



Coal-to-Liquid Fuel Plant Opportunity Community Update

February 29, 2008

AF officials offer property lease opportunities

Air Force officials presented a proposal during two meetings held Jan. 30 and 31 to lease underutilized property at Malmstrom Air Force Base in Great Falls, Mont., to support national security energy goals.

The first meeting, held Jan. 30 at the Great Falls Civic Center, gave state and local officials and community members the opportunity learn about the Air Force's potential to lease underutilized land at Malmstrom to private industry for the construction of a coal-to-liquid, or CTL, fuel plant. The proposed plant is intended to be a source of clean, domestically produced fuel which will help the nation meet President Bush's challenge to wean itself off foreign energy sources.

"We wanted to bring our proposal straight to the local community and get their input," said William C. Anderson, Assistant Secretary of the Air Force for Installations, Environment and Logistics. "We will continue to work closely with the community as consideration of this opportunity progresses."

Mr. Anderson was among the officials on hand to answer questions from community members. Other officials addressing environmental and development concerns included Evan Barrett, chief business development officer for the state of Montana; Tom Kaiserski from the Montana Department of Commerce; and Dave Klemp from the Montana Department of Environmental Quality. Air Force officials from the Air Force Real Property Agency and the Air Force Center for Engineering and the Environment also were present to answer questions and concerns.

"I am proud of the relationship the base has with the community," said Col. Sandra Finan, the 341st Space Wing commander at Malmstrom. "The local community will play an integral part in determining the future of this opportunity."

The following day, the Air Force officials pitched their opportunity to representatives from private industry during an industry forum. Montana Gov. Brian Schweitzer gave introductory remarks boasting the benefits of basing a CTL plant in Montana.

"Governor Schweitzer has been a huge proponent of this opportunity and understands why it is important not only to his state but also to the nation," said Mr. Anderson.

Industry forum attendees, which included officials from private equity firms, lenders, utilities, energy developers, energy technology firms, equipment manufacturers and other interested parties, listened to presentations from Air Force and State of Montana officials and were given a tour of the base and shown the local infrastructure.

This project, along with other energy projects, is the latest to be explored through the Air Force's Enhanced Use Lease program, which builds partnerships between the military and private industry by leasing underutilized military assets to private entities for development.

This effort is part of the larger Air Force-wide energy strategy that aims to reduce demand and increase supply of energy resources as well as drive change in Air Force culture when it comes to consuming and conserving energy.

CTL INFORMATION AVAILABLE ONLINE

Information on the Malmstrom AFB Coal-to-Liquid Opportunity, including fact sheets and presentations, are available online at www.safie.hq.af.mil/library/factsheets/factsheet.asp?id=10974. If you have any additional questions regarding this opportunity, please send them to malmstrom.ctl@afarpa.pentagon.af.mil.

For more information on the Air Force Enhanced Use Lease Program, please visit www.safie.hq.af.mil/afarpa/eul/index.asp.



Coal-to-Liquid Frequently Asked Questions

The following questions were asked by community members during the Malmstrom AFB Coal-to-Liquid Opportunity community meeting held Jan. 30, 2008. If you have any additional questions, please send them to malmstrom.ctl@afarpa.pentagon.af.mil. Additional information can be found at www.safie.hq.af.mil/library/factsheets/factsheet.asp?id=10974.

Q. How will the Air Force ensure the protection of local historical sites that could be affected by the construction of a CTL plant?

A. The Air Force takes the protection of historical and cultural sites very seriously and will work with federal, state and local organizations to identify these sites for protection. The Air Force will also work with the developer of the CTL facility to ensure that these sites are protected in compliance with federal, state, and local laws and regulations.

Q. Will any existing infrastructure on Malmstrom AFB, such as the rail line servicing the base coal heating plant, be used to support the CTL plant?

