

## Chevron breached deals for biodiesel plant, partners say

### Chevron breached agreements for biodiesel plant, partners allege

By **BRETT CLANTON**

Chevron Corp. executives committed fraud when they told owners of a biodiesel plant in Galveston they would "not let you fail," but then refused to inject more money into the struggling project, partners in the venture alleged in a court filing late today.

Chevron "never intended to do anything more for the project, aside from enjoying the favorable publicity that resulted from being associated with it," said the amended plaintiff's petition in a suit brought in December by Galveston Bay Biodiesel, the partnership that owns the plant.

The partnership filed the suit against Chevron, a 22 percent owner of the plant, in Galveston County Court.

The partnership alleges Chevron breached agreements and misrepresented its intention to boost its investment in the plant in 2007.

But Russell Johnson, a Chevron spokesman, reiterated that the com-

pany, which invested in the project through a subsidiary called Chevron Technology Ventures, has lived up to all of its contractual agreements.

"The parties' agreements specifically state that the partners are not obligated to make any further contributions," he said. "The plaintiffs' allegations of fraud are a bold attempt to circumvent the clear written agreements of the parties."

In addition, the parties had agreed in writing that any disputes would be settled through arbitration, Johnson said.

But Richard Mithoff, an attorney for Galveston Bay Biodiesel, said his client is continuing its case in court.

"We intend to pursue this and achieve a just result for the investors," he said.

The Galveston Bay Biodiesel plant had been touted as one of the first large-scale U.S. production plants.

The goal was to boost production to 60 million gallons a year by fall 2007

and 110 million gallons by 2008.

But the owners said Chevron's refusal to invest more money in the plant kept it from hitting its target.

Last week, the partnership said it will spend \$15 million to settle liens against the plant and expand the facility to 30 million gallons per year by this summer.

Domestic biodiesel production increased from 25 million gallons in 2004 to more than 250 million gallons in 2006, and was expected to exceed 300 million gallons in 2007, according to the National Biodiesel Board, an industry trade group in Jefferson City, MO.

But U.S. biodiesel producers have been slammed recently by a sharp increase in the price of soybean oil and other vegetable oils used to make the clean-burning fuel. A weak U.S. market for the fuel also has hurt producers.

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