Gillette refinery closing as owner shifts strategy

By The Associated Press

CHEYENNE - Evergreen Energy Inc. said Thursday that it's shutting an experimental coal refinery near Gillette and shifting its focus to a new generation of clean-coal technology and locations with better access to transportation, customers and more types of coal.

Spokesman Paul Jacobson said about 50 people at the Fort Union coal refinery were losing their jobs. The company planned to keep about three-dozen employees to maintain the idled plant. He said he didn't know whether the refinery will be used again.

"We do have human resources folks on the scene," Jacobson said. "There is some severance involved, depending on the tenure and other factors."

Denver-based Evergreen broke ground on the $109 million project in 2005 and began regular operations in 2006, Jacobson said.

Wyoming Gov. Dave Freudenthal, an advocate of clean-coal technology, said he was disappointed to hear about the loss of jobs.

"But if it's necessary to move to another more efficient plant design, hopefully we'll get it demonstrated and then have the new design moved back to Wyoming," Freudenthal said.

The plant and onsite laboratory were used to test the company's patented K-Fuel technology. The process reduces the moisture content in low-grade coal to boost its heat value and cut emissions, including mercury, sulfur dioxide and carbon dioxide.

'First of its kind'

"The plant was constructed as really the first of its kind in the world," Jacobson said. "It took a technology that was still in the laboratory and used it on a really large scale that could be used by the utility and energy industry."

In a letter to shareholders Thursday, Evergreen President and CEO Kevin R. Collins said the company worked with Bechtel Power Corp. to improve the K-Fuel plant design. He said Evergreen would pursue opportunities to build the new plants in Asia and domestically.

Rob Hurless, the governor's energy policy adviser, said it would be preferable to keep the plant in Wyoming but that the state would still benefit from Evergreen's advancement of clean-coal technology.

Wyoming, which churned out 450 million tons of coal last year, is the nation's most productive coal-producing state and has a vast supply of coal in its Powder River Basin.

"To the extent that (Evergreen) still focuses on low-rank coals like (in the) Powder River Basin, that means we'll continue to have opportunities for our coal out in the marketplace," Hurless said. "To the extent that they're successful out in the world, that should be beneficial to Wyoming coal."

The K-fuel process reduces the moisture content of low-grade coals such as lignite and sub-bituminous from roughly 30 percent to 7.5 percent and boosts the heat value from 8,000 British thermal units per pound to as much as 11,000 BTU, the company has said.

Jacobson said two core processors from the Fort Union plant - described as enormous pressure cookers that squeeze the water out of coal - could be moved to other plants.

No other construction

Evergreen has not begun construction on any new plants but has advanced to a detailed engineering and viability study on a proposed 1.5-million-ton-per-year coal refinery on the Indonesian island of Kalimantan. That project is being undertaken with investment from Sumitomo Corp. of Japan.

Evergreen officials said the Indonesian project represents the company's strategy to build plants in "terminal" locales, both abroad and in the United States.

"I think it would be fair to say that strategically it makes more sense, we've concluded, to pursue more of a terminal or hub concept, where a refinery could have more access to multiple transportation modes, coal types and customers," Jacobson said.

Jon Ballard, a technician who worked at the Fort Union plant for almost two years, said he and other workers were taken to a meeting room Thursday morning for an announcement of the plant's closure.

"Certainly, shock I would say was probably the overwhelming reaction," Ballard said by phone from his home in Gillette.

Ballard said he wasn't completely surprised because he had noticed some signs of trouble.

"Some things weren't fixed, and you kind of scratched your head and said, 'If this is going to be a viable entity, we need to take care of this problem,' " Ballard said.

Jacobson said Evergreen tested more than 100 types of coal from around the world at the Fort Union plant.