

# O'HANLON, DEMERATH & CASTILLO

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December 16, 2019

Local Government Assistance & Economic Analysis  
Texas Comptroller of Public Accounts  
P.O. Box 13528  
Austin, Texas 78711-3528

RE: (1443) Amendment001 to Port Arthur Independent School District from Emerald Renewable Diesel, LLC

To the Local Government Assistance & Economic Analysis Division:

Enclosed. Please find Amendment001 to Port Arthur Independent School District from Emerald Renewable Diesel, LLC (1443). The following changes have been made:

1. Sec 5. Q4. Further Explain why "N/A" was marked – **Updated Tab 3**
2. Sec 14.
  - a. Q7. As of Nov 2019 QCEW released Q2 for 2019. You will need to update Section 14 and Tab 13. **Updated wages**
  - b. Q12-13. Will need to be answered. – **Updated answers**
3. Tab 5. Can you further expand on how the Chapter 313 directly impacts the viability of this Project? i.e. What would happen if the Project would not receive the limitation? **Updated the first paragraph of Tab 5.**
4. Schedule C. will need to answer question C1a. and C1b. – **Verified with Comptroller that these questions would not need to be answered.**
5. Tab 11. Maps
  - a. The Vicinity Map, at minimum, will need to show that the Project Boundary is within RZ, ISD and the County. Also please include landmarks i.e. roads so that we may clearly identify the location of the project boundary. – **Updated Maps**

A copy of the application will be submitted to the Jefferson County Appraisal District.

Sincerely,



Kevin O'Hanlon  
School District Consultant

Cc: Jefferson County Appraisal District  
Emerald Renewable Diesel, LLC

Texas Comptroller of Public Accounts

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? ..... 0
2. What is the last complete calendar quarter before application review start date:  
 First Quarter     Second Quarter     Third Quarter     Fourth Quarter of 2019  
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? ..... 0  
**Note:** For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? ..... 10
5. What is the number of new non-qualifying jobs you are estimating you will create? ..... 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? .....  Yes     No
  - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
  - a. Average weekly wage for all jobs (all industries) in the county is ..... 1,110.75
  - b. 110% of the average weekly wage for manufacturing jobs in the county is ..... 2,245.38
  - c. 110% of the average weekly wage for manufacturing jobs in the region is ..... 1,595.63
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? .....  §313.021(5)(A) or  §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? ..... 82,973.00
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? ..... 82,973.00
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? .....  Yes     No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? .....  Yes     No
  - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? .....  Yes     No
  - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

**Tab 3**

**Documentation of Combined membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation(if applicable)**

**Emerald Renewable Diesel is not part of a combined group.  
N/A**

## Tab 5

### Documentation to assist in determining if limitation is a determining factor

*Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c){2}. " If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.*

Emerald Biofuels, LLC is a development stage company seeking investors for its renewable diesel refinery. Emerald has evaluated and continues to evaluate sites for its refinery within Texas and other states along the Gulf Coast. The GT OmniPort site meets Emerald's site requirements along with other Gulf Coast sites. Prospective investors in this type of investment are requiring (a) a high level of certainty regarding future expenses (including local taxes) and (b) a high level of return on its investment in a highly competitive fuel supply environment and a changing regulatory environment. Moreover, a project such as this is very sensitive to changes in regulations which can severely impact the profitability of the enterprise. Accordingly, cost control is very critical to this operation and a 313-tax limitation agreement will aide in this control and is critical to the financial viability of the project. If Emerald is not able to secure a 313 tax limitation agreement, the potential site of the project may move to Louisiana or the project may not happen at all. Consequently, it is a determining factor in the decision to move forward with the project in Texas.

The U.S. renewable fuel market was created by federal and state government mandated initiatives, including the Energy Policy Act of 2005, as amended, which created Renewable Fuels Standard ("RFS") and renewable identification numbers ("RINs"), and state mandates, most notably in California, which created the Low Carbon Fuel Standard ("LCFS") and a Cap-and-Trade program with the goal of reducing 2030 greenhouse gas ("GHG") emission levels to 40% below those in 1990 through reducing the carbon footprint of the fuel use, particularly fuel used for transportation. These governmental programs generally require that renewable fuels replace or reduce the amount of petroleum-based transportation fuel, heating oil and/or jet fuel through the blending of renewable fuels with gasoline or diesel fuel by refiners or importers or the purchase and use of renewable fuels.

