



Institute for Energy Economics
and Financial Analysis

Corpus Christi Polymers PET Resin Plant “Pause” approaches one-year anniversary

Is this project still viable? Should residents continue to subsidize project?

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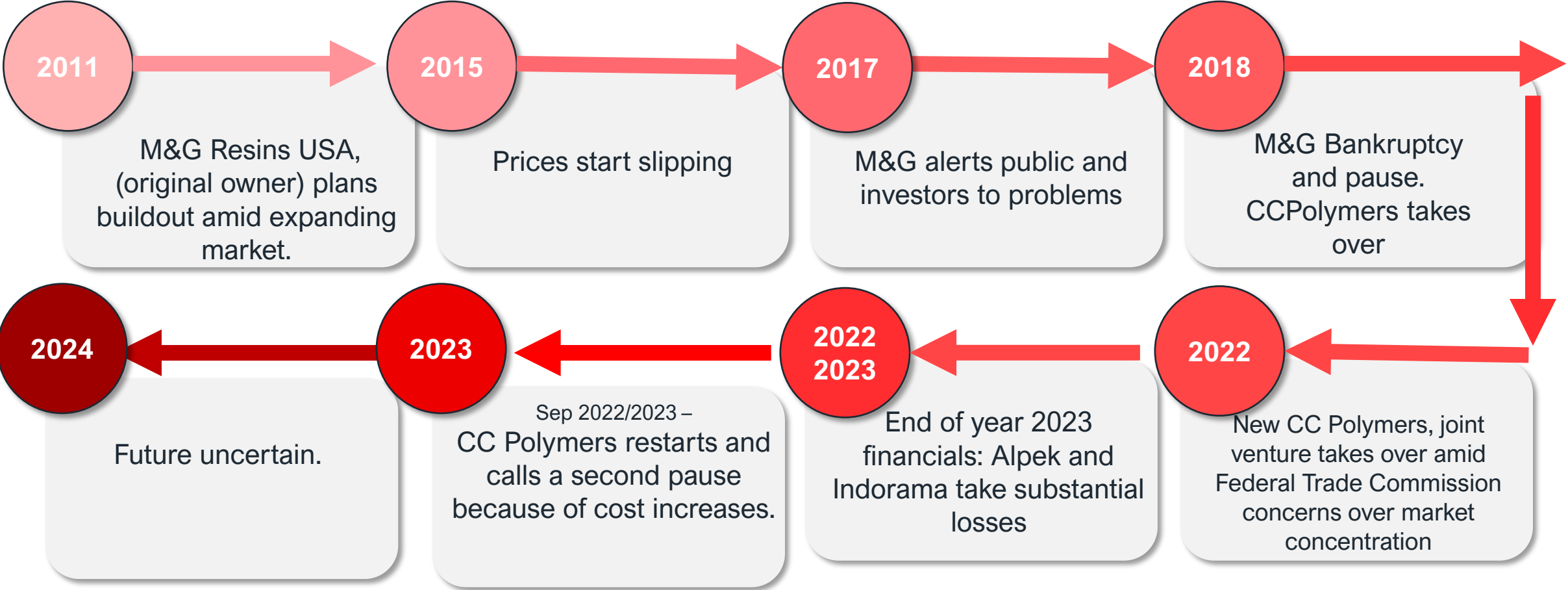
August 2024



Overview

- In September 2023, CC Polymers, owners of the troubled petrochemical facility in Corpus Christi, announced a second pause in construction of its proposed 1.1 million ton per year PET plant in Texas.
- The stated purpose of the second pause was to give the owner time to re-work project finances. Construction, labor and interest rate costs were cited as problems.
- Since the last pause – financial conditions for the project have deteriorated and the pause has lasted almost one year.
- The project faces a series of significant risks that indicate if the plant is completed and opened, it will do so to a troubled market.
- The risks include a slowing economy, low prices, rising construction costs and recycling taking market share. Alpek and Indorama two of the project partners have posted CC Polymers losses. Alpek has written off 100% of its share. Indorama has written down \$308 million.
- The company has enjoyed \$60 million in subsidy support from city, county and school board taxpayers.
- Continued support of CC Polymers by local, county and state officials is an open question.

