

'Cracker' plant tax break passes W.Va. Legislature

LAWRENCE MESSINA - Associated Press - Associated Press

Spurred by the prospect of thousands of jobs, West Virginia would slash property taxes for 25 years in exchange for the construction of a specialized chemical plant tied to the region's Marcellus shale industry, under fast-tracked legislation passed Wednesday to Gov. Earl Ray Tomblin.

The state Senate unanimously approved the bill with one absence, ahead of schedule and in time for Tomblin's Thursday trip to Houston to promote West Virginia sites to the potential builders of a facility called a "cracker." These plants convert a byproduct of natural gas wells into a useful chemical by breaking down, or cracking, the chemical bonds that hold the molecules together.

Both Shell, which bases its U.S. operations in Houston, and an as-yet-undisclosed company are each expected to locate a cracker plant in the Marcellus region. A nearly unanimous House of Delegates passed the measure on Monday, also earlier than expected.

"Make no mistake about it, the Legislature's prompt attention and action on this has gained us a significant amount of attention, here and around the country, as this issue is being reviewed," Commerce Secretary Keith Burdette told the Senate Finance Committee after it endorsed the tax cut proposal on Tuesday.

State officials hope the tax break will provide West Virginia with an edge as neighboring Ohio and Pennsylvania also compete for these facilities. A cracker converts ethane, a byproduct of Marcellus natural gas wells, into the widely used chemical compound ethylene.

"We believe very strongly that we are very much in the thick of this hunt," Burdette said at Tuesday's committee meeting. "We systematically looked at the issues that we thought would make us more competitive. This was clearly the biggest one that we needed to deal with.

Wednesday's bill would greatly reduce the taxes on property, including on machinery and inventory, for any cracker facility that costs at least \$2 billion to build. Revenue officials estimate that a company that invests that much would pay \$1.5 million annually, as opposed to nearly \$30 million in the first year alone.

The American Chemistry Council estimates that a West Virginia cracker would create 12,271 jobs, with 2,484 people employed directly in the chemical industry and 6,262 indirectly through its supply chain. The remaining 3,524 "induced" jobs would be triggered by the subsequent increase in consumer spending, according to the trade group.

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Pegging a cracker's price tag at \$3.2 billion to build, the council also believes such a project would provide 8,000 short-term, construction-related jobs. Such robust estimates have prompted a high-stakes chase among the three states, with each assembling economic incentive packages to lure a cracker.

Ethylene can be used in an array of products including plastics, sneakers and tires. The chemical industry has begun turning to ethane as a cheaper "feed stock" for this compound than the oil-derived naphtha.

A cracker would need between 60,000 and 80,000 barrels of ethane daily. West Virginia officials estimated in July that the state's Marcellus shale wells pump out at least 150,000 barrels of the byproduct a day. They also projected at that time that ethane production will increase to 270,000 barrels daily by the end of 2015, when the hope that at least one cracker begins operating.

Storing ethane has become an issue in the Marcellus field. West Virginia's Marcellus to Manufacturing Task Force, commissioned by Tomblin last year to pursue a cracker and other related development, has looked at a storage farm as a possible economic offshoot. Marcellus well operators now mix the ethane with natural gas or ship the compound elsewhere in limited amounts through pipeline networks, said Kurt Dettinger, Tomblin's general counsel and a task force member.

Given the potential value of ethane, the industry seeks to avoid burning it off into the air as it comes out of the ground, Dettinger said.

Shell, which is a subsidiary of Netherlands-based Royal Dutch Shell PLC, is expected to announce in mid- to late February where it will locate a cracker in the Marcellus region. West Virginia officials have not identified the other company that wishes to build such a facility in the region.

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