

**Date:** March 14, 2019

**RE:** New Information on End Use of Methanol Produced at NW Innovation Works Proposed Kalama, WA, Refinery

## **I. Introduction**

Columbia Riverkeeper recently obtained new information suggesting that NW Innovation Works (NWIW) has consistently misled the Governor’s Office and state regulators about the end use of methanol produced at the proposed Kalama, WA, refinery.

NWIW has repeatedly told the public and state regulators that its Kalama project would have negligible greenhouse gas impacts, because the methanol produced at the facility would only be used as a feedstock for plastics. But in a 2018 PowerPoint presentation to potential investors, NWIW clearly indicates that **Kalama’s methanol would primarily be burned as fuel in China’s cars, trucks, buses, ships, and factories.**

Given NWIW’s repeated deceptions, and the fact that its project would likely lead to a significant increase in greenhouse gas emissions attributable to Washington state, we urge Governor Inslee to publicly oppose the Kalama methanol refinery. At a minimum, the Governor’s Office should investigate the most likely end use of methanol made in Kalama.

## **II. NWIW tells regulators that Kalama methanol would only be used for olefins**

NWIW has repeated—but never substantiated—its assertion that methanol from Kalama would be used exclusively for olefins. The most recent State Environmental Policy Act (SEPA) document, the draft Supplemental Environmental Impact Statement (DSEIS), claims that the “proposed project is being developed specifically for the purpose of producing methanol for olefins” and therefore the “GHG emissions from the use of methanol from the proposed project as fuel are not quantified further considered (sic).”<sup>1</sup> Similarly, NWIW’s website currently maintains that project’s purpose is merely to “convert natural gas into methanol for use by China’s chemical industry.”<sup>2</sup> When speaking to the public and regulators, NWIW denies that its methanol will be burned as fuel.

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<sup>1</sup> DSEIS at page 3-23; *see also* DSEIS Appx. A at pages ix, 1, & 6.

<sup>2</sup> NWIW, [Frequently Asked Questions website page](#), page 1 (last accessed March 1, 2019).

### III. NWIW tells investors that Kalama methanol would be burned as fuel

The new and detailed information that Columbia Riverkeeper acquired is a 26-page PowerPoint-style presentation dated March 2018 that NWIW used to attempt to induce capital investment in the Kalama methanol proposal.

This “Investment Overview” presentation describes a business entity, called GTM, that is developing methanol projects in North America, including the Kalama proposal. GTM is owned by the Chinese government through the Chinese Academy of Sciences Holding Company<sup>3</sup> and GTM’s management team is essentially identical to that of NWIW.<sup>4</sup> The presentation specifically identifies Kalama as one of GTM’s proposed methanol refinery sites.<sup>5</sup>

GTM/NWIW is expressly and primarily interested in producing methanol for fuel. The presentation twice states that GTM/NWIW’s methanol would be used as “fuels for industries and transportation,” as well as petrochemical feedstock.<sup>6</sup>

The presentation’s overall thrust is equally telling: GTM/NWIW’s methanol production will capitalize on China’s expanding fuel markets and energy consumption. The presentation devotes just one slide to olefins.<sup>7</sup> The bulk of the presentation discusses burning methanol for fuel and electricity in China. The presentation describes methanol’s suitability as an energy carrying molecule—largely in the context of transportation fuel, electrical generation, and heating—and even calls methanol “Clean Crude,” “Liquid Electricity,” and “Convenient LNG.”<sup>8</sup> The presentation then describes growing demand for methanol in China’s marine shipping sector, as a transportation fuel for both cars and trucks, and as fuel for industrial boilers.<sup>9</sup> The presentation also states that “Energy Applications will Drive Methanol Market Growth” and contains a graph projecting that, by 2035, most methanol will be used for fuel.<sup>10</sup> Read as a whole, the presentation is a clear statement by GTM/NWIW that China’s fuel and energy sector is expected to grow rapidly and that GTM/NWIW intends to capitalize on China’s growing energy demand by selling methanol manufactured in Kalama as fuel.

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<sup>3</sup> NWIW Investment Overview Presentation at pages 8, 24.

<sup>4</sup> *Id.* at page 10.

<sup>5</sup> *Id.* at page 24.

<sup>6</sup> *Id.* at pages 4 & 7.

<sup>7</sup> *Id.* at page 15.

<sup>8</sup> *Id.* at pages 12 & 13.

<sup>9</sup> *Id.* at pages 16, 17, & 18.

<sup>10</sup> *Id.* at page 19.

This new information from the “Investment Overview” presentation corroborates repeated statements by Wu Lebin, chairman of the Chinese Academy of Sciences Holding Company, which controls GTM/NWIW. In recent years, Chairman Wu has repeatedly told media outlets and potential investors that some or all of NWIW’s methanol would be burned as transportation or other fuel.

For instance, Chairman Wu told China Daily that China’s interest in Kalama and other U.S. gas-to-methanol proposals is driven by a desire to “commercially extract methanol for use as an environmentally sustainable motor fuel . . . .”<sup>11</sup> Chairman Wu similarly told Reuters that the Kalama methanol refinery “is part of a plan . . . to build a supply chain for methanol, potentially China’s next alternative industrial and transport fuel.”<sup>12</sup>

Chairman Wu also spoke at the 2018 International Capital Conference. In the context of attracting capital investments, the proposed Kalama methanol refinery was described as a plan to “convert abundant North American natural gas into methanol, which will be provided to China as clean feedstock for petrochemicals *and fuels*.”<sup>13</sup>

#### **IV. Implications**

NWIW is either misleading Washington regulators or potential investors. It cannot simultaneously be true that *none* of the methanol will be burned as fuel (as NWIW asserts in its SEIS and website) and that *some* of the methanol will be burned as fuel (as NWIW and its owners have told investors and the media). NWIW could be misleading Washington regulators and officials to downplay the proposal’s climate impact, because burning the methanol as fuel could significantly increase the proposal’s carbon emissions. Or, NWIW could be misleading potential investors (directly and through the media) to overstate China’s demand for the methanol produced in Kalama.

The Governor’s Office should officially oppose NWIW’s Kalama proposal based on NWIW’s misleading statements about the purpose of the world’s largest gas-to-methanol refinery. At a minimum, the Governor’s Office should investigate NWIW’s conflicting claims and make an independent determination about the end use of any methanol manufactured in Kalama.

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<sup>11</sup> China Daily, [US shale methanol soon en route to China](#) (2017).

<sup>12</sup> Reuters, [China’s CAS plans gas-to-methanol plant on U.S. West Coast](#) (2017).

<sup>13</sup> <http://www.internationalcapitalconference.com/speakers/wu-lebin> (emphasis added).