Institute for Energy Economics and Financial Analysis
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FACT SHEET

PTTGC Petrochemical Complex: Unacceptable Risk for Investors and Ohio

The corporate sponsors of a proposed plastics-manufacturing petrochemical complex in Belmont County, Ohio, have repeatedly delayed making a final investment decision on whether to go forward with the project. Recently, they admitted that they cannot provide a firm deadline—at all—for that decision because of the coronavirus pandemic. Moreover, industry trends indicate that even if the project is built, it will encounter major problems.

This is not good news for Ohio. Its privatized economic development arm has already sunk $50 million into the project in the form of "pre-development grants," even though PTTGC has not committed to move forward.

Thailand-based PTT Global Chemical (PTTGC) and South Korea-based Daelim, which have been touting the project for about eight years, face several major hurdles to success, constituting an unacceptable level of risk that is likely only to worsen.

Oversupply and competition from a global industry-wide plastics buildout is likely to drive down prices—and revenues—through at least 2026.

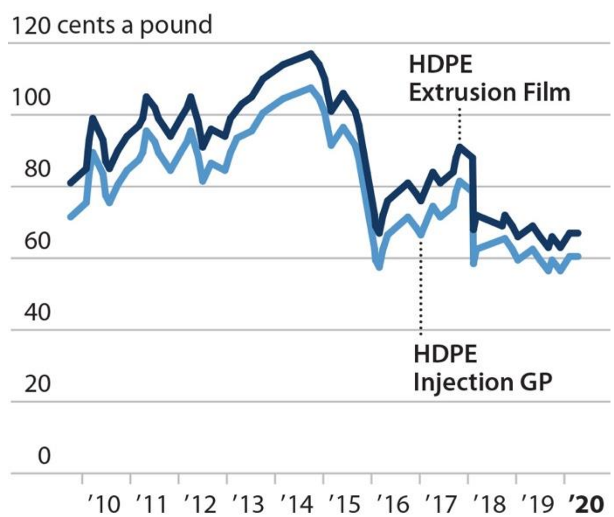
Plastics prices are already 40% lower than when the project was originally developed over 2010-2013. This trend (seen in the chart at right) stands to be compounded by the global economic turmoil created by the COVID-19 pandemic, pushing profit margins far below investment targets.

Conditions for the petrochemical business in all probability are going to get worse.

Slower economic growth is expected, and difficulties across the petrochemical industry were evident even before the recent precipitous drop in oil prices and the crippling impacts of the COVID-19 pandemic.

The risks to petrochemical ventures today are greater than ever, and the market for plastics is not likely to turn around in the near term.

Resin Prices for HDPE (High-Density Polyethylene)



Source: Plastics News

Problems associated with the PTTGC project in Belmont County include:

- The reliability of feedstock for the project's ethane-cracker is in question. The fossil fuel energy sector is in severe distress today, and the horizontal drilling and hydraulic fracturing business is no exception. Most fracking ventures are operating in the red and at risk of bankruptcy. This is true of operators across the Marcellus and Utica shale basins, from which the PTTGC complex would seek to secure its feedstock supply of ethane.

- Economic conditions across the board are at elevated risk of weaker market prices, undermining plastics-production operations as a whole and making expansions like the PTTGC proposal riskier than ever.

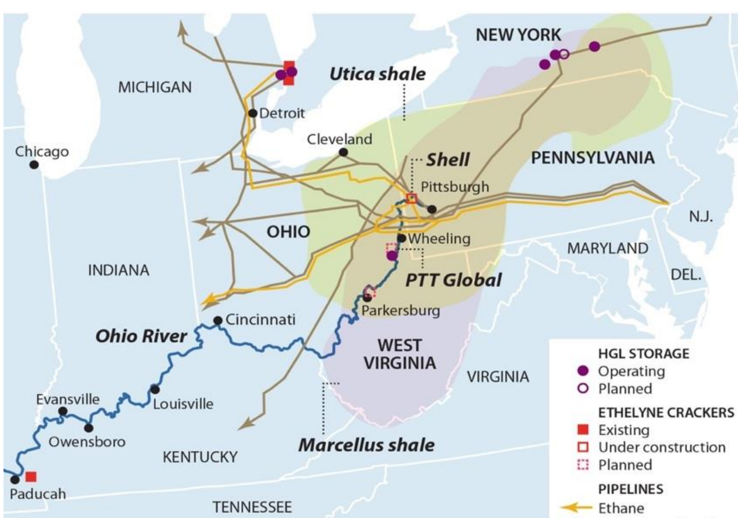
- Any new project will face vigorous and perhaps devastating competition from existing domestic and global petrochemical operations.

- The abrupt recent fall-off in global GDP suggests that purported optimism in a rebounding plastics market is completely misplaced.

- Shifting government policies regarding foreign investments in U.S. assets are creating significant financial uncertainty.

- Community opposition will present a risk over issues such as air pollution, including "fugitive" emissions which, rather than emanating from tall stacks, leak from equipment and processes closer to the ground. Under the PTTGC proposal, it would not be required to place monitors at its fence line to check for contaminants escaping into the community.

The proposed PTTGC complex is a losing proposition. It is not clear that the sponsors will proceed with it, despite receiving permits. Moreover, public policy decision-makers—rather than throwing good money after bad—would do well to consider that economic development funds could be better spent on projects with a brighter outlook.



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