Trouble from the start

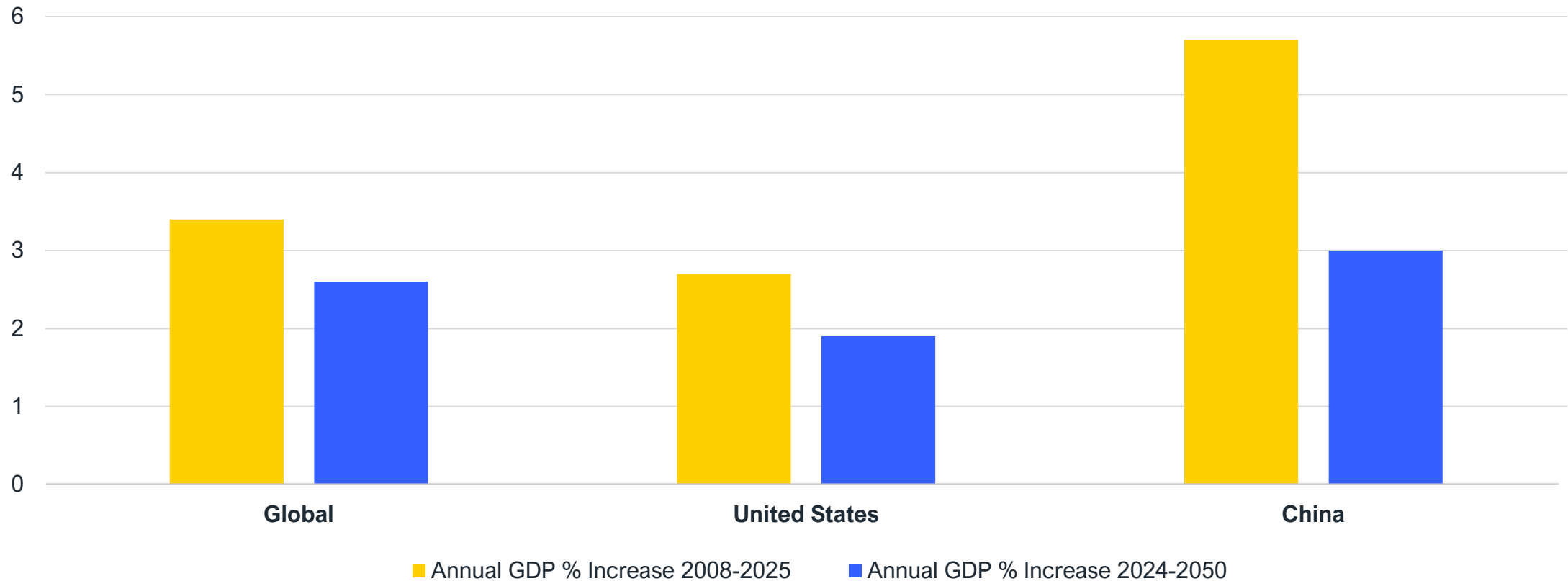




Ongoing risks combine to undermine project viability

Slow GDP growth outlook = Lower PET demand

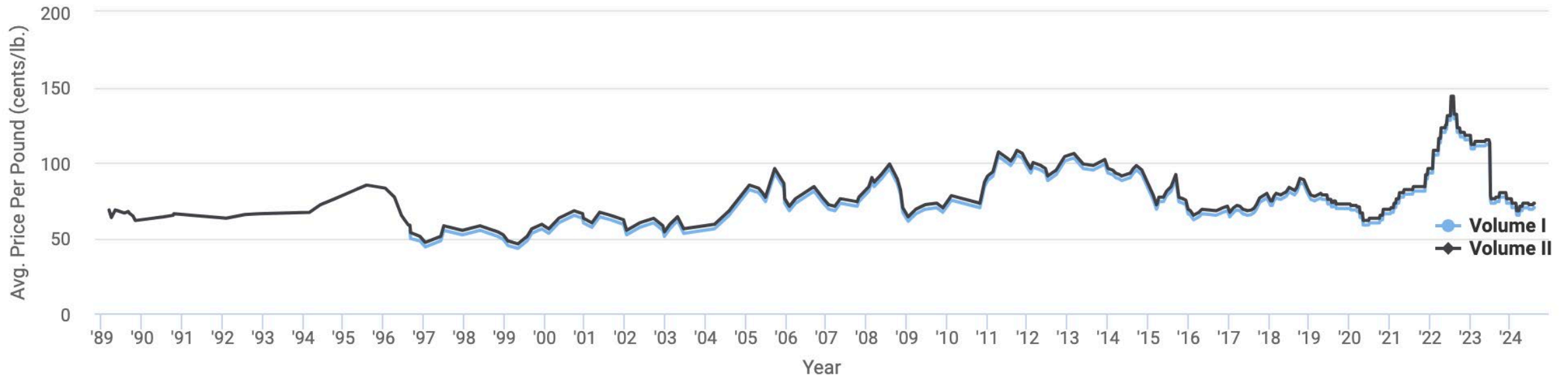
Economic Growth Outlook in 2008 and 2024



