

# **FuelCell Energy, Inc. (FCEL) Q3 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

September 5, 2024 Thursday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 6370 words

**Byline:** SA Transcripts

**Body**

FuelCell Energy, Inc. (FCEL)

Q3 2024 Results Earnings Conference Call

September 5, 2024, 10:00 AM ET

Company Participants

Tom Gelston - Senior Executive Vice President, Finance and Investor Relations

Jason Few - President and Chief Executive Officer

Michael Bishop - Executive Vice President, Chief Financial Officer and Treasurer

Conference Call Participants

George Gianarikas - Canaccord Genuity

Ryan Pfingst - B. Riley Securities

Saumya Jain - UBS

Noel Parks - Touhy Brothers

Jeffrey Campbell - Seaport Research Partners

Presentation

Operator

Thank you for standing by and welcome to the FuelCell Energy Third Quarter of Fiscal 2024 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions].

Thank you. I'd now like to turn the call over to Tom Gelston, Senior Vice President of Finance and Investor Relations. Please go ahead.

Tom Gelston

Thank you. And good morning, everyone, and thank you for joining us on the call today. As a reminder, this call is being recorded. This morning, FuelCell Energy released our financial results for the third quarter of 2024, and our earnings press release and our quarterly report on Form 10-Q are available in the Investors section of our website at www.fuelcellenergy.com .

Consistent with our practice, in addition to this call and our earnings press release, we have posted a slide presentation on our website. This webcast is being recorded and will be available for replay on our website approximately two hours after we conclude the call.

Before we begin, please note that some of the information that you will hear or be provided with today, will consist of forward-looking statements with the meaning of the Securities Exchange Act of 1934. Such statements express our expectations, beliefs, and intentions regarding the future and include, without limitation, statements with respect to our anticipated financial results, our plans and expectations regarding the continuing development, commercialization, and financing of our fuel cell technologies, and our business plans and strategies. Our actual future results could differ materially from those described in or implied by such forward-looking statements because of number of risk factors and uncertainties. More information regarding such risks and uncertainties is available in the Safe Harbor Statement in the slide presentation and in our filings with the Securities and Exchange Commission, particularly the Risk Factors section of our most recently filed annual report on Form 10-K and any subsequently filed quarterly reports on Form 10-Q.

During the course of this call, we will be discussing certain non-GAAP financial measures. And we refer you to our website and to our earnings press release and the appendix of the slide deck presentation for the reconciliation of those measures to GAAP financial measures.

Our earnings press release and a copy of today's webcast presentation are available on our website under Investors.

For our call today, I am joined by Jason Few, FuelCell Energy's President and Chief Executive Officer, and Mike Bishop, FuelCell Energy's Executive Vice President, Chief Financial Officer and Treasurer. Following our prepared remarks, we will be available to take your questions and be joined by other members of the leadership team.

I'll now like to hand the call over to Jason for opening remarks. Jason?

Jason Few

Thank you, Tom. And good morning, everyone. Thank you for joining us on our call today.

Subscribe to Seeking Alpha for more content like this

In the third quarter, we achieved solid performance and continue to advance our Powerhouse strategy. Our revenue increased sequentially compared to our second quarter. Year-over-year, revenue decreased as expected. given the comparison against three module replacements in the prior quarter, while there were none in this quarter.

We had strong growth in generation and advanced technology revenues and continued our focus on disciplined expense and capital deployment management. We will provide more detail in the financial portion of our presentation.

Each quarter, we also like to share some non-financial highlights for FuelCell Energy shown on slide 3. to give an overview of who we are and what we do. In short, all of us at FuelCell Energy are committed to our work in support of our purpose to enable the world empowered by clean energy.

We are working to achieve this purpose by deploying our proprietary fuel cell technology platforms for energy delivery and emissions management around the world to accomplish two fundamental technology applications, decarbonizing power and industry and producing hydrogen.

Turning to slide 4, let's look at the key messages for the quarter. First, we announced a significant commercial win during the third quarter. The execution of a long-term service agreement, pursuant to which we will provide Gyeonggi Green Energy, or GGE, in South Korea with 42 upgraded replacement fuel cell modules over the next two years. In addition to the sale of these modules, under the long-term service agreement with GGE, we will provide long-term operations and maintenance services for GGE's Hwaseong Baran Industrial Complex, the largest single site fuel cell power platform installation in the world.

