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## Kasich ends State of State without announcing ethane cracker in Ohio

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West Virginia officials can sleep a little easier now that the governor of Ohio wrapped up his State of the State speech with no major announcements of an ethane cracker.



Gov. John Kasich made no indication Ohio has definitely been selected as the site for an ethane cracker during his State of the State address. The speech was moved to Steubenville, the first time in Ohio's recent history the speech was not given from the state capitol.

Rescheduling the speech had fueled rumors a long-awaited announcement of the cracker siting would come from Kasich Tuesday.

Pennsylvania, Ohio and West Virginia have been heavily competing for an ethane cracker with various incentives and private meetings with interested corporations.

Corky DeMarco, executive director of the West Virginia Oil and Natural Gas Association, said he wasn't worried about the Ohio governor's speech, and wasn't even listening in on it.

"We don't think there's going to be (a cracker) in Ohio," DeMarco said, just after speech. "We still believe that we have a better than even shot at this thing. If we had a crystal ball, we'd make a prediction."

DeMarco said Gov. Earl Ray Tomblin's efforts toward attracting a cracker have been exceptional.

"We've said time and time again that we have a lot of infrastructure here that will have to be built out in other places," DeMarco said. "Consequently, we think if we're not at the top of the list, we're not very far behind anybody. We'd like to believe we are on the top of everybody's list. We haven't heard anyone, of the companies who are looking, 'we don't like West Virginia, we are looking somewhere else.'"

West Virginia has offered up a 25-year tax break for a facility that would invest more than \$2 billion in the state. The tax break, passed in the legislature and signed by the governor just weeks ago, assesses salvage value to the cracker facility, instead assessing the property at 60 percent market value.

According to an assessment by the West Virginia Center on Budget and Policy, the cracker would forego revenues of about \$303.9 million as a result of the tax incentive.

Gov. Earl Ray Tomblin and other state officials flew to Houston to pitch West Virginia as the top choice for a cracker facility to Shell Chemical, the U.S. subsidiary of Royal Dutch Shell PLC. Shell and another undisclosed company, state officials have said, are considering West Virginia sites for a cracker facility.

Shell is believed to be looking at sites near New Martinsville, and the unidentified company is believed to be looking at sites along the Kanawha River and in the Parkersburg area.

Since returning from his trip, Tomblin has said he may come back to the Legislature to fast-track further legislation to incentivize locating a cracker in West Virginia.

Kasich has also visited Houston to talk with Shell, and Pennsylvania Gov. Tom Corbett wrote a letter to Shell executives in efforts to woo the company to locate a cracker in his state. Kasich has not publicly disclosed any incentive package offered to Shell.

Pennsylvania lawmakers are working on legislation that would turn a potential cracker site into an enterprise zone with 20 years of tax reductions for any company that would invest more than \$1 billion.

According to the American Chemistry Council, a cracker in West Virginia would create 12,271, jobs including 2,484 people employed directly in the chemical industry and 6,262 through the cracker's supply chain. Another 3,524 spin-off jobs in other industries are projected as a result of the cracker.

Another 8,000 short-term construction jobs would be supported by the project, the ACC states. The chemical industry organization estimates the cost of the cracker to be about \$3.2 billion.

The facility would convert ethane into ethylene, an organic hydrocarbon used in a variety of chemistry applications. Ethylene has a variety of uses from use as a plant hormone to ripen fruit to use as a chemical feedstock for a variety of manufacturing processes.

South Charleston-based Aither Chemicals have said it would be building a smaller-scale ethane cracker, valued at about \$750 million, and have it running by 2016. That plant is expected to create a number of jobs as well, but Aither executives have announced they would wait to see where Shell located its facility before deciding in which of the three states they would build their plant.

The rush to drill the Marcellus and Utica shale formations for vast reserves of natural gas has revealed various pockets of "wet" natural gas, containing chemicals other than methane. While natural gas used as fuel is primarily methane, other liquids of natural gas, such as ethane or propane, have proven valuable.

Regardless of the location of the cracker, all three states are hoping that a nearby ethane cracker could reinvigorate the region's chemical industry.

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