Low Prices Harm Project Viability

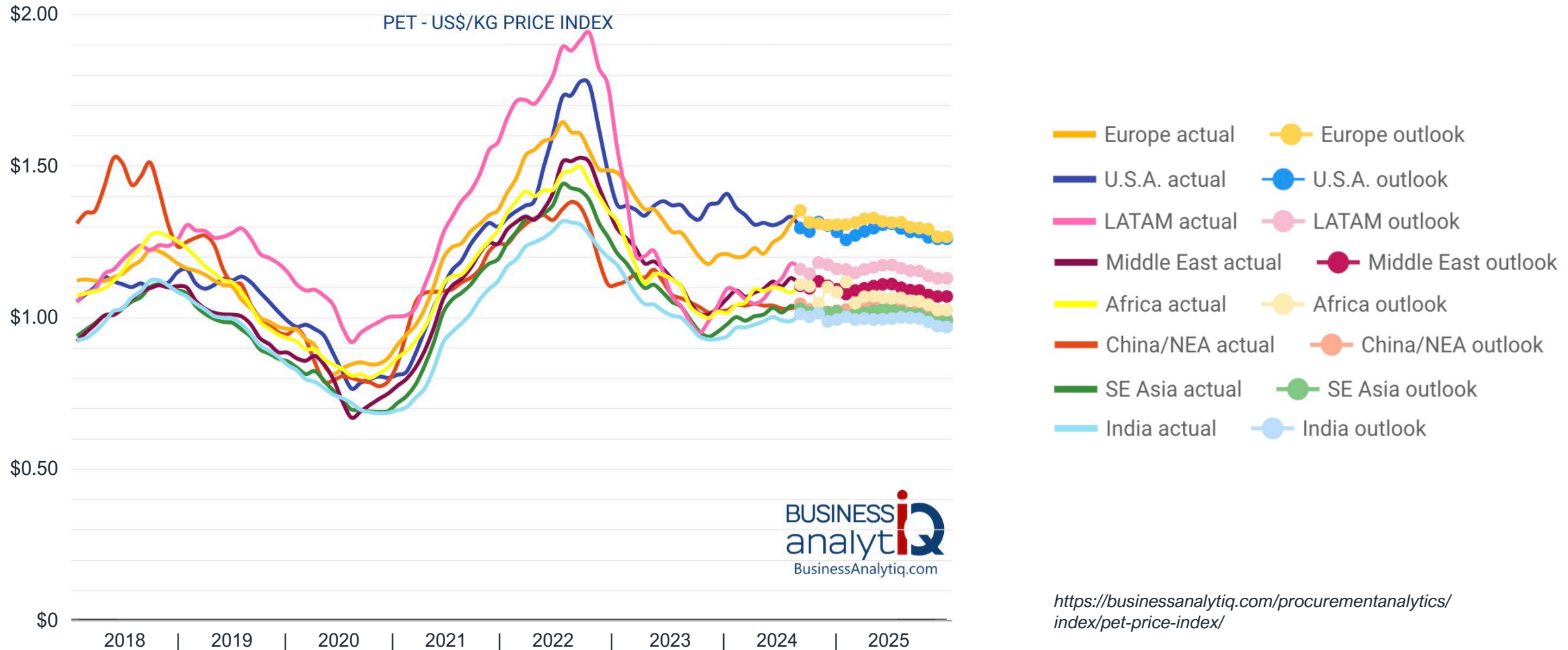
PET Bottle Resin Average Price History (1989 – 2024)

Current low price environment:
'10 –'12 rising (80 cents to \$1/lb), '24 (declining to mid-60 cents/lb.)

