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**Testimony on “Natural Gas—America’s New Energy Opportunity: Creating Jobs, Energy,
and Community Growth”**

*U.S. House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
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Good morning, Mr. Chairman:

My name is Jack Pounds, and I am president of the Ohio Chemistry Technology Council, the non-profit association for the chemical industry in the state of Ohio. The chemical industry in Ohio has always been a major part of the manufacturing-based economy of the state. Our chemical companies are engaged in the research, development, and production of highly-sophisticated chemistries that are sold to customers around the world who use them as the basic building blocks for the thousands of products that make our modern lifestyles possible. The value of chemicals produced in Ohio is more than \$28 billion annually, with approximately 20% of those representing sales to customers outside the United States.

Unfortunately, the chemical industry in Ohio--and in the United States as a whole--has been in a state of slow to no growth for much of the past decade. This reflects (1) recession or near-recession conditions in the largest markets for the products of chemistry, most notably the auto, construction, and manufacturing sectors of the economy; and (2) the advantage chemical companies outside the U.S. have in terms of feed stock and energy costs.

While tax and regulatory policies in this country have also played a role in the industry’s decline, the most significant factor has been the unpredictability in the costs of chemical feed stocks and purchased energy.

Feedstock Costs:

The basic feed stocks that are purