Pittsburgh-area site is chosen for major refinery

KEVIN BEGOS - Associated Press - Associated Press

Shell Oil Co. has chosen a site near Pittsburgh for a major, multi-billion-dollar petrochemical refinery that could provide a huge economic boost to the region.

Dan Carlson, Shell's General Manager of New Business Development, said Thursday that the company signed a land option agreement with Horsehead Corp. to evaluate a site near Monaca, about 35 miles northwest of Pittsburgh.

The so-called ethane cracking, or cracker, plant would convert ethane from bountiful Marcellus Shale natural gas liquids into more profitable chemicals such as ethylene, which are then used to produce everything from plastics to tires to antifreeze.

The plants are called crackers because they use heat and other processes to break the ethane molecules into smaller chemical components. A cracker plant looks very similar to a gasoline refinery, with miles of pipes and large storage tanks. The final complex could cover several hundred acres.

Ohio, West Virginia and Pennsylvania had all sought the plant and offered Shell major tax incentives. Monaca is about 15 miles from both the Ohio and West Virginia borders, so workers in all three states are likely to benefit.

Shell has said that it could spend several billion dollars to build the plant, and that the complex would attract a wide range of industry and suppliers to nearby locations. But actual construction is still years away. The company said the next steps are environmental and design studies and further economic analysis, then permits.

One lifelong resident of the Pennsylvania township almost broke down on hearing the news.

"Oh my God. It makes me want to cry. That's just the best news," said Christie Floyd-Gabel, Potter Township's secretary.

It's also an unexpected turn for Horsehead's zinc factory on the banks of the Ohio River, which is currently operating. In September the company announced plans to shut the factory by 2013 and relocate to North Carolina, along with most of its 600 workers.

"That was a major loss," Floyd-Gabel said of Horsehead's plans to depart, adding that's it's amazing that another major corporation may come in to replace Horsehead.

Ali Alavi, a Horsehead spokesman, said the company would have to vacate the over

300-acre site by April 30, 2014, under the terms of the option agreement with Shell.

Shell said the Horsehead site had the mix of resource and transportation attributes "to accommodate facilities for a world scale petrochemical complex and potential future expansions."

The American Chemistry Council, in a report last year, estimated the new petrochemical complex could attract up to $16 billion in private investment and create thousands of construction jobs. Shell estimated the core plant could employ several hundred people.

Gov. Tom Corbett said at a press conference that the plant could lead to the "renewal of a significant manufacturing base in southwestern Pennsylvania," but cautioned that the announcement is "the first pitch in a nine-inning game."

If the plant is built, Shell would be able to supply it partly with gas from its own wells, giving it more control over supply and costs. The company paid $4.7 billion in 2010 for drilling rights to about 650,000 acres in the region.

Shell's choice may also represent an indication of just how strongly the industry feels about the vast gas reserves in nearby underground shale rock formations, given the multi-billion dollar commitments it has made. Carlson told The Associated Press that any plant must be economically competitive with existing cracker plants in Louisiana and Texas, and even with international plants.

The Marcellus Shale, which lies thousands of feet underground, has attracted a rush of major oil companies, who have drilled almost 5,000 new wells in the last five years. The Marcellus covers large parts of Pennsylvania, New York, Ohio and West Virginia, and drillers have also started to tap the adjacent, deeper Utica Shale formation.

Ohio and West Virginia officials had made all-out efforts to attract the plant. Last year West Virginia Commerce Secretary Keith Burdette said, "We intend to compete with the last breath in our body to attract one or more crackers," and both West Virginia's and Ohio's governor flew to Houston to meet with Shell officials.

West Virginia offered to slash property tax rates for 25 years in exchange for at least $2 billion worth of investment. Pennsylvania offered 15 years of tax breaks and Ohio also reportedly courted Shell with major incentives.

Corbett said he can't disclose the full details of the tax breaks Shell has been offered because of a confidentiality agreement, and because negotiations are continuing.

Several other companies are also reportedly considering building similar petrochemical plants in the region.