

# **Aemetis, Inc. (AMTX) Q1 2024 Earnings Call Transcript**

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**Body**

Aemetis, Inc. (AMTX)

Q1 2024 Earnings Conference Call

May 09, 2024 02:00 PM ET

Company Participants

Todd Waltz - Chief Financial Officer

Eric McAfee - Founder, Chairman & Chief Executive Officer

Conference Call Participants

Manav Gupta - UBS

Derrick Whitfield - Stifel

Jordan Levy - Truist Securities

Matthew Blair - Tudor, Pickering, Holt

Amit Dayal - H.C. Wainwright

Dave Storms - Stonegate Capital Partners

Edward Woo - Ascendiant Capital Markets

James Larkin - Piper Sandler

Presentation

Operator

Welcome to the Aemetis First Quarter 2024 Earnings Review Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce you to your host, Mr. Todd Waltz, Executive Vice President and Chief Financial Officer of Aemetis, Inc. Mr. Waltz, you may begin.

Todd Waltz

Thank you, Kelly. Welcome to the Aemetis first quarter 2024 earnings review conference call. Joining us for the call today is Eric McAfee, Founder, Chairman and CEO of Aemetis. We suggest visiting our website at aemetis.com to review today's earnings press release, the Aemetis Corporate and Investor Presentations, filing with the Securities and Exchange Commission, recent press releases and previous earnings conference calls.

Before we begin our discussion, I'd like to read the following disclaimer statement. During today's call, we'll be making forward-looking statements, including, without limitation, statements with respect to our future stock, performance, plans, opportunities and expectations with respect to financing activities and the execution of our business plan. These statements must be considered in conjunction with the disclosures and cautionary warnings that appear in our SEC filings. Investors are cautioned that all forward-looking statements made on this call involve risks and uncertainties and that future events may differ materially from the statements made.

For additional information, please refer to the company's Securities and Exchange Commission filings, which are posted on the SEC EDGAR system and our own company website. Our discussion on this call will include a review of non-GAAP measures as a supplement to financial results based on GAAP, because we believe these non-GAAP measures serve as a proxy for our company source or use of cash. A reconciliation of the non-GAAP measure to the most directly comparable GAAP measures included in our earnings release for the three months ended March 31, 2024, which is available on our website.

Adjusted EBITDA is defined as net income or loss plus to the extent deducted in calculating such net income, interest expense, income tax expense, intangible and other amortization expense, accretion expense, depreciation expense, and share-based compensation expense.

Let's review the financial results for the first quarter of 2024. Revenues during the first quarter of 2024 were $72.6 million compared to $2.2 million for the first quarter of 2023. Our Keyes plant returned to full operation in the second quarter of 2023 after completing an extended maintenance cycle during the first quarter of last year. In Q1 of this year, our dairy renewable natural gas segment produced 60.3 million BTUs of renewable natural gas from eight operating dairy digesters sold its first LCFS credits and reported $3.8 million of revenue.

Our Indian Biodiesel business generated $32.7 million of revenue, primarily from sales to the three India Oil Marketing companies. Gross loss for the first quarter of 2024 was $612,000, compared to a $1.3 million gross loss during the first quarter of 2023. Selling, general and administrative expenses decreased to $8.9 million during the first quarter of 2024 from $10.8 million during the similar period in 2023, driven primarily by reduction in fixed cost of goods sold, charge to selling, general and administrative expenses due to the extended maintenance during the first quarter of 2023.

Operating loss was $9.5 million for the first quarter of 2024, compared to an operating loss of $12.1 million for the same period in 2023. Net loss was $24.2 million for the first quarter of 2024, compared to a net loss of $26.4 million for the first quarter of 2023. Cash at the end of the first quarter of 2024 was $1.6 million, compared to $2.7 million at the close of the fourth quarter of 2023.

We recorded investment in capital projects related to the reduction of carbon intensity of Aemetis ethanol and construction of dairy digesters of $3.6 million for the first quarter of 2024.

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Now I'd like to introduce the Founder, Chairman and Chief Executive Officer of Aemetis, Eric McAfee, for a business update. Eric?