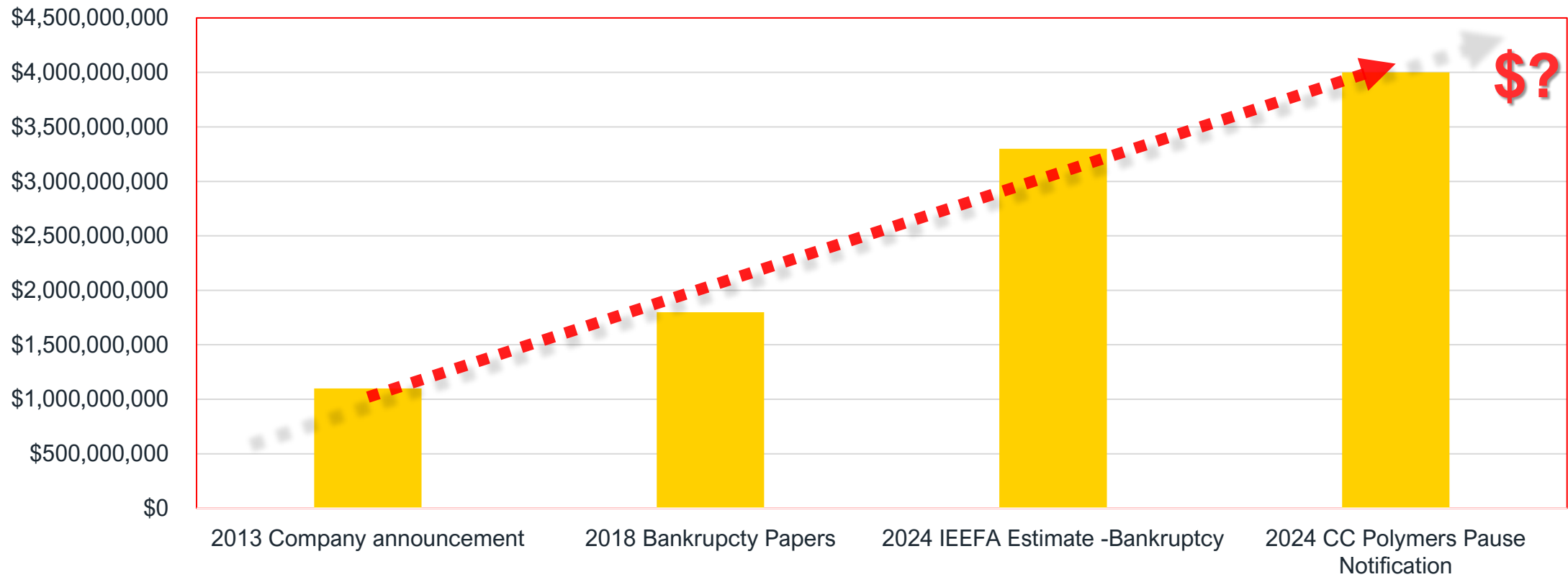


<https://www.plasticsnews.com/resin-prices/north-america#commodity-thermoplastics>

Future prices modest increase from 68-72 cents per pound. (Weak outlook = poor prospects for new plant)