At quarter end, the agreement with GGE brought our total backlog to $1.2 billion, our largest backlog in two years, allocated primarily between product and service revenues.

The order from GGE represents an important milestone for us and a vote of confidence in our company from a major genco in a country that has embraced fuel cell technology as essential to its energy infrastructure.

Our manufacturing capabilities allowed us to get off to a quick start, and we shipped the first six replacement modules to GGE in August. We continue to monitor and adjust production at our Torrington facility to reduce costs while managing our Carbonate inventory position to meet current and forecasted demand.

We, along with ExxonMobil Low Carbon Solutions, are also making progress on our carbon capture project at the Esso refinery in Rotterdam. ExxonMobil's major projects team is advancing site work in Rotterdam, and FuelCell Energy is advancing module testing and validation and building the two deployment modules. In a moment, I will share more details on our progress.

Additionally, we are advancing our recently announced bio-generation project developed by Ameresco for the Sacramento Area Sewer District to convert on-site biofuels into clean electricity. The project will be powered by one of our 2.8 megawatt carbon and fuel cell platforms, which will produce carbon neutral electricity and usable heat from biogas and has the potential for future production of renewable green hydrogen, similar to our Port of Long Beach Toyota installation. The modules installed at this project site will also be our first commercially deployed CO2 recovery ready modules manufactured by FuelCell Energy. Under our agreement with Ameresco, we will also provide comprehensive maintenance services for the fuel cell system.

Subscribe to Seeking Alpha for more content like this

Third, we focused on expanding our reach into the South Korea market, as we have done with our long-term service agreement with GGE. We see a tremendous opportunity to build upon our presence and establish reputation in the market through the long-term service agreements and product sales. Additionally, applications like electrolysis, time to power, and CO2 as a delivered product are gaining momentum among a broader set of customers and geographies.

And fourth, we are taking proactive steps to maintain the strength of our balance sheet. We are making critical investments to support continuous improvements in our manufacturing process, including safety performance, to position FuelCell Energy for future growth. We are doing this while maintaining a disciplined approach to managing cash and liquidity to establish investment triggers linked to key milestones. As we grow, we will do so in a cost-effective way, maintaining the quality and safety of our operations.

Now let's turn to a couple of operational updates on key commercial and development items. Turning to slide 6, I would like to give a commercial update on the Korea market where Fuel Cell Energy has a long history and is a trusted partner to GGE, Noeul Green Energy or NGE, and Korea Southern Power Company.

I have spoken at length about the details of our agreement with GGE, but I think it is also important to look at our relationships in Korea from a wider perspective. I would like to highlight our relationship with NGE, for example, which owns a fuel cell park, which we are now servicing under a 14-year service agreement.

Under this long-term service agreement, we will oversee power plant operations and the replacement of 16 modules in 2030. The NGE fuel cell park is capable of producing approximately 150 million kilowatt hours per year of eco-friendly electricity and has been in operation since late 2016.

This history illustrates the long-term commitment to hydrogen power by the South Korean government and demonstrates the trust placed in diesel energy by NGE to maintain its power production.

Next, I want to highlight our relationship with Korea Southern Power Company, or KOSPO. In 2018, we completed construction in just nine months of a platform to produce 20 megawatts of clean, sustainable energy. To date, this platform has produced 896,971 megawatt hours of electricity. The nine-month build time demonstrates our ability to meet large-scale time-to-power requirements.

This past June 28, we held an event in Korea titled Accelerating Korea's Energy Transition with Advanced Fuel Cell Solutions, showcasing FuelCell Energy's cutting-edge technology and strategic vision. for the nation's energy future. The gathering was attended by approximately 140 leaders of the Korean energy industry, as well as fuel cell energy executives, importantly, CEO Andy Kim of GGE and CEO Chang-suk Ko of NGE also addressed the group to provide their perspective on FuelCell Energy's fuel cell technology platforms and how they support the needs of their business and commitment toward decarbonization. It was a great day that generated extensive and positive press coverage in the Korean market.