Eric McAfee

Thank you, Todd. In the Aemetis Biogas business over the last year or so, we have closed $50 million in USDA-guaranteed 20-year loans to build dairy biogas digesters and to convert construction loans to term loans for digesters that completed construction. We have signed 44 agreements, with dairies and now have nine operating dairy digesters, supplied with waste from 10 dairies. We plan to accelerate the rate of biogas digester development in 2024, as we expect to close $60 million of new private financing to accelerate project construction and as we expect to close an additional USDA-guaranteed REIT loans that provide 20-year debt, with each closing expected to provide $25 million of additional construction funding.

We generated revenue from the sale of LCFS credits, related to renewable natural gas for the first time in the first quarter of 2024. Renewable natural gas revenue is expected to significantly increase, as we build new dairy digesters as CARB approves our provisional pathway applications, including the existing digesters that we filed early last year. And as our renewable natural gas generates Inflation Reduction Act 45Z production tax credits, beginning in January 2025.

The California Air Resources Board has stated that renewable natural gas is an important feedstock for the production of renewable hydrogen, for future truck engines allowing the trucks to be zero emission using a carbon-negative fuel. We believe that Aemetis is excellently positioned, to supply renewable natural gas, renewable hydrogen and negative carbon intensity electricity to power future trucks and cars in California, enabling the transition to zero emission and the low zero carbon intensity, heavy-duty and light-duty vehicles.

The expected adoption this year by the California Air Resources Board of a 20-year mandate for the rapid decarbonization of transportation, will directly benefit the lowest carbon intensity renewable fuels, as well as the feedstocks for renewable hydrogen and renewable electricity production.

As we planned, we started the biogas project in 2018, Aemetis is again, excellently positioned to be a significant beneficiary of the updated LCFS mandates this year. We are also well positioned to benefit from the Inflation Reduction Act 45Z production tax credits, that starts in January 2025.

In the development of our Aemetis sustainable aviation fuel and renewable diesel business, during the first quarter, we received the authority to construct air permits for our planned 90 million-gallon per year, sustainable aviation fuel and renewable diesel plant to be built in Riverbank California. When operated to produce only sustainable aviation fuel, the design capacity of the plant is about 78 million gallons per year of SAF.

The ability to construct permits are a significant milestone, as we had already received the use permit and the California Environmental Quality Act approval in 2023, which were the other key discretionary permits, we needed to move forward with the project. We have signed $3.8 billion worth of supply contracts with 10 airlines and a $3.2 billion renewable diesel supply contract, with a national travel stop company.

The need for a sustainable aviation fuel continues to increase, but the overall market supply of SAF continues to be delayed, resulting in significant supply shortages that are expected to continue for the foreseeable future, as in the 90 billion-gallon per year global aviation fuel industry, seeks to reduce carbon emissions, using renewable fuel to replace petroleum jet fuel.

With the strong demand for SAF and limited supply, we are now discussing the use of innovative pricing structures, with our airline customers to accelerate the financing, construction and operation of the SAF plant. We're now working on the project financing for the SAF plant, with due diligence and negotiations currently underway, with investors. We are receiving a high level of interest from multiple strategic and financial investors, some of whom have significant commercial interest in the success of the aviation industry.

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As one of the very few companies with CEQA permits needed to construct a large-scale SAF production facility in the United States, Aemetis is on track to be a leading supplier of renewable fuel to an airline market that cannot currently meet its goal of transitioning to lower carbon intensity operations.

In the India Biofuels business in late 2023, we announced that we received a $150 million, one-year allocation for biodiesel sales to the three India Oil Marketing companies, under a cost-plus contract structure. We started deliveries under this contract in October 2023 and have achieved excellent production and delivery performance. The positive impact of cost plus pricing that is now being used by the oil marketing companies to purchase biodiesel is expected to continue for the foreseeable future. The India business has positive EBITDA and funds its own operation and capacity growth.

For the Aemetis ethanol business, the approval of a 15% blend of ethanol in 49 states for this summer and the EPA's recent statement that a permanent E15 approval will be adopted effective next year, is expected to have a positive impact on the price of ethanol as retailers seek to provide lower-cost fuel to consumers.

We have completed construction of an on-site solar energy facility with battery storage to reduce our energy costs and reduce the carbon intensity of the ethanol produced by our Keyes plant, which generates more low carbon fuel standard revenue per gallon.

The next major step in improving our cash flow and energy efficiency at the Keyes plant is the installation of a mechanical vapor recompression system. We have completed process design and detailed engineering and are now moving forward with the procurement of equipment.

The MVR system is designed to reduce natural gas usage by 80% and increased cash flow by up to $15 million per year at the Keyes plant. The MVR energy efficiency project is budgeted to cost about $21 million, and has been awarded $16 million of grants and tax credits from the California Energy Commission, Pacific Gas and Electric company the Department of Energy and the Internal Revenue Service.

Our Aemetis carbon capture subsidiary is in the process of financing the characterization well and the engineering for the EPA Class VI permit using USDA 20-year financing. We have received the California state approval to drill the characterization well. And now we are working through the USDA loan process.

In summary, all five Aemetis business segments are our synergistics and create what we refer to as a circular bioeconomy. The growing demand for renewable natural gas, biodiesel sold under cost-plus contracts in India, the undersupplied sustainable aviation fuel market, as well as the emerging carbon sequestration market are key areas of investment and project development at Aemetis.

Our existing operations in California and India are focused on projects that expand capacity, improve energy efficiency, reduce carbon intensity, increase revenues, utilize lower-cost feedstocks, and significantly improved cash flows.

Our company's values include a long-term commitment to building value for stockholders. The empowerment of and respect for our employees and business partners and making significant and positive contributions to the communities that we serve.

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Now, let's take questions from our call participants. Kelly?

Question-and-Answer Session

Operator

Thank you Mr. McAfee. [Operator Instructions] Your first question is coming from Manav Gupta with UBS. Please pose your question, your line is live.

Manav Gupta

Hi. So guys my first question is, looks like CARB is looking at those balances and saying, maybe we need to do more and on that front, it looks like they might go with a 7% step down or 9% step down. You talked to those guys very often, what is the probability that they took a look at this and say, we need to do more than just 5% step and go for a 7% or 9% scenario here?

Eric McAfee

We talk to CARB, but we also talk to the researchers that provide the data that supports CARB's activity. And as I think you know, those numbers this year are increasing at a much higher rate than they had expected. So I do believe that they're going to go with a higher than 5% and they have looked at the automatic acceleration mechanism, which they had proposed that was going to take several years before they put that in place, they're looking closely at putting it in place earlier.

So in my view, both a larger than 5% step-down and earlier adoption of the automatic acceleration mechanism is needed and that the market will respond positively when that's adopted. The fall in price in LCFS credits, which has been dramatic. It was roughly $75 just a couple of months ago and hit $50.

Now that's a 30%-plus loss in their market during the middle of them proposing an extreme measure of tightening. So it's exactly the opposite of what they thought would happen. So I think everyone has an opportunity to speak into this process. And the more that Wall Street speaks in the process, the more I think we're going to see tightening. They do complain that Wall Street doesn't talk to them enough and that they would like to hear from Wall Street more. So your comment is very appropriate and I'll be looking to get more and more involvement with stock analysts and in direct connection with the correct executives at CARB.

Manav Gupta

Perfect. My quick follow-up is here. Nine dairies on you talked about accelerating you're looking -- it looks like your funding is coming through. So if you're -- for modeling purposes, how many dairies do you think we should have in our models by year? And I understand there's a lag here between the volumes sold and the dairies online. But just from your perspective, how many do you think would get online by year-end 2024?

Eric McAfee

Yes. We're still tracking 18 dairies end of 2024 and the acceleration we're doing will have its largest impact in 2025. It's the purchase of long lead time skids in that sort of material that will enable us to rapidly accelerate as we go into 2025. So it will have a direct impact on 2025 operating income and cash flows as we prime the pump as we like to say over here.

Manav Gupta

Thank you, so much. I'll turn it over.

Eric McAfee

Thank you, Matt.

Operator

Your next question is coming from Derrick Whitfield with Stifel. Please pose your question. Your line is live.

