



Written by [Brian Koenig](#) on January 6, 2012

Fed-backed Ethanol Plant Sold; Taxpayers Lose Again

Backed by California billionaire Vinod Khosla, who also bankrolled Range Fuels and lobbied for its federal loans, LanzaTech paid a meager \$5.1 million for the deal — a tiny fraction of the financial support it received — and plans to convert the ethanol plant into a factory that will generate chemicals from biomass, in another effort to "transform" the alternative energy industry.

"We have been doing a lot of work on steel mill gases and other gases to ethanol mostly, but in the laboratory we have shown that we can make chemicals," LanzaTech CEO Jennifer Holmgren [said](#) Tuesday in a phone interview. "We don't have any assets where we can control the feedstock that are large and are able to help us scale up." While the company plans to use the factory to produce biochemicals, it has partnerships in Asia that deal mainly with converting steel mill gases into ethanol, Holmgren added.



The *Washington Examiner's* Tim Carney [reported](#) on the Range Fuels fiasco last February, detailing how taxpayers were forced to dump millions of their hard-earned dollars into the government-sponsored boondoggle:

To turn wood chips into ethanol fuel, George W. Bush's Department of Energy in February 2007 announced a \$76 million grant to Range Fuels for a cutting-edge refinery. A few months later, the refinery opened in the piney woods of Treutlen County, Ga., as the taxpayers of Georgia piled on another \$6 million. In 2008, the ethanol plant was the first beneficiary of the Biorefinery Assistance Program, pocketing a loan for \$80 million guaranteed by the U.S. taxpayers.

The refinery closed its doors a year ago, "having failed to squeeze even a drop of ethanol out of its pine chips," Carney noted. The plant "is another blemish on ethanol's already tarnished image, but more broadly," Carney wrote last February, "it is a cautionary tale about the elusive nature of 'green jobs' and the folly of the government's efforts at 'investing' — as President Obama puts it — in new technologies."

Sam Shelton, who heads the research department at Georgia Tech's Strategic Energy Institute, said he was long skeptical of Range's business plan and was concerned with the government's heavy involvement in financing the project. "It was too damn big a risk for an apparently unproven technology and the due diligence I personally performed on Range would not entice me to invest in it," asserted Shelton, who was invited to tour the company's operations a few years back. "Government should not be in the venture capital business selecting technologies."

Of the \$156 million in federal backing, Range ended up receiving \$46.3 million of the grant and \$42



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million of the loan guarantee, before the outstanding balance was repurchased by the Department of Agriculture in November, [according](#) to *Bloomberg*.

Although it has not benefited from the same type of loans Range Fuels did, LanzaTech has collected \$7 million from the Departments of Energy and Transportation for developing alternative energy. Khosla, who made his fortune as a co-founder of Sun Microsystems, has invested heavily in alternative energies, cellulosic ethanol in particular. He is listed as "a key investor" in LanzaTech and he is on the board of directors, according to the company's website.

Jeb Simons, an engineer in Savannah whose family comes from Soperton, doubts taxpayers will see their money returned, and he passes much of the blame to Khosla. "He takes government money, builds the place and takes the money and runs," Simons [contends](#), "and now he's double-dipping on government funds for round two. That's taxpayer money that could go toward schools or hospitals or be given back to taxpayers."

Range was heralded in 2007 when then-Governor Sonny Perdue held a press conference to announce Khosla's investment in the \$225 million ethanol plant. Later in the year, at a groundbreaking ceremony in Soperton's industrial park, Perdue gloated that the company "represents a new future for our country." The only problem was that Range was unable to convert wood into ethanol and had to shut down its operation a year ago. As a result, it never came close to generating the 70 jobs it originally promised.

The demise of Range Fuels is another strike on the government's invidious record as a "green" investment banker, as other renewable energy companies that have reaped government backing have also gone bankrupt. Solar panel-maker Solyndra received \$535 million in federal loan guarantees; energy storage company Beacon Power harvested \$43 million in federal money. The result? Both filed bankruptcy last year.



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