Since regaining access to the Asian market in December of 2021, we have continued to invest in scaling our commercial organization in South Korea in support of building a pipeline of opportunities in the Korean and broader Asian markets, where we believe that FuelCell Energy's differentiated technology is a desirable choice for utility scale projects. The South Korean government has established an aggressive hydrogen economy roadmap, which we believe should continue to create opportunities in this market.

Turning to slide 7, we have an update on the carbon capture and recovery demonstration we are constructing in Torrington, Connecticut. As you may recall, since last year, we have been working to add engineered carbon recovery capabilities to the SureSource 1500. We expect to complete construction later this calendar year, which will allow prospective customers to observe the operating plant and allow for the sampling and testing of recovered CO2 to verify quantity, quality, and purity requirements. We're really excited about the promise of this technology to capture CO2 emissions from industrial and commercial exhaust streams.

Subscribe to Seeking Alpha for more content like this

We believe our technology can help solve one of the world's biggest environmental challenges while also providing mission-critical certainty of price and supply of high-quality CO2 for the food and beverage industry.

Next, on slide 8. We have an image of what will be the first full-scale commercial unit for carbon capture with our Gen 2 design. This is a 600 kilowatt unit, and one of the ways it is differentiated from our traditional Carbonate module is the level of balance of plant that is integrated inside the module. We believe that this modular design will improve large-scale deployment capabilities by enabling multiple units to be stacked or rack-mounted vertically. The design is also expected to support greater uptime given its modularity and to improve maintenance flexibility. Flexibility is an essential capability to support continuous commercial and industrial operations. Our first two units are scheduled to ship to Rotterdam in fiscal year 2025.

And now, I would like to turn the call over to our CFO, Mike Bishop.

Michael Bishop

Thank you, Jason. And good morning to everyone on the call today. Let's begin on slide 10 by reviewing the financial highlights for the quarter.

For the third quarter of fiscal year 2024, we reported total revenues of $23.7 million compared to $25.5 million in a comparable prior year quarter. In the third quarter of fiscal year 2024, we reported a net loss of $35.1 million compared to a net loss of $23.6 million in the third quarter of fiscal year 2023.

The net loss in the prior year quarter included the benefit of a gain on early extinguishment of finance obligations and debt, net of $15.3 million. The resulting net loss per share attributable to common stockholders in the third quarter of fiscal year 2024 was negative $0.07 compared to negative $0.06 in the third quarter of fiscal year 2023, which included the one-time benefit of a gain on early extinguishment of finance obligations and debt net for approximately $0.04 per share.

Adjusted EBITDA totaled negative $20.1 million in the third quarter of fiscal year 2024 compared to adjusted EBITDA of negative $31.6 million in the third quarter of fiscal year 2023. Please see the discussion of non-GAAP financial measures, including adjusted EBITDA in the appendix at the end of our earnings release.

Finally, we reported a strong total cash and short-term investment position approximately $326 million consisting of cash, cash equivalents, restricted cash, and investments in US Treasuries as of July 31st, 2024.

Next, on slide 11, you will see additional details on our financial performance and backlog. In the graph on the left-hand side of the slide, revenue is broken down by category. Product revenues were $0.3 million during the third quarter of fiscal year 2024, and there were no product revenues in the comparable prior year period. These revenues were recognized under the company's new sales contract with Ameresco that was entered into last quarter.

Service agreement revenues decreased to $1.4 million for the third quarter of fiscal year 2024 from $9.8 million in the prior year period. The decrease was primarily driven by the absence of any module exchanges during the quarter.

Higher service agreement revenues recognized during the prior year third quarter were driven primarily from the module exchanges at the plants owned by Korea Southern Power Company in Korea and a module exchange at the plant at Trinity College.

Subscribe to Seeking Alpha for more content like this

Generation revenues increased 22% to $13.4 million from $11 million in the prior year period, primarily driven by revenue related to the Toyota and Derby projects, which began operations in the first quarter of fiscal year 2024.

Advanced technology contract revenues increased 84% to $8.6 million from $4.7 million. Advanced technologies contract revenues recognized under our joint development agreement with ExxonMobil Technology and Engineering Company, or EMTEC, were approximately $1.8 million.