A. The Air Force will identify existing infrastructure on the base for consideration by potential developers who will decide if the infrastructure can support the CTL plant. However, some of the infrastructure supporting the CTL plant will be new. One example would be the construction of a rail spur leading into the southeastern portion of the base. The existing rail line servicing the coal heating plant on the northern side of the base does not appear to be adequate to serve the CTL plant.

Q. When the Air Force leases the property to a developer for the development of a CTL plant, will that developer be held to the same standards and regulations that the Air Force must follow?

A. Yes. Because the CTL plant will be constructed on Air Force property, the developer will be required to follow all federal, state, and local laws and regulations. These include environmental protection laws such as the National Environmental Policy Act (NEPA) and safety laws.

Q. Will the proposed CTL plant be compliant with Section 526 of the Energy Independence and Security Act of 2007?

A: The Air Force will require that developers comply with Section 526 of the Energy Security and Independence Act of 2007. To meet the requirements of Section 526, the Air Force is working with other Federal departments and agencies to establish the appropriate lifecycle greenhouse gas emissions benchmarks.

Q. Do other government agencies, such as the U.S. Department of Energy, have a role in this initiative? If so, what is their role?

A. Not at this point; however, the Air Force would welcome the assistance from any other federal agency.

Q. Will the project be required to follow local and state licensing laws for electricians and plumbers? Will there be any guarantees local labor will be involved?

A. All building codes will be followed. The workforce would be at the discretion of the plant developers. However due to the large workforce needed for construction and operation of the CTL plant, it is expected that local labor would be in high demand.

Q. Other coal-fired plants have been proposed for construction in Great Falls. How will this one be different?

A. The proposed CTL plant for Malmstrom AFB is very different from a traditional coal fired power plant in many ways. With CTL, the coal is turned to a gas, the gas is purified, then it is converted to a liquid fuel. The CTL conversion process is enclosed and able to take advantage of the latest in clean-coal technologies.

Q. How will the byproducts produced by a CTL plant, such as ash and carbon, be disposed of or reused?

A. The Air Force is committed to the use of clean-coal technology which involves capturing byproducts in order to minimize the impact on the environment. While the Air Force will insist on the reuse of these byproducts, the CTL plant operators will determine the most economical use of these byproducts based on market conditions. For example, there has been interest in purchasing the carbon dioxide produced by the CTL plant for use in oil extraction. Similarly, the ash produced by the CTL plant could be used in a variety of products such as an additive in cement.

Q. Will the Air Force do economic impact studies to estimate the impacts of a CTL project on the regional economy?

A. The Air Force does not plan to do economic impact studies.

Q. Once it's determined that the CTL plant is no longer needed and closed, who will be responsible for the environmental cleanup of the site?

A. The developer will be responsible for returning the land to its original condition if it is determined that the CTL plant is no longer needed and closed according to the terms of the lease agreement.

Q. Who will provide the coal used in the project? Will the Air Force mine for coal near Great Falls?

A. Once the CTL plant is built and in operation, the plant developers and operators will be responsible for obtaining the coal used in the CTL process. The Air Force will have no role in purchasing or mining the coal used in the CTL plant.

Q. When will a developer be selected?

A. The Air Force will select the developer for the CTL plant based off the acceptable proposals it receives in response to the Response for Qualifications (RFQ) document. Potential developers will have 60 days to respond to the RFQ. Once selected, the selected developer will enter into exclusive negotiations with the Air Force to create a detailed proposal and plan for the development of a CTL plant leading to the signing of a lease. Once the lease is signed, the developer will move forward with planning, permitting, design and construction of the CTL plant.

The RFQ is slated for release Feb. 29 and will be available at www.safie.hq.af.mil/library/factsheets/factsheet.asp?id=10974. Selection of a developer may occur as early as Fall 2008.

Q. How much water will be discharged during the CTL process? Where will this water go? Who will be responsible for permitting and regulation?

A. Acquisition and management of water resources will be the responsibility of the developer which will construct and operate the CTL plant. The developer will be responsible for working with the Montana Department of Environmental Quality to ensure compliance with state waste water and storm water management.