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IEEFA U.S. Report on Risks and Uncertainties Surrounding the PTTGC Ohio Petrochemical Project Raises New Petrochemical Expansion Concerns

Pittsburgh, Pa., – The Breathe Project is raising new concerns about the Ohio Valley region’s commitment to petrochemicals based on a new, independent report released today by the Institute for Energy Economics and Financial Analysis (IEEFA).

According to the report, “[Proposed PTTGC Petrochemical Complex in Ohio Faces Significant Risks](#),” a fundamental shifting business paradigm is underway for petrochemical manufacturing in the Marcellus region, especially the construction of ethane crackers in the Ohio River Valley.

IEEFA identifies several key risks to the industry:

- **Plastics prices today are 40% below** the 2010-2013 period when the project was originally proposed. Weak prices will drive profit margins below investment targets.
- **Oversupply from a global industry-wide plastics buildout** is likely to drive prices and revenues down. Supply/demand imbalances are likely to last through 2026.
- **Slower U.S. (and global) economic growth** projections by the International Monetary Fund suggest a slowdown that will impact both volume and prices.¹

These concerns highlight the weakness of the investment decision surrounding the proposed PPTGC Global plastics manufacturing facility being subsidized by the state of Ohio for a site in southeastern Ohio.

Other key questions from this report include:

- What will the state of Ohio leaders have to show for its \$50 million investment of taxpayer money into the PTTG complex besides a vacant lot?

¹Tom Sanzillo, Kathy Hipple and Suzanne Mattei, “IEEFA U.S.: Ohio petrochemical project faces high risks and shaky outlook,” Press Release, March 21, 2020. Viewed online: <https://ieefa.org/ieefa-u-s-ohio-petrochemical-project-faces-high-risks-and-shaky-outlook/>, March 21, 2020.

- What will Pennsylvania residents achieve in the long term for their \$1.65 Billion investment in the Shell plant given the poor market prospects for this industry?
- Why would Pennsylvania leaders want to double down on what appears to be losing economic and health prospects with additional subsidies proposed by Pennsylvania House Bill 1100?

Plans for the Belmont petrochemical plant are being led by Thailand-based PTT Global Chemical (PTTGC) and Daimler of South Korea. PTTGC has delayed a final decision on whether to move forward with the project and expects to make a final announcement by the end of June 2020.

The City of Pittsburgh and advocates offered the following perspectives :

“We are currently seeing a contraction of both supply and demand in our economy” said Grant Ervin, chief resilience officer for the City of Pittsburgh. “There is a good chance that this will accelerate the existing downward pressures on natural gas and plastics demand. As a result, we are going to see a great shift in the economy in the coming months and an opportunity to pivot and reset towards more sustainable approaches to materials manufacturing and energy management. Hopefully, we will head these indicators and craft a more resilient approach to economic investment that will give residents of the region the opportunity to compete globally.”

"This news only strengthens Concerned Ohio River Residents (CORR) arguments," says Bev Reed, community organizer for CORR. "The Ohio Valley needs a vision that benefits all citizens, not just a few at the top, and one that will sustain generations to come, rather than one that relies on a boom/bust industry like fracking and petrochemicals. We will encourage our elected officials to do the same. JobsOhio should have invested that \$65 million in something that is guaranteed to come here; something guaranteed to last. This project is not that. The Ohio Valley deserves better. CORR will continue to advocate for and work towards a better vision for the Valley."

“The handwriting is on the wall. Petrochemicals are a losing proposition because they will cost more to make than sell,” says Bob Schmetzer of Beaver County Marcellus Awareness Community. “It’s economics. All these companies, including Shell, must take this into consideration. Will they be able to weather this storm? I don’t think so.”

“It is clear that the thinking from leaders from 10-15 years ago that started petrochemical development in Ohio Valley for projects like Shell’s ethane cracker and the PTTG Global ethane cracker is outdated,” said Matt Mehalik, executive director for the Breathe Project. “Market conditions and economics have shifted severely and add to the findings of long-term poor health and climate impacts of such facilities. It is time to shift to a different economic development vision that steers clear of these unnecessary risks. Regional leaders need to discuss these issues in the open with the public.”

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