Derrick Whitfield

Eric, I wanted to start with the EB-5 financing which you recently received approval for from the U.S. Citizenship and Immigration Services. Maybe if you could just speak to the progress you've made in securing investors to advance funding because it's certainly quite impactful for you guys from a cost of capital perspective?

Eric McAfee

Yes. Just so everybody is familiar with what Derrick was talking about, this is subordinated debt funding with long maturities at interest rates below 3% per year being subordinated of course that it acts as equity for funding USDA and other senior secured debt financing. The approval allows us to bring in foreign investors in this case at $800000 per investor. And we have already successfully raised approximately $40 million under this program. I think it's $39.5 million under this program in the past from about 70 investors. And we -- actually I'm sorry about 80 investors. And we under this program have been approved for another roughly 250 investors. So it is a very big milestone for our company. This is sold through brokers in foreign countries and I've spent a lot of time in both India as well as all of around China doing direct presentations to groups of investors through brokers.

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The process is very slow and then very fast. We raised 80% of our prior funding in two weekends through one broker. I flew to China, raised the money, flew home, flew back, raised some more money and we closed it out literally in two weekends. And the reason why it goes slow is that they go through a cycle of due diligence on marketing. And then the actual presentations and signing up investors in our experience goes extremely fast. So we are doing that fundamental work with brokers now and we'll be looking to potentially have initial funding into the Escrow account this quarter. And so, we're seeing progress and we'll continue to as we have in the past focus energy on the idea that it takes a little while. But when it happens this is very long-term very low-cost financing to access equity and it's nondilutive. It's nonconvertible into equity by the way.

Derrick Whitfield

That's great. And then Eric maybe shifting over to 45Z policy, I wanted to ask what you're hearing from your sources on how US Treasury will treat ultra-low CI like your dairy RNG with the emission factor? And even beyond that, I wanted to get your opinion on what you're seeing in values for your dairy RNG for 45Z applications where you could create again very low CI hydrogen that could have a nice multiplier on it as well?

Eric McAfee

Yes. The recently released let's call it amended agreed model that came out last week gives us guidance that there is -- just like in California whatever the calculation is if it's carbon negative 320 then that's what the number is. And there does not seem to be any pushback on that topic by any of the people we've spoken to and inside the agencies.

We've set the USDA Office of Chief Economist spent an entire day here. And that the number sits in these meetings with the IRS and the DOE in the White House. And so, there is an encouragement of ultra-low CI. Now we all know that biogas is the big winner in this with negative hundreds, 300, 400.

And so, carbon negative renewable, hydrogen will also be another big winner. So biogas can make the replacement of diesel into engines directly or make renewable hydrogen that goes into diesel engines replace diesel consumption or can go into electric vehicles. So all three of those pathways are the mechanism that biogas is using to really be the -- probably the biggest winner in the Inflation Reduction Act 45Z, et cetera.

Derrick Whitfield

Perfect. Thanks for the color, Eric.

Eric McAfee

Absolutely.

Operator

Your next question is coming from Jordan Levy with Truist Securities. Please put your question. Your line is live.

Jordan Levy

Hello. I appreciate all the details. Maybe I appreciate the comments on the trajectory for the biogas digester build-out. Maybe just over kind of the near term the next three, four quarters or so, how should we think about the ramp in LCFS credits? And where do you stand kind of in that process from moving from conditional to final pathway approval there?

Eric McAfee

Let's take it backwards. We filed in May of 2023 for our initial round dairies. The process is basically you sit there and nothing happens. And then all at once, they review your application in a very short period of time with a few months, it's approved. But it's a bottleneck of projects that has caused that as of today, they haven't actually even started looking at our project.

But as soon as they look at it, it then has a very quick sort of 90-day review process and some other stuff, and it happens very quickly. So we are expecting during the third quarter that that process will occur. And because of the way that they do their approvals, in the quarter of the approval the beginning of that quarter is when we get to do the LCFS credits.