The LCFS further established a credit trading mechanism for regulated parties to demonstrate their compliance with the LCFS requirements. Refiners and importers of petroleum products can generate LCFS credits by purchasing and importing biofuels outside of California, purchasing biofuels inside California, and blending into petroleum fuel.

To satisfy these goals and earn the applicable credits, renewable diesel is emerging as a significant fuel in the global transportation industry. Renewable diesel has the same properties of petroleum-based diesel and can be used in vehicles, trucks and other transporters that use diesel fuel without blending with petroleum diesel, but is produced from 100% renewable sources and contains no fossil carbon.

Worldwide production of renewable diesel has increased from about 300 million gallons in 2011 to about 2.2 billion gallons currently. As of today, there are only four renewable diesel refineries currently operating in the United States, which are inadequate to meet this growing domestic and worldwide demand.

Upon completion, the Project is expected to be a renewable diesel fuel production facility that will convert, pretreated solid waste (predominantly waste fats, oils, greases and other agricultural oils (collectively, “FOGs” or “Feedstock”)) into (i) renewable diesel fuel (ii) naphtha, LPG, along with certain amounts of lean gas and soap stocks

Below are expansions to specific questions in Section 8 with a “yes” answers.

- Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

The applicant has entered into a letter of intent as required by prospective investors with GT Logistics who controls the GT OmniPort site. The letter of intent deals with a lease of the site and the development of a terminaling capability.

- Has the applicant received any local or state permits for activities on the proposed project site?

Prospective investors demand that critical permit be in hand. Emerald holds an air permit as required by the EPA under the Clean Air Act, from the Texas Commission on Environmental Quality (“TCEQ”) to build the Project at the Project Site. The Project is an advanced technology refinery designed to operate in a very clean environmental manner and meets all requirements for a minor source air permit per the US EPA Clean Air Act and TCEQ Regulations. Emerald also holds 4 other air permits for locations outside of Texas.

- Is the applicant evaluating other locations not in Texas for the proposed project?

Emerald is also considering other sites along the Gulf Coast.

- Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?

Extensive financial projections including return on investment for various sites has been provided to prospective investors.