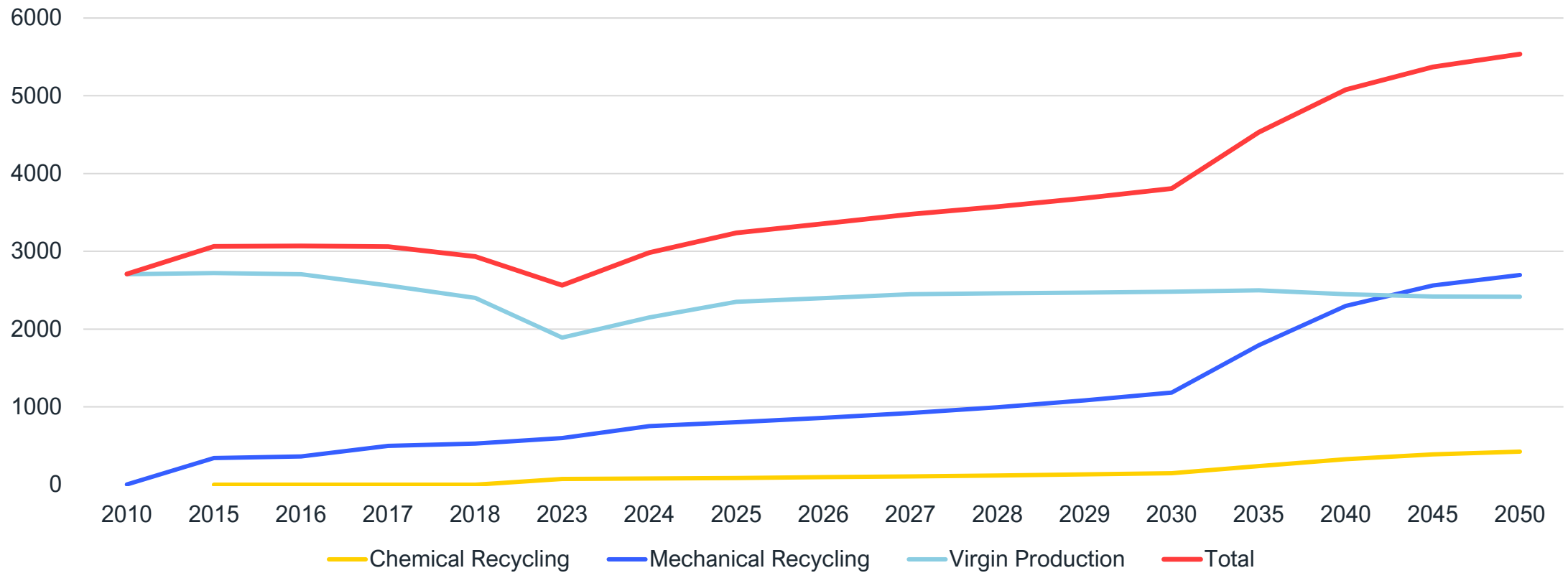


Rising Construction Prices: Cause of latest pause, along with labor and interest rates



Recycling is PET's future: No other new PET plants expected in U.S.

United States estimated PET production by process (2010-50)



Alpek says plant has no value!

- Alpek, Indorama and Far Eastern Group. Joint venture (JV) bought asset for \$1.18 billion (2018)
- 2023 Annual report writes off Alpek's total investment value: \$557 million
- Indorama writes down \$308 million
- Has Alpek withdrawn from the project? Is the total write-off a permanent loss?

	Shareholding %	2023	2022	2021
Clear Path Recycling, LLC	49.90%	\$ 105	\$ 201	\$ 251
Terminal Petroquímica Altamira, S.A. de C.V.	42.04%	61	55	43
Agua Industrial del Poniente, S.A. de C.V.	47.59%	95	88	81
Corpus Christi Polymers LLC ⁽¹⁾	33.33%	-	8,818	8,670
Investment in associates and joint ventures as of December 31		\$ 261	\$ 9,162	\$ 9,045

⁽¹⁾ As a result of the temporary pause in the construction of the plant described in Note 2d, the Company determined that there were indications of impairment in its investment, therefore, based on the requirements of IAS 36, Impairment of Assets, the Company recognized an impairment of its investment in the joint venture of \$9,591 during the year ended December 31, 2023.

ZERO VALUE

Alpek, *2023 Annual Report*, March 26, 2024 p. 107. See also page 76, 77.

Alpek (blue) and Indorama (purple) stocks are down nearly 60% over the last two years. The S&P 500, reflecting the broad market (teal), is up nearly 40%.



Water Diversion and Water Discharge Permits: Up In the Air: Status, New Assumptions ?, New Costs?, New Permit Review

Water Diversion Permit – prior approval under M & G Resins in August 28, 2014.

- CC Polymers obtained permit assignment.
- Permits expire if not used within 10 years
- Water Diversion permit size was insufficient for the needs of the plant.

Waste Discharge Permit – contested renewal, permit expires after five years.

- Community organizations in opposition
- Long contested history of desalination plants.

Will these permit issues involved delays, new investment and more public input.

Credit agencies warn about oil/gas/petchem new plants

2020



Moody's warns in September 2020



Cites eight instances of announced oil and gas facilities canceled or withdrawn due to regulatory considerations



Industry-wide negative credit implications

2021

STANDARD
&POOR'S



Standard and Poor's warns in September 2021



Formosa Plastics®



Formosa credit opinion warns company that Louisiana plant could be credit negative, risk of downgrade



Industry-wide negative credit implications

Individual delays, cancellations/poor financial performance:

Plague new petrochemical projects since warnings



Shell,
Pennsylvania,
Failed to meet
initial financial
targets



Formosa Plastics®

Formosa, St.
James,
Louisiana,
rising costs
and
community
opposition



Big Lake
Fuels,
Louisiana,
cancels
plant



PTTGC,
Ohio,
petrochemi-
cal hub
indefinite
delay



SASOL

Sasol,
Louisiana,
cost
increases,
investors
sue
successfully



mitsubishi

Mitsubishi,
Louisiana,
methyl
methacrylate
plant
delayed
indefinitely



Encina,
Pennsylvania,
recycling
plant, town
council
opposition
canceled



SHINTECH

Shintech,
Louisiana,
withdraws
air permit
for polyvinyl
chloride
plant



CC Polymers receives tax breaks

Tax Program	Amount	Final Date
Industrial District Agreement	\$1,365,654	Final Year 2024
County Chapter 312	\$18,126,422	Final Year Gross Savings 2023
School District Chapter 313	\$41,179,509	Final Abatement Year 2023
Total	\$60,671,585	

<https://www.wepaytheyprofit.com/>

Tax Breaks

1

If the project is not completed by end date, does the joint venture owe the money back?