So as early as July 1, we could very easily be getting basically, twice as much revenue from low carbon fuel standard credits than what we have today. So we are not aware of anything that would prevent it from being July 1. But on the other hand, it's all subject to the activities of staff and they have been behind. So, either it's going to be effective July 1, or sometime in the fall that we would essentially double our LCFS credits.

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The production of biogas is what generates those credits and we are ramping up rapidly because of two factors. Number one, we're adding more dairies. We brought three more dairies on so far this spring. We'll continue to bring on dairies. But secondly, is the weather. In the winter time it's colder and therefore, these passive solar digesters generate less revenue during winter. And then the summer, they literally double their revenue. So you have a ramping in the spring time, in the summer and it continues into the fall here in California.

So we have a double rank ramping the provisional plus seasonal. Next winter we'll have more dairies online. So it's not like we see much of a decline in revenue, but just the rate of growth will slow next winter. So we have an uncertainty, which is will we get a July 1 effective date or an October 1 effective date, and that's based upon the performance of staff. We are, of course, pushing hard for a July 1 effective date for those initial digesters, which would be approximately half dozen digesters by the way.

Jordan Levy

Got it. Appreciate that. And then maybe just to move on to Riverbank and how you're thinking about some high-level dynamics there. This morning Vertex announced they were switching some renewable diesel production back conventional. And we know that there's current margin headwinds in the renewable diesel space. And I also know that this is an apples-to-apples necessarily, because you're focused on aviation fuel and you have some interesting feedstock opportunities. But maybe just help us think about kind of the path from where margins for SAF sit today to where you expect them to go and also kind of the benefits you have at Riverbank when that plant comes online to help you from a margin perspective as well?

Eric McAfee

Absolutely. Renewable diesel and SAF have sort of started to diverge as businesses. The production facilities were not historically designed, when they were building renewable diesel plants to be able to be flexible and produce SAF.

In the current designs for new plants, Topsoe out of Europe has been the winner with over 90% of the new renewable diesel plants in North America in the last three years selecting one technology provider.

That technology provider for an additional capital expenditure spends which could be up to $50 million for a plant of our size. Does allow you to have the HydroFlex technology where you literally can dial in, moving from renewable diesel to SAF.

We decided to make that investment. In our case it's going to be roughly $30 million that will allow us to produce SAF 100% or frankly, produce RD 100%. And we think that flexibility is important, because of the uncertainties in the Inflation Reduction Act in and frankly in the low-carbon fuel standard.

So we also have Scope 3 emissions which are a significant revenue source for avIation fuel that does not exist for renewable diesel. So Vertex did not have an opportunity to get Scope 3 emissions.

I think you guys know, that there was a recent SABA transaction with Microsoft and some others for about $200 million related to 50 million gallons of SAF. So that's roughly $4 a, gallon revenue that Vertex and others that are renewable diesel players do not have access to.

So our belief is having the flexibility is important. That's a $30 million investment that may never pay off for us. We might always run this as an SAF plant. But in the uncertain condition that there's a year or two, where we need to just produce renewable diesel well incentives are being adopted we are going to be in that position.

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We are very familiar with the Vertex. I don't know if you know it, but I'm the former -- I'm the guy that acquired Vertex and took them public, from my public company in 2006 acquired Vertex and brought in Ben Cowart as the CEO and built the company, did about $2.6 billion of revenue last year about $161 million of positive cash flow.

We are very close with the management team over the last 15 years having been the guys that acquired them and made them a Public Company. So they are in a very special situation in which their petroleum unit will make a lot of money. And so we absolutely understand their situation might be a little more unusual than someone who has a dedicated RD plant.

And I think it's an excellent move by the management team there to maximize their opportunity. And as they noted they've retained their flexibility to be able to produce renewable diesel in the future and potentially even upgrade SAF.

So I would keep them on the list of future SAF producers, but they are a great example of what happens when the low-carbon fuel standard trends downward by 30%, in a matter of a few months and 45Z doesn't really have an incentive for SAF.

You have to extend 40B in order to be able to incentivize SAF production. And with those two uncertainties, I can see why Vertex has moved back into petroleum and there were probably other producers that will be considering the same kind of move.

Jordan Levy

Absolutely. That's great insight. Thanks Eric.

Eric McAfee

Sure. Thank you, Jordan.

