consumers of CO_2.

China first

China was the best place to build the company's first plants and will remain one of its major target markets, Colin Tam, managing director of SES' China operations, told *Argus*.

Not only does China have one of the largest markets in the world, it has one of the largest coal reserves. But that reserve includes a lot of lower-quality coal, making it difficult to use in many power and industrial applications, he said. SES can use those coals for gasification.

It has also been cheaper to build plants in China, particularly since government policies have encouraged investment, he said.

SES' plant in Shandong province entered commercial operation in December 2008 and ran until September 2011, when it was idled for maintenance. The plant remains shuttered while SES restructures its financing with its commercial customer, a stateowned company, which has not paid certain fees.

The Henan province plant, a joint venture with a state-owned coal company, is currently being completed. Methanol production may start before the end of this year.

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