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Comments of the Institute for Energy Economics and Financial Analysis (IEEFA) to the Texas Comptroller of Public Accounts Regarding the Jobs, Energy, Technology and Innovation Act Form AP-243 as submitted by the Exxon Mobil Corporation

February 19, 2025

Introduction

The Jobs, Energy, Technology and Innovation Act Application Form AP-243 submitted by Exxon Mobil Corporation and posted December 23, 2024 by the Texas Comptroller on its website as J0014 for property tax abatement with Calhoun County ISD appears to have a discrepancy between tab 2 (description of the project) and tab 8 (the Economic Benefit Statement), and the form as posted does not provide for public review information that would be important to assess whether the project should be granted property tax abatement from the State of Texas.

Property taxes fund public services at the local level, providing the revenues that cover essential services like education, public safety, infrastructure buildout, and healthcare. Local communities considering property tax abatement are assuming that long-term economic growth of their region will ultimately compensate for the revenues foregone while the company receives the break over a 10-year period.

Our preliminary analysis of the application raises the following questions and concerns:

Impact on jobs

The Economic Benefit Statement in tab 8 relies on a "hypothetical" assumption for peak construction employment in year 2029 averaging 15,385 workers. However, this amount is obviously much larger by comparison than the figure the company provides in tab 2, where it states, "Peak construction workforce requirements are over 3,000 people per day."

Holding all assumptions from the *State of Texas Benefits: Economic Impact and Tax Revenue* section constant except employment, which was discreetly noted with a "hypothetical" disclaimer, we provide the following comparison of tab 8 tax revenue, associated with construction employment, with tax revenue derived from peak construction employment as described in tab 2. For a conservative comparison, we use a figure of 3,500 as a reasonably high

estimate of peak construction workforce consistent with the application's phrase "over 3,000 people per day."

If 3,500 people were to constitute average peak construction employment in the year 2029, then for the five years of construction:

- Average annual direct employment would equal 2,380, rather than the application's figure of 10,462.
- Indirect and induced employment would equal 2,996, rather than the application's figure of 13,170.
- Total payroll would equal $1.5 billion, rather than the application figure of $6.8 billion.
- Sales tax collections associated with total employment during the construction phase would equal $25 million, rather than the application's figure of $110 million.
- Other Taxes and Revenues during the construction phase would equal $31 million, rather than the application's figure of $135 million.

Long-term profitability

From an economic perspective, the challenges facing the petrochemical industry appear to be structural rather than merely cyclical, leading to the emergence of value-destroying projects. Margins are under significant stress, with the sector experiencing its lowest utilization rates in a decade, and the current weak market is expected to persist through 2030 and beyond.

When Exxon first announced its proposed plant in Calhoun County on December 23, 2024, it provided little financial detail beyond an estimated capital investment of $8.6 billion. However, in a recently released supplement to its application, Exxon disclosed additional specifics, including plant capacity (2.2 million metric tons per year), an updated construction cost range ($8–11 billion), and polyethylene capacity projections (1.8–2.7 million metric tons per year).[1]

While these disclosures offer more insight, a thorough economic analysis of the project requires Exxon to address several critical questions. Providing this information is essential for both the Comptroller and the public to properly assess the project's financial viability and broader economic impact.

Utilization Rates: What kind of capacity utilization does Exxon expect during ramp-up and stable operations?

Revenue Projections: Exxon projects revenues starting from $1.1 billion in 2031, growing to over $2 billion annually in next 30 years. What kind of commodity price assumptions are being factored in and how are future commodity price assumptions determined?

Market and Demand Assumptions: It would be important to understand the assumptions Exxon is making regarding market demand for the plant's products. More importantly, how does the plant's output align with global and regional petrochemical demand forecasts?

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[1] Comptroller.Texas.Gov. *Jeti Application Details*. February 11, 2025

Financing and Capital Structure: How is the project being financed (debt vs. equity) and what is the hurdle rate that the company has assumed for the project (projected internal rate of return [IRR] or net present value [NPV])? Notably, Exxon has revised its expected capital investment upward from $8.6 billion to a range of $8–11 billion, raising further questions about the underlying financial assumptions and risk assessment.

Comparative Benchmarking: How does this project compare economically with similar petrochemical plants in terms of CAPEX, OPEX, and margins? Are there efficiency gains or technological advantages that differentiate it from competitors?

For comparison, Shell's ethane-to-ethylene cracker Monaca plant in Pennsylvania required a $14 billion investment to produce 1.6 million metric tons per annum (MTPA) of polyethylene resin pellets.[23] Given this benchmark, there is a strong likelihood that Exxon's actual capital expenditure could surpass its initially stated range of $8–11 billion.

Environmental and Regulatory Costs: What are the anticipated environmental compliance costs (emissions controls, waste management, CCS)? How do environmental mitigation measures affect the cost structure?