Operator

Your next question is coming from Matthew Blair with Tudor, Pickering, Holt. Please pose your question. Your line is live.

Matthew Blair

Thank you and good morning. So India Biodiesel segment, Eric, could you share the EBITDA in the first quarter? And then for the second quarter, is it reasonable to assume that should step up as you're able to move to a cheaper feedstock?

Eric McAfee

Do you want to catch that one?

Todd Waltz

Yeah. So, yeah, let me take that question, because I don't have a ready-hand EBITDA I do have gross profit. So for our India Biodiesel, the gross profit it was $2.8 million on the $32.7 million of revenue.

Eric McAfee

In the second half of your question, yes, the winter time requires a different feedstock, because November, December, January, February they have colder conditions in India and so they have a different temperature in which the biodiesel has to be able to not start gelling.

That requires a different feedstock. And so our March performance was significantly better than the winter time. And during the summer here, we're in very good shape under both lower-cost feedstocks as well as able to run the plant really as fast as we can because we have a $150 million contract to supply by the end of September.

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Matthew Blair

Sounds good. And then on the dairy RNG side. So today, much of that gas is being stored. Is that correct? And when you do plan to market that gas, are there any concerns about getting it into the California transportation market just given that the RNG has such a high share I think it's up to like 98% or 99% of existing California CNG and LNG demand today?

Eric McAfee

Excellent questions. Let's take them in two parts. Stored gas. The low CARB fuel standard has a nine-month limit on how long you can store the gas we would have preferred to have actually delayed revenue and had it all be under this essentially 2x a 100% increase but the rules don't allow us to do that. So we have to sell all the gas on a trailing nine-month basis or a three-quarter basis. So we don't have quite as big of an inventory as we would otherwise have desired to have. If they let us do it, we would have invested in the medium term. But on the other hand, we have to sell the gas. So the revenues you're looking at is gas that we're having to sell because the rules required to do it.

The renewable natural gas in California comes from landfill gas which in general I would say is probably a positive 30 carbon intensity and it comes from dairy renewable natural gas which is negative 320 to negative 420 carbon intensity. Because of that difference in carbon intensity the economics for dairy renewable natural gas I would say is always much more compelling than landfill gas. So the very high penetration of RNG is now about displacing landfill gas with dairy renewable natural gas. So that's really what's going to be the phase we're in right now.

And interestingly enough there's just not enough dairy renewable natural gas even for California I don't anticipate we're ever going to have a situation in, which all the dairy renewable natural gas has been used and that there's any left over. We have a substantial shortage of that extra low -- or ultra-low carbon intensity fuel here.

Matthew Blair

Sounds good. Thank you very much.

Eric McAfee

Thank you, Drew. I am sorry, Mathew take care.

Operator

Your next question is coming from Amit Dayal with H.C. Wainwright.

Amit Dayal

Thank you. Hi, Eric. With respect to the capacity expansion efforts in India is that already -- is that work already underway? Or is that going to begin later this year?

Eric McAfee

We have two different kinds of capacity expansion. One is nameplate going from 60 million gallons to 100 million. We have equipment under design and then we'll be doing fabrication installation starting later this year. The second one is our proprietary technology to use very low-cost feedstocks. And that expansion actually is happening this quarter. So a higher percentage of our capacity will use very low-cost feedstocks and this is a competitive advantage we have. So we're actually doing two types of expansion in India.

Amit Dayal

Okay. Understood. And then with respect to -- as the business has been changing, right like one year or two years ago we're still in the midst of developing the RNG business. India was stop-and-go. But the nature of the business revenues and the operations have changed quite a bit in the last 18 months. In that context your working capital needs how are you sort of thinking about working capital? Because I know your comments around the EB-5 related funding probably address that. But how should we think about balance sheet and working capital needs, as you are ramping revenues expanding operations and getting closer to building up Riverbank et cetera?