2

Can the joint venture reapply for new benefits from city, county and state?



Questions

1. When will CC Polymers resume construction on its PET project in Corpus Christi, Texas? If so, when ?
2. When will it complete construction ?
3. Who will be the primary customers for the plant? Are there signed contracts?
4. What will be the new terms of the joint venture? Would the same three partners be involved?
5. How would the risks be addressed so that no more delays are encountered?
6. Does Alpek's zeroing out of investment mean it has dropped its partnership role?
7. What will be the final construction cost of the project?
8. Would the company have to secure new permits from Texas and possible federal environmental regulators?
9. Would the company need to reapply for Federal Trade Commission approval?
10. What is the current status of all of the tax breaks? Is the company in compliance with its agreements?
11. Would the company apply for more tax breaks?

Sources and Notes

- 2011 Announcement project <https://www.prnewswire.com/news-releases/mg-selects-corpus-christi-texas-as-the-site-of-its-1-million-tons-pet-and-12-million-tons-pta-plants-125354008.html>
- 2013 M& G makes FID <https://2b1stconsulting.com/mg-to-build-world-largest-pet-single-line-in-texas-corpus-christi/>
- <https://www.polyestertime.com/mossi-ghisolfi-group-difficulties-us-texas/>
- Troubles during construction 2017 <https://www.polyestertime.com/plastics-plant-us-texas/>
- Bankruptcy docket <https://cases.ra.kroll.com/mgusa/Home-DocketInfo?DocAttribute=3630&DocAttrName=SALEDOCUMENTS>
- Disclosures during bankruptcy: Plant costs went “overbudget” – slated at \$1.1 billion 85% complete but over budget and needed \$500 million more to complete. (IEEFA Estimate \$3.3 billion) <https://www.caller.com/story/news/2017/10/31/m-g-files-bankruptcy-puts-corpus-christi-plant-up-sale/817303001/>
- More disclosures during bankruptcy: Spent \$1.86 billion <https://www.reuters.com/article/markets/commodities/units-of-italy-s-mossi-ghisolfi-files-for-u-s-bankruptcy-idUSL2N1N61C9/>
- FTC Approvals : <https://www.ftc.gov/legal-library/browse/cases-proceedings/corpus-christi-polymers-llc-et-al-matter>
- <https://www.ftc.gov/legal-library/browse/cases-proceedings/corpus-christi-polymers-llc-et-al-matter>
- <https://www.alpekpolyester.com/alpek-joint-venture-cc-polymers-has-completed-the-acquisition-of-the-corpus-christi-project/> (\$1.2 billion settlement in bankruptcy)
- <https://cases.ra.kroll.com/mgusa/Home-DocketInfo?DocAttribute=3630&DocAttrName=SALEDOCUMENTS>
- 2022 Start Up <https://www.caller.com/story/news/local/2022/07/22/after-three-years-construction-resumes-on-corpus-christi-polymers/65379646007/>
- <https://www.hydrocarbonprocessing.com/news/2022/07/corpus-christi-polymers-plant-in-texas-resumes-construction>
- September 2023: <https://www.alpekpolyester.com/alpek-announces-corpus-christi-polymers-pauses-construction/>

Sources and Notes

- Tax abatements: Auto Case, Tax Exemption Analysis of Nueces and San Patricio County, September 2022 <https://www.wepaytheyprofit.com/>
- Impairments: <https://www.annualreports.com/Company/alpek>
- Alpek, 2023 Annual Report, January 31, 2024. Pg. 67. \$557 million impairment and zero-ing out the investment. March 26, 2024
- Indorama <https://www.indoramaventures.com/en/updates/other-release/2126/indorama-ventures-evolves-its-business-strategy-as-it-pivots-towards-structural-shifts-in-the-global-chemical-industry>
- \$308 impairment.
- Difference between write down and write off: <https://www.investopedia.com/ask/answers/070715/what-difference-between-writeoff-and-writedown.asp>



Thank you

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