Risk Analysis:

- What are the key operational, financial, and regulatory risks?
- Are there contingency plans for economic downturns, feedstock supply disruptions, or environmental incidents?

Conclusion

Given the potential $189 million dollar discrepancy in projected tax revenues during the construction phase based on conflicting information in the application; the lack of transparency to the public regarding capacity, utilization rates, market and demand assumptions, financing and other matters noted in these comments; and the underlying concern regarding financial risks and the structural demand shift the petrochemical industry is currently experiencing, the Comptroller should obtain from ExxonMobil sufficient information to evaluate the project in the context of long-term economic development for Calhoun County. ExxonMobil should share this information for public comments as well.

Appendix included.

[2] IEEFA. Shell's Pennsylvania petrochemical complex: Financial risks and a weak outlook. June 04, 2020
[3] IEEFA. Shell acknowledges $14 billion price tag for petrochemical plant, more than double street estimates. February 08, 2024.

Appendix

Comparison of Tab 8 Economic Benefits Statement from Construction Employment to Tab 2 Estimate for Peak Construction Employment

Hypothetical Economic Benefit Statement - Summary of Construction Impacts from Tab 8

Year	Weighting of peak construction payroll	Construction Payroll (40% of Annual Construction Spend)	Indirect & Induced Payroll (Multiply previous column by 0.994)	Total Payroll	Total Payroll x 26% (Est. Taxable Spend) x 0.0625 (Sales Tax Rate)	Total Employment x $1072 inflating at a rate of 3% per annum	Construction Employment*	Indirect & Induced Employment based on multiplier of 1.26 times Construction Employment	Total Employment
2026	40%	$ 400,000,000	$ 397,647,059	$ 797,647,059	$ 12,966,850	$ 14,901,790	6,154	7,747	13,901
2027	80%	$ 800,000,000	$ 795,294,118	$ 1,595,294,118	$ 25,933,700	$ 30,697,686	12,308	15,494	27,802
2028	80%	$ 800,000,000	$ 795,294,118	$ 1,595,294,118	$ 25,933,700	$ 31,618,617	12,308	15,494	27,802
2029*	100%	$ 1,000,000,000	$ 994,117,647	$ 1,994,117,647	$ 32,417,125	$ 40,708,969	15,385	19,368	34,752
2030	40%	$ 400,000,000	$ 397,647,059	$ 797,647,059	$ 12,966,850	$ 16,772,095	6,154	7,747	13,901
Total		$ 3,400,000,000	$ 3,380,000,000	$ 6,780,000,000	$ 110,218,225	$ 134,699,157			
Annual Average Employment							**10,462**	**13,170**	**23,632**

*Annual construction employment is derived from dividing construction payroll by an average annual wage of $65,000, with construction payroll = 40% of construction spend (see Schedule A in Application).

Year 2029 is highlighted because peak employment occurs during this year.

Impacts Tax Revenues from Constuction Employment Using Tab 2 Description

Year	Weighting of peak construction payroll	Construction Payroll based on $65000 x Construction Employment	Indirect & Induced Payroll (Multiply previous column by 0.994)	Total Payroll	Sales Tax Attributed to Labor Increase = Total Payroll x 26% (Est. Taxable Spend) x 0.0625 (Sales Tax Rate)	Other Tax Revenues Attributable to Labor Increase = Total Employment x $1072 inflating at a rate of 3% per annum	Construction Employment (assumes peak employment times Weighting of peak construction payroll)	Indirect & Induced Employment (based on multiplier of 1.26 times Construction Employment)	Total Employment
2026	40%	$ 91,000,000	$ 90,464,706	$ 181,464,706	$ 2,949,958	$ 3,390,157	1,400	1,762	3,162
2027	80%	$ 182,000,000	$ 180,929,412	$ 362,929,412	$ 5,899,917	$ 6,983,724	2,800	3,525	6,325
2028	80%	$ 182,000,000	$ 180,929,412	$ 362,929,412	$ 5,899,917	$ 7,193,235	2,800	3,525	6,325
2029†	100%	$ 227,500,000	$ 226,161,765	$ 453,661,765	$ 7,374,896	$ 9,261,290	3,500	4,406	7,906
2030	40%	$ 91,000,000	$ 90,464,706	$ 181,464,706	$ 2,949,958	$ 3,815,652	1,400	1,762	3,162
Total		$ 773,500,000	$ 768,950,000	$ 1,542,450,000	$ 25,074,646	$ 30,644,058			
Annual average employment							**2,380**	**2,996**	**5,376**
Difference between Tab 8 and Tab 2				$ (5,237,550,000)	$ (85,143,579)	$ (104,055,099)	(8,082)	(10,174)	(18,255)

†Tab 2 of the application includes this description. "Peak construction workforce requirements are over 3,000 people per day." We assume that peak to be 3,500 laborers.

All calculations are derived from assumption that peak construction workforce averages 3,500 people in year 2029.

All other assumptions from Tab 8 held constant except construction payroll being 40% of construction spend. 4