Eric McAfee

That's a very good question because we usually talk about the capital budget financing being the focus of our efforts. We have a business model for all of our existing operations that do not put any working capital requirements on Aemetis. And I won't go into deep detail. But in general, our ethanol plant is financed by our corn supplier. They're a very large $4 billion revenues company and they desperately desired to have us as a customer. And so we said terrific. Just give us an extra five days to pay you, after we grind the corn and that will be exactly the date in which, we receive our revenue. So, we don't have any working capital deployed to run the $200 million-plus ethanol plant.

In India, our vendor is a very long-term relationship we've had since 2008 and 2009, who is a feedstock supplier to us. And between our just credit facilities because we've been in business a long time and that relationship, we are able to utilize a relatively small amount of our own working capital in India, instead use our vendors for the working capital supply.

And then in biogas, we happen to be fortunate in that we're in this capital investment phase and there's working capital budget as a part of every renewable energy for America Program funding, they have literally usually more than $1 million of working capital built into the funding, with the idea that during construction et cetera, there will be operating costs. So we've built into the construction process and then after operations, which is where we're at now, we're getting positive cash flow from operations. So, we don't have any working capital needs there directly.

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And then on our two emerging businesses, the SAF plant will be project financing. So working capital is a part of the initial funding of that financing. It will not require additional financing after it starts. And then, carbon sequestration happens to be USDA funding. So we're actually right now in the process of financing, the working capital is part of the USDA 20-year financing. So it's -- working capital is structured as part of our project financing or is provided by vendors, as we operate the plant.

Q – Amit Dayal

Understood. That's all I have, Eric. Thank you so much.

Eric McAfee

Thank you, Amit.

Operator

Your next question is coming from Dave Storms with Stonegate Capital Partners. Please pose your question. Your line is live.

Q – Dave Storms

Good morning.

Eric McAfee

Hi, David.

Q – Dave Storms

You got a couple of big projects on the horizon between the Keyes plant and Riverbank. How should we think about CapEx pace through the year? And then additionally, for the Keyes plant upgrades, should we expect any downtime associated with that MVR project?

Eric McAfee

Good question. The Keyes CapEx is essentially, a short-term working capital utilization because we already have $16 million worth of cash grants or tax credits, we can sell for cash. So of the $21 million and we've invested a big chunk of the $21 million already is equity, the remaining amount essentially is just putting up the money and then getting it back from the California Energy Commission or Pacific Gas and Electric or otherwise. So the timing of that CapEx is going to be backward loaded for this year. The installations and other activities really are Q4 and Q1 of next year. So the – again, it's not revenue generating until it's fully operating, but the spend will be mostly the back end of this year, as we're bringing in equipment.

And then in terms of downtime, during last year's maintenance cycle, we did some of the heavy lifting cutting and preparing that would have otherwise required downtime. So we are anticipating this will be relatively minimal downtime of a couple of weeks, and that the work we did last year is the longer downtime it could have caused us to be down for a month or so.

Q – Dave Storms

That's very helpful. Thank you. And then just one more. You mentioned in your prepared remarks, your work on innovative pricing structures for the SAF fuels. Would you be willing to share any of the options that you're looking at? Or what that might look like, once it's all completed?

Eric McAfee

Probably the best way to do it without taking everybody's time would be to refer to my Biofuels Digest article that I wrote, Monday of last week, Biofuels Digest I think dot-com or something but you could just Google Eric McAfee and SAF and Biofuels Digest will pop up. The success we're having in India, we think is a format for what the airlines need to look at, in order to accelerate SAF pricing. And it's -- it becomes more of a partnership between the supplier and the airline at which the airline is taking more of the risks around incentives and feedstock and energy costs. And in exchange, they can be the producer gets a more known amount of cash flow from the operations, which enables long-term debt financing at lower cost. So, we are -- that article I think gives you a pretty good insight of the way that we're thinking about it and I would invite people to take a look at that article.

Dave Storms

Understood. Thank you for taking my questions.

Eric McAfee

Sure. Thank you, Dave.

Operator

The next is question is coming from Edward Woo with Ascendiant Capital Markets. Please pose your question. Your line is live.

Edward Woo

Yes. Congratulations on all the progress and congratulations on the LCFS credit that you sold in the quarter. As you are getting more used to selling these credits should we expect them on a more regular quarterly basis? And also are you able to increase the economics that you're getting on each deal?