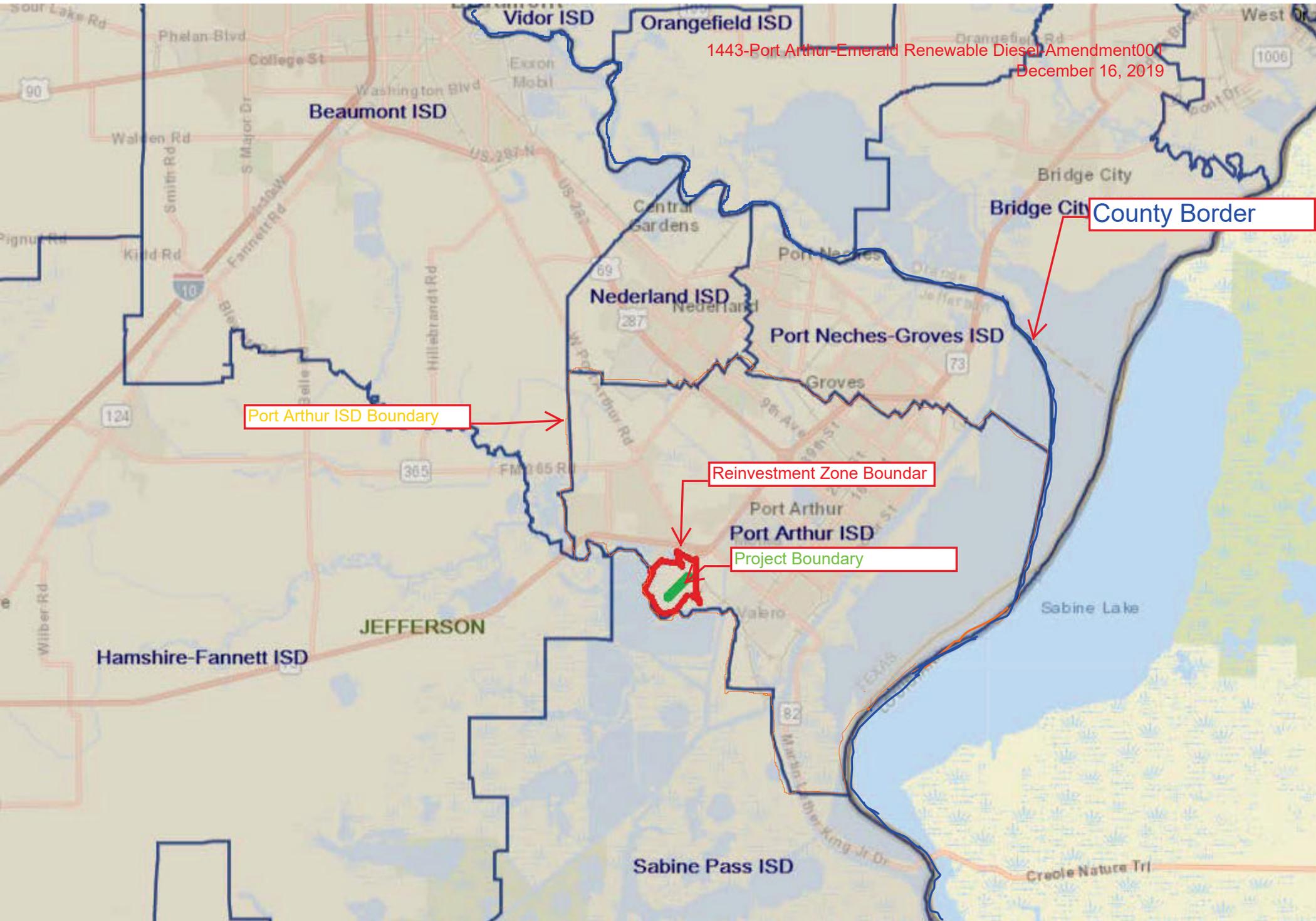
- Has the applicant provided information related to the applicant’s inputs, transportation and markets for the proposed project?

Emerald has provided to prospective investors information on feedstock costs, costs of transportation and infrastructure availability and costs for several sites.

- Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant’s decision to invest capital and construct the project in Texas?

Prospective investors have required Emerald to provide information on taxes, possible abatements and government incentives for each site under consideration.

1443-Port Arthur-Emerald Renewable Diesel Amendment001  
December 16, 2019



County Border

Port Arthur ISD Boundary

Reinvestment Zone Boundary

Project Boundary

JEFFERSON

Area in Red is the Project Area for the project  
Emerald Renewable Project



All existing improvements are outside the project area boundary. The Rail Facilities and existing concrete foundations have no relation to the project; are outside the boundary of the project; and have been appraised at \$0 on the JCAD Appraisal Rolls

**Tab 13**

**Calculation of three possible wage requirements with TWC documentation for last four quarters**

1. The average weekly wage for all jobs and all industries in Jefferson County

**\$1,110.75**

2. 110% of the average weekly wage for manufacturing jobs in Jefferson County

**\$2,245.38**

3. 110% of the average manufacturing wage for the South East Texas Regional Planning Commission Council of Government Region

**\$1,595.63 weekly or \$82,973.00 annually**



Texas Comptroller of Public Accounts



SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here

Dr. Mark Porterie  
Print Name (Authorized School District Representative)

Superintendent of Schools  
Title

sign here

*Dr. Mark Porterie*  
Signature (Authorized School District Representative)

12-10-2019  
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here

Howard C. Jensen  
Print Name (Authorized Company Representative (Applicant))

Principal  
Title

sign here

*Howard C. Jensen*  
Signature (Authorized Company Representative (Applicant))

12/9/2019  
Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

9 day of December, 2019

*Paul Sotos*  
Notary Public in and for the State of Texas - 21114015

My Commission expires: 04/10/2023

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