Revenues arising from the purchase order received from Esso Netherlands BV, or Esso, an affiliate of EMTEC and Exxon Mobil Corporation related to the Rotterdam project, were approximately $3.5 million. And revenue recognized under government contracts and other contracts were approximately $3.3 million for the three months ended July 31st, 2024. This compares to contract revenues recognized under our joint development agreement with EMTEC of approximately $2.8 million and revenue recognized under government contracts and other contracts of approximately $1.9 million for the three months ended July 31st, 2023.

Looking at the top right-hand side of the slide, gross loss for the third quarter totaled $6.2 million compared to a gross loss of $8.2 million in the comparable prior year quarter. The reduction in gross loss resulted in part from higher favorable margins for advanced technologies of $1.9 million and lower unfavorable margins for generation of $1.1 million, partially offset by unfavorable product margins of $1 million. Service gross margin remained consistent quarter-over-quarter.

Operating expenses for the third quarter of fiscal year 2024 decreased to $27.4 million from $33.2 million in the prior year third quarter. Administrative and selling expenses decreased by $3 million from the prior-year quarter, primarily as a result of lower legal, consulting and shareholder relations expenses and lower compensation expense.

Research and development expenses decreased by $2.8 million compared to the prior year third quarter, reflecting a decrease in spending on commercial development efforts during the quarter as well as a shift in engineering resource allocation towards supporting the increase in funded advanced technology activities.

At the bottom right of the slide, you'll see the backlog increased to $1.2 billion as of July 31, 2024 compared to $1.06 billion as of July 31, 2023. The increase was primarily as a result of the long-term service agreement entered into with GGE during the third quarter of fiscal year 2024. Backlog for the agreement with GGE was allocated between product backlog of $126 million and service backlog of $33.6 million. Product backlog will be recognized as revenue over time as the company completes commissioning on the replacement modules to be sold to GGE.

Commissioning of the first six 1.4 megawatt replacement fuel cell modules is expected to be completed in the fall of calendar year 2024 with an additional 30 1.4 megawatt replacement fuel cell modules expected to be commissioned throughout the course of calendar year 2025. The remaining six 1.4 megawatt replacement fuel cell modules are expected to be commissioned in the first half of calendar year 2026. As a reminder, service backlog will be recognized as revenue as the company performs service at the GGE site over the term of the agreement with GGE.

Next, on slide 12, we have an update on our cash and liquidity. As of July 31st, 2024, cash and cash equivalents, investments in US Treasuries and restricted cash and cash equivalents totaled $326 million. This includes approximately $159.3 million of unrestricted cash and cash equivalents, $107.8 million of short-term investments in US treasuries and $58.8 million of restricted cash and cash equivalents.

During the three months ended July 31st, 2024, approximately 95.2 million shares of common stock were sold under the company's amended open market sale agreement at an average sale price of $0.71 per share, resulting in net proceeds to the company of approximately $65.9 million.

Subscribe to Seeking Alpha for more content like this

As discussed last quarter, the company has made certain downward adjustments to expected spending during fiscal year 2024 as a result of the pace of market development. and due to the need to continue the company's work to optimize and focus on optimizing and improving the company's solid oxide technology, including its stack life, performance, and efficiency. Adjustments to expected spending for fiscal year 2024 have included reductions in capital expenditures and company funded research and development expenses. The company has also extended the timing and deployment of certain first article solid oxide units as a result of the factors that I just mentioned. The current spending targets are included on slide 19 in the appendix of this presentation.

In September 2024, as part of its cost saving measures, the company also made job eliminations in certain areas and reduced its workforce by approximately 4%, which is calculated as a percentage of total salaries being reduced. The company expects to continue to focus its strategy to respond to market conditions which may result in additional spending and headcount reductions in future periods.

Finally, as I mentioned on this slide, the company is also pursuing financing to support our commercial efforts which includes deployment of modules to the repowering opportunities in the Korean market including the GGE project.

We look forward to providing further updates on our cash management and financing activities in the coming months.

I will now turn the call back to Jason.

Jason Few

Thanks, Mike. I will now turn it over to the operator to begin Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]. Your first question comes from the line of George Gianarikas from Canaccord Genuity.

George Gianarikas

Maybe first just to ask about the Toyota project, any update there and any follow-on interest from other parties who have looked at the facility and understood its performance.

