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## W.Va. tries to put good face on loss of Shell cracker

By [Ken Ward Jr.](#)

CHARLESTON, W.Va. -- West Virginia government officials and business boosters tried Thursday to put a good face on Shell Chemical's announcement that it had chosen a site in Pennsylvania as the potential location for a new natural gas "cracker" plant that could be one of the biggest regional economic development projects in years.

Gov. Earl Ray Tomblin, administration leaders and others pointed to similar proposals under consideration by other companies and argued economic benefits from the Shell facility would easily spill over the border, providing significant jobs for West Virginians.

"I'm disappointed, but I'm not suicidal," said Commerce Secretary Keith Burdette.

In the much-anticipated announcement, Shell said Thursday it had signed a land option agreement "to evaluate" a site in Monaca, Pa., about 20 miles northeast of Weirton, for the multibillion-dollar project.

Shell said it would assess the commercial feasibility of the facility, perform environmental studies on the Pennsylvania site, put together engineering designs, and refine its data on the local supply of natural gas byproducts needed to supply a cracker.

Political and business leaders in West Virginia, Pennsylvania and Ohio have been trying to land the cracker, which would take advantage of the boom in natural gas drilling in the Marcellus Shale, and turn drilling byproducts into valuable chemicals, potentially creating thousands of jobs.

Government officials and economic planners in the Kanawha and Ohio valleys are continuing discussions with possible developers of at least three other cracker projects, and said they remain optimistic about those efforts.

"If people try to make it about 'just one thing,' they're simply not informed," said Charleston Area Alliance President Matt Ballard, who is trying to lure a cracker to the Kanawha Valley, perhaps to vacant property at the Bayer CropScience facility in Institute.

In the chase for the Shell cracker, Pennsylvania approved legislation that would give the project a 15-year tax abatement, while Ohio reportedly offered Shell incentives totaling \$1.43 billion. Earlier this year, West Virginia lawmakers rushed approval of a 25-year property tax break — worth an estimated \$300 million — so that Tomblin could tout the legislation during a visit to Houston to lobby the company.

After studying those proposals, the West Virginia Center for Budget Policy said in a new analysis Thursday that if tax breaks were a major factor, Shell would have chosen an Ohio site.

"West Virginia offered an almost tax-free climate to Shell, but the state fell short," said Ted Boettner, the center's executive director. "This tells us that the state's business tax climate had very little to do with Shell's decision to locate in Pennsylvania.

"Our biggest policy failure is not making West Virginia a more attractive place to live, work, and raise a family," Boettner said. "This requires investing in our people, universities, parks, infrastructure, and other public structures.

"Without a well trained and educated workforce, it is hard to compete in a global economy," he said. "We have the smallest share of workers with a post-secondary degree in the country. This should be our focus, not engaging in a race to the bottom on who can have the lowest taxes, bad regulations, and a poorer quality of life."

Tomblin and Burdette said that Shell was pleased with West Virginia, and that the decision to pick the Pennsylvania site appeared to be solely based on the lack of flatland site that met the company's needs.

Shell's preferred West Virginia site, believed to be in the Northern Panhandle, featured 250 acres of flat land, but the adjacent acreage needed to expand to 500 acres is, according to Burdette, "very much occupied."

Citing two unnamed sources "with direct knowledge" of the negotiations with Shell, The Associated Press reported that the company chose Pennsylvania because its preferred West Virginia location encroached on Mountaineer Casino, Racetrack and Resort, south of Chester in Hancock County.

Shell did not answer questions about the casino issue. Burdette would not confirm the AP report, saying that discussing specific sites and current property owners could violate a confidentiality agreement. But, Burdette said, "At the end of the day, it gets pretty obvious" who owned the site Shell was considering.

"We spent a great deal of time with the property owner and we explored a number of options," Burdette said. "I think that Shell decided that was more heavy lifting than they wanted to do."

Tomblin said Shell officials told him the West Virginia site was competitive in terms of location, transportation, and economic incentives offered by the state.

"They were very pleased with everything in West Virginia," the governor said. "It came strictly down to site selection."

Shell announced its preferred site just days after Shell CEO Peter Voser said at an industry conference that his company was "quite a few years away from a potential final investment decision" on building a cracker plant.

The cracker would process ethane from Marcellus natural gas to produce ethylene, one of the primary building blocks for petrochemicals, and important raw materials for countless everyday items.

In June 2011, Shell announced it was looking for a site to build a cracker plant somewhere in Appalachia, setting off a bidding war between West Virginia, Ohio and Pennsylvania for the facility.

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In its announcement, Shell said company officials looked at "various factors" to select their preferred site, including "good access to liquids-rich natural gas resources, water, road and rail transportation infrastructure, power grids, economics, and sufficient acreage" for the facility and potential future expansions.

Shell did not mention any of the issues West Virginia business leaders frequently complain about, such as the state's court system, environmental regulations, or union membership among

workers.

"It comes down to location, location, location," said Steve White, director of the Affiliated Construction Trades Foundation, a coalition of local construction unions. "The good thing is it's in our region instead of all of this ethane just going to the Gulf Coast."

Dan Carlson, general manager for new business development at Shell, said through a spokeswoman that the Pennsylvania site had "superior transportation logistics." Pennsylvania had recently announced plans to upgrade rail service in the area.

Burdette insisted that current rail service at the West Virginia site — which is "captive" to one railway line — was not a factor in Shell's decision.

Burdette said West Virginia officials believe the Shell project will cost between \$2 and \$3 billion and employ 500 to 1,000 people, depending on the exact size and configuration. Industry studies have projected construction of a new cracker in West Virginia would produce a series of "downstream" facilities, creating 2,500 direct jobs, 6,300 indirect positions, and 3,500 other "induced jobs" generated by the overall increase in economic activity surrounding the plant.

Tom Witt, a West Virginia University economist, agreed with administration officials who said that location of the facility so close to West Virginia would allow state residents to reap some of its economic benefits.

"We live in a very integrated economy in which state borders are only political, not economic," Witt said.

Among other cracker projects that have been mentioned publicly, South Charleston-based Aither Chemicals LLC has announced it is looking for a site to build a smaller cracker that would use different technology than Shell. Aither says its plant would cost \$750 million and produce 200 permanent direct jobs.

A third company, believed to be Brazil-based Braskem, has also said it is studying plans for a new U.S. cracker facility, and some sources say it is closely examining a Wood County location. And former state Supreme Court justice Richard Neely has said that he's working on plans for a cracker plant to be built near Montgomery.

*Staff writer Phil Kabler contributed to this report.*

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