State Gives $135M Incentive Package to Land Sasol

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BATON ROUGE, La. (AP) — Gov. Bobby Jindal's administration has pledged a more than $135 million incentive package to South African energy company Sasol Ltd. to build a multibillion-dollar complex in southwest Louisiana to turn natural gas into chemicals, diesel and other fuels.

Incentives include tax breaks, a $20 million worker training facility and a $115 million payment to the company for land and infrastructure that will be left to a future governor's administration and lawmakers to fund.

Sasol announced this week that it will spend between $16 billion and $21 billion on the construction of a chemical plant and a gas-to-liquids plant that will turn natural gas into diesel, at a site in Westlake, near Lake Charles. The project is described as the largest manufacturing investment in Louisiana's history.

Jindal called it "one of the most significant economic development wins our state — and our nation — has ever recorded."

The governor's office said Sasol will create 1,250 new permanent jobs and an LSU study said the project will generate an economic impact of $46 billion over 20 years.

Landing the facility in Louisiana comes with a sizable financial commitment by the state, though the spending is on track to be less than what was promised by the Jindal administration to Nucor Corp.'s iron and steel plant in St. James Parish.

If all five phases of the $3.4 billion Nucor facility are built, the state's incentive package would pay out $160 million in loans and grants, on top of state and local tax breaks and tax-free borrowing capacity through a hurricane recovery program.

For the Sasol project, the largest slice of money pledged by the state is $115 million to reimburse the costs of buying the land and paying for infrastructure for the energy complex, which will be located on a 650-acre site near Sasol's existing chemical facilities in the area.

Economic Development Secretary Stephen Moret said the funding will be divided into two payments, $57.5 million a year, starting in the 2016-17 budget year, when the Jindal administration is out of office.

Moret said the dollars will come from either the state's construction budget or a set-aside economic development fund that is used for large-scale manufacturing projects and that currently doesn't have enough money to cover the full payment

promised to Sasol.

"The state funds will not be provided until after construction begins," Moret wrote in an email, saying Sasol must build the entire project to receive the full incentive package.

The Jindal administration also agreed to spend $20 million on a new industrial training center and equipment at SOWELA Technical Community College in Lake Charles, to help ready new employees for Sasol.

The chemical plant is slated to begin operation in 2017, and the diesel plant is scheduled to come on line in two stages beginning in 2018 and 2019, according to the company.

In addition to the cash payments and the training site, Sasol also will be able to take advantage of tax break programs that will provide payroll rebates of up to 15 percent for its new jobs and an industrial tax exemption.

When asked, Moret didn't say what his department estimated those tax break programs might cost the state, instead saying the amounts will be decided based on payroll levels, capital investment and other factors.

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