Jason Few

On the Toyota project, we are fully operational, as we communicated some time ago, and we are providing hydrogen in addition to power and water for Toyota at the Port of Long Beach in support of their importation of the Toyota Mirai, their passenger vehicle, as well as Class 8 heavy duty trucks that have public access to hydrogen fueling as well. And that's in advance support of the requirement to have zero combustion heavy duty transportation in the port here in the next couple of years. And so, we continue to be excited about our efforts there.

With respect to follow-on projects, there are interests around follow-on opportunities. But one of the things, at least domestically, that is certainly, I think, having an impact on a number of different hydrogen projects and how decisions are being made is waiting for finalization of the tax rules from the Treasury Department. And at this point, we certainly don't expect to see those in advance of the election cycle.

George Gianarikas

Actually, great segue to my follow-on question. One of your competitors had expressed a thought that we could see 45V codification relaxation around the three pillars. Any thoughts on that and what the timing could be of any relaxation there?

Jason Few

George, it's a great question. And if I were to crystal ball this, because that's what this would really be, I think that if you look at what's happened with the Chevron ruling, I think that likely does require that the Treasury Department reassess some of their thoughts around how they want to implement the rules and how that actually comports with the language in the legislation and the intent of the legislation.

Subscribe to Seeking Alpha for more content like this

As such, I do think that that will probably have some impact in terms of how the Treasury Department thinks about the three pillars that likely align more to the legislative intent, which should be positive for companies like ours that have the capability of making clean hydrogen.

George Gianarikas

But you don't expect any clarity on that until after the election. Is that your thought?

Jason Few

My guess, purely a guess, would be that that clarity doesn't come before the election.

Operator

Your next question comes from a line of Ryan Pfingst from B. Riley.

Ryan Pfingst

How are you thinking about manufacturing expansion for solid oxide in the US today? And are you still working with the DOE on potential funding there?

Jason Few

I'll start with the first part of your question first. The answer is yes. There are a number of programs from 48C to the DOE loan program that we continue to be active in our efforts there. And as it relates to manufacturing in the US, we obviously believe that's important to be able to capitalize on the full intent of the IRA. And as a company, we are a US-based manufacturer today and have been so for the last 20 plus years. So that's an important part of just who we are as a company. But as we indicated in our published materials, we are being very thoughtful about how we're deploying capital and scaling. And consistent with the last question, getting some more clarity around this, we think is an important aspect – it was one of the milestones we look at in terms of when we're going to trigger additional capital to build out additional manufacturing capacity.

Ryan Pfingst

For my second question, could you just talk a little bit about the eFuels projects in Canada where you announced a grant a couple of weeks ago and if similar projects represent a meaningful opportunity for you guys.

Jason Few

Yeah. So, in Canada, the opportunity is to partner around leveraging our technology and nuclear to produce eFuels. What really makes that an interesting opportunity for us, and we think one that is a medium to longer term opportunity for us as a company, is leveraging the core strengths of our technology which include really high efficiency electrolysis, and then coupled with that, the ability to take advantage of heat. And when you're doing eFuels, heat is obviously part of that process, and we can leverage that heat to even be more efficient. And so, we think as these things continue to emerge and as technology components are integrated to make those economics better, to be able to compete more effectively with traditional fuels, we think that certainly creates an opportunity for us given our technological advantages.

Operator

Your next question comes from the line of Saumya Jain from UBS.

Saumya Jain

I was just wondering, do you guys have any updates on the data center front? I guess how fuel cell is playing out in regards to that.

Jason Few

Great question. We continue to see the largest amount of growth in our pipeline coming from data center opportunities and our sales team is engaged in a number of conversation or project opportunities and we're really excited about that. And the reasons we're excited about that really center on a couple of things that again we think play really nicely to our strengths.

One is time to power and we think that's an important aspect and it's clearly a challenge for data centers and in particularly hyperscalers. Number two, we think that some of the opportunity that has existed here most recently to leverage shuttered coal plants or shuttered gas plants where you've got infrastructure already in place, that real estate is starting to look a lot more like oceanfront real estate. There's only so much of it. And so, the need to really find solutions that are on site generation is really a growth opportunity for us as a company.