Eric McAfee

Yes to both of them. We will be selling them early in each quarter. They essentially will be maturing at the end of the previous quarter, but it takes a week or so for the booking to happen. So in the first half of the first month of each quarter we expect to be selling the LCFS credits.

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And then second the provisional pathways that we have applied for roughly negative 320 to negative 370 are significantly larger generators of LCFS credits than what's now is the default pathway of a negative one 50 million. So we expect to be generating between 80% and 100% more LCFS credits depending on the project.

And if the paperwork moves at the pace it's supposed to move based on discussions we've been having with staff at CARB we will have that approval in the third quarter and we'll be able to sell those then in the fourth quarter. So we're seeing that could definitely impact this year in a very material way.

Edward Woo

Great. Well, thank you. And I wish you guys a good luck.

Eric McAfee

Thank you, Ed. We appreciate it.

Operator

There are no further questions at this time. I would like to turn the floor back over to management for closing comments.

We have one more question from James Larkin, Kelly. Can we let that one flow through?

Operator

Absolutely. James Larkin you line is live. Please pose your question.

James Larkin

This is James Larkin from Piper Sandler. Thanks for taking my call. Eric I guess in a recent interview you talked about an India IPO and a potential for raising money that way. I know you've talked about it in the past but could you maybe, do you have any updates on that? Or what kind of how much money you'll be looking to raise there?

A – Eric McAfee

Sure. As we expected we are expanding our management team in India. That's through the first step of an IPO process and have some great progress there which we'll be announcing soon. And then the continued deliveries under this $150 million cost-plus contract as a part of our IPO process has been a proof of the ongoing commitment of the India government. This is not our first but our second contract and we're about to enter into what we believe to be our third. So we are basically just for proving out our business model including our proprietary low-cost processing technology enabling us to use cheaper feedstocks.

So in terms of expectations this is not a current quarter announcement. The IPO process in India is about a six-month process. And until you essentially have an IPO you don't really announce it. There are some securities regulations around that. But the indicators for the market are that just watch the press releases about new members of management who I think you'll be very excited about and our continued execution on the fundamentals of the business capacity expansion use of funds to make sustainable aviation fuel, all the things that go together to make a really exciting business in India.

James Larkin

Perfect. Thank you for that And then I guess one more question kind of sticking with India. On the tallow feedstock would there be a significant CI impact from reporting that to the U.S.? Would it be kind of competitive with other low-CI feedstocks going to different refineries there?

Eric McAfee

Yes. The India tallow product where we built a 50 million-gallon India tallow refinery and we were using that to make refined tallow we then turned into biodiesel and shift to Europe. That's why we built the refinery. That tallow does have a carbon intensity that's basically the same as U.S. tallow. But when you take it across the Pacific Ocean, there is additional carbon intensity related to that shipping.

So, the India tallow is disadvantaged compared to what I'm going to call the carbon intensity of North American tallow. What you end up with is a pricing difference though because the India tallow is bought from fragmented suppliers in a country that doesn't really value tallow. It's a Hindu country and tallow's a byproduct in the animal business. So, there's -- it's not necessarily carbon intensity that's the only factor in the commercial discussions.

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It's just -- also just the underlying dynamics of the fragmented supply chain and the basically the lack of tallow refining in India. And so we seek to continue to make good use of that market position.

Eventually, of course, it acts as a very nice hedge for our own supply chain where we can get North American product really just around our plant in Central Valley, California is probably as much as 50% of our supply chain. And yet we have this ability to import our own product from India.

James Larkin

Awesome, great. Thank you.

Operator

There are no further questions at this time. I would now like to turn the floor back over to management for closing comments.

Eric McAfee

Thank you very much everybody for joining us today. Please review the Aemetis company presentation. This is posted on the homepage of the Aemetis website. And we definitely look forward to talking with you about participating in the growth opportunities at Aemetis if you have an opportunity to join us.

Todd Waltz

Thank you for attending today's Aemetis earnings conference call. Please visit the Investors section of the Aemetis website where we'll post a written version and an audio version of this Aemetis earnings review and business update. Kelly?

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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