Shell Still Pursuing Ethane Cracking Plant In PA

KEVIN BEGOS, Associated Press

PITTSBURGH (AP) — Shell Oil Co. is still actively exploring a plan to build a huge natural gas processing plant in western Pennsylvania, and may have selected engineering firms to do feasibility studies.

In March 2012, Shell chose a possible site about 35 miles north of Pittsburgh for the so-called ethane cracking, or cracker, plant. It would convert ethane from bountiful Marcellus and Utica Shale natural gas into more profitable chemicals such as ethylene, which are then used to produce everything from plastics to tires to antifreeze.

But Shell has cautioned that a final decision on whether to build the multibillion dollar plant wouldn't be made for several years. While some recent media reports suggested that the project might be canceled, The Associated Press found that Shell still has scores of people working on the assessment.

Shell has an option to buy the industrial site in Monaca that's now owned by Horsehead Corp. In an early November conference call, Horsehead CEO Jim Hensler said Shell continues to be "extremely active" at the site, with "about 70 people crawling all over" it recently.

Shell spokeswoman Kimberly Wendon told the AP in an email that "our evaluation of the site continues" and that the process "typically takes several years to complete." Wendon added that the company expects a similar time frame in Monaca.

There also are other signs Shell is seriously considering the project.

Gulfport Energy Corp. said in early November that it signed a contract to provide Shell with raw natural gas for the project, if it gets built. And last month Chemical Week, an industry publication, reported that Shell has chosen two multinational engineering firms to do feasibility and pre-project planning. Executive Vice President Graham van't Hoff told the publication that Bechtel Corp. and Linde AG of Germany would do the preliminary work.

Energy experts say it's simply too early to tell whether Shell will or won't build the plant, since the final decision involves worldwide market conditions and competing projects, both within the company and by competitors. Shell CFO Simon Henry suggested in a late October conference call that the company will have to choose among several large new investments over the next year or two.

"In any circumstance of that magnitude, you're going to need to have options," said Chuck McConnell, a former U.S. Assistant Secretary of Energy who's now at Rice University. McConnell said Shell will be comparing local production and distribution

costs to existing cracker plants on the Gulf Coast, and he noted "the center of the chemical industry is not western Pennsylvania."

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 similar to a gasoline refinery, with miles of pipes and large storage tanks. The complex could cover several hundred acres.

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http://www.chem.info/news/2013/11/shell-still-pursuing-ethane-cracking-plant-pa