Subscribe to Seeking Alpha for more content like this

Thirdly, when you look at these edge data centers and typical sizes of power generation needs, and let's call that the 30 megawatt to 50 megawatt range, we feel very good about our ability to demonstrate proven track record, long run periods of large scale projects of 20 megawatts plus up to 58 megawatts, showing that we have the ability to deploy those large-scale solutions.

And then the last piece of that we think where our technology really plays quite advantageously is the fact that these edge data centers have significant cooling requirements. And our thermal energy of our platform and the ability to integrate with absorption chilling, where absorption chilling is going to be part of the solution for those data centers, again, gives us a unique advantage to provide a really holistic solution to a customer. And even to the degree that the customer chooses to use electric chilling, the fact that they would have on-site base load reliable power also meets that need if that's the direction the customer goes.

And then finally, one of the things I think that's also really a big benefit for us that we can offer a customer is advantages from a permitting perspective. A lot of edge data centers are needing to be in cities where there's air attainment issues. And the fact that we don't combust fuels, we don't emit SOx/NOx and other particulates – and if you just use California as a tough case, compared to rest of the country, the fact that we're CARB certified, our products are air permitted in California, we feel really good about helping a customer shorten the permitting issues or enable them to deploy a data center closer to the edge in an urban area, where that may not be possible for them to do with gas fired generation, as an example, or diesel backup generation. And so, we think all of those things create avenues for us to offer a compelling solution.

And the final thing I would say is our demonstrated capabilities around microgrids where you start to really shift the paradigm where the grid becomes the backup power and being able to integrate our technology in a microgrid as well with other generation assets, whether those be solar or batteries or all things that complete a really robust resiliency and reliable solution. So we're really excited about the data center opportunity.

Operator

Your next question comes from a line of Noel Parks from Touhy Brothers.

Noel Parks

Just on a couple things. It was touched on indirectly a little earlier, but I just wondered if you could talk about what you're seeing specifically with wastewater projects in your pipeline, just whether that's sort of on the increase in terms of the increase you're seeing or easing up a little bit or the same.

Jason Few

Great question, Noel. I think the Ameresco project we're doing is just an example of our platform's capability to take advantage of what is a growing movement to leverage anaerobic digesting at wastewater treatment facilities and then to utilize that fuel as a way power. And we have demonstrated our capabilities to do that on a number of wastewater projects. And one of the core benefits that we have there is our ability to directly utilize that fuel. In other words, we don't need to upgrade that fuel to pipeline quality. So that fuel never leaves the premise, if you will.

In addition to that, again, just like I just talked about absorption chilling and the benefit to leverage our thermal energy, we're able to use that thermal energy to feed back into the anaerobic digester to accelerate that process.

So the other thing that I would say there that I would just want to point out, and I mentioned in my prepared remarks, with the solution that we're doing with Ameresco, there's two other opportunities there that we could potentially leverage our technology take advantage of, and that's the production of hydrogen, similar to what we're doing at Toyota. And then also, these modules that are being deployed are carbon recovery capable. And so, to the degree that we can utilize that carbon or there's a need for that, whether it be for a product or sequestration or otherwise, that's just another value stream that can be created there.

And so, along with the Ameresco project, that's near-term revenue opportunity for us and we see that as a market that will continue to grow.

Noel Parks

And you mentioned in Rotterdam, for example, that there was site work going on there. I wonder if you could just maybe talk a little bit more about progress there and maybe if you have any thoughts on what you might be seeing from the joint marketing agreement aspect of your partnership with Exxon?

Subscribe to Seeking Alpha for more content like this

Jason Few

The Rotterdam facility is an Esso facility, which is an Exxon company. It's located in Rotterdam. And part of being able to do this carbon capture project, or for that matter, any carbon capture project, the site work that's needed to be done is all about preparing where the modules will be located. It's all about how you're going to move the flue gas from a direct air capture standpoint to feed that into our platform. And that's the work that's being done at the Esso plant.

On our side, we are in the commissioning and building process of the modules. And we included a picture in the slide deck, if you looked at that, that shows one of the modules at our conditioning facility here in Danbury, Connecticut.

On the joint marketing side, we, FuelCell Energy, and Exxon Low Carbon Solutions business are engaged in a number of conversations with customers about leveraging the technology. In these early stages, it's more around demonstration scale type projects. But we see that as all part of the overall product development and ultimately how we will commercialize the product. And so, those conversations, I would say, are going well and we have a number of them in play.

Noel Parks

Just one other sort of general question. Just wondering, since we finally reached the point that it looks like the interest rate environment could be improving a bit. I just wonder if having reached that inflection point has done anything as far as financing discussions or other sorts of investment, whether those parties – any of those parties were kind of waiting for this point to start thinking about reserving investment.

Jason Few

I'll let Mike to give you some color on that. One thing I would just say before I hand it over to Mike, we're going to hope this is not like the Sports Illustrated jinx. We're going to – they said they're going to – but we're hoping at this next September Fed meeting that that actually happens, but I'll turn it over to Mike here.

Michael Bishop

Obviously, we're excited about the changing – potentially changing rate environment. We've been able to navigate through this with actually doing project financing on our projects, being able to lock in relatively low interest loans, given the cash flow profile of our projects.

As I mentioned in my remarks, we're also pursuing commercial financing to support work that we're doing in Korea and elsewhere around repowering. We have a number of interested parties in supporting those contracts as we bring those into our backlog. So we feel like we're well positioned to execute on new financing here as we go forward.

Operator

[Operator Instructions]. Your next question comes from the line of Jeffrey Campbell from Seaport Research Partners.

Jeffrey Campbell

I wanted to ask you if you could expand a bit on the co-electrolysis projects in reference to the Canadian Nuclear Laboratories project. It sounds like an alternative approach to dealing with carbon emissions versus your concentration and sequestration efforts on the molten carbonate side.

Jason Few

That's a great question, Jeffrey. The way that we think about it is that in order to achieve the emission reductions that we have as a global community, you're going to need to do a number of different things. One of those is leveraging nuclear, in this case, and the ability to create eFuels as an alternative or in addition to existing fuels that are available today. We don't think, though, that that is an absolute total replacement for how you're going to decarbonize industry or industrial customers. We think that there's a number of industries that are just going to be really challenged to decarbonize without actually capturing the emissions from their operations.

Subscribe to Seeking Alpha for more content like this

And what is unique or differentiated about the solution that we worked with Exxon on is leveraging one of the core capabilities of our Carbonate platform. And that's the ability to directly capture the carbon. And we certainly believe that directly capturing carbon at the point source is always going to be more efficient and effective than capturing it in some other way. But our ability to capture that carbon, produce power, and also if there is a need for it, produce hydrogen, and then you could talk about that would be another opportunity in which you could do things around eFuels or synthetic fuels because you've got all of the elements now of the recipe to do that. And so, we think that our technology gives us an opportunity to leverage different sources of energy and different sources of emissions to drive decarbonization of those operations or leverage non-carbon generation like nuclear, but yet to create other value streams that will help decarbonize some other aspect of the value chain through the use of those eFuels.

Jeffrey Campbell

Last quick one, just wondering what's the initial response you're receiving from the food grade CO2 effort? I've seen the unit going up myself and it's pretty impressive and I think you recently had a presentation for the World Brewery Association. So just kind of wondering what sort of initial response you're getting.

Jason Few

I think so far the response has been really positive about the opportunity and the work that we're doing. I think if you look at CO2 utilization, I think it's roughly about 70% of CO2 utilization goes to the food and beverage categories. So it's a pretty sizable opportunity. But as you can imagine, right, offering CO2 as a core ingredient to a product, there's a different test that a customer wants in that case. And as we've learned, even the CO2 itself and the source of the CO2 can have impacts to taste. And for those that are sommeliers relative to beer drinking or other things, it's really important that we get that right. And so, this demonstration will give us the ability to offer customers the opportunity to sample the actual CO2 that would be produced from our platform, the purification process, they get to witness that, and sample and test the CO2 for purification and taste. And so, we think that that's going to be a catalyst for us to get the food and beverage customers to move forward with our technology.

Operator

At this time, there are no other questions. I will now turn the call back over to Jason Few for final closing remarks.

Jason Few

Thank you, Rob. And thank all of you for joining us today. We'll continue to execute our Powerhouse business strategy with the goal of delivering growth and optimizing returns. We remain committed to this strategy, which will allow us to develop technologies as we have done with some of the largest companies in the world. Thank you again for joining our call today. Have a great day.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

**Load-Date:** September 5, 2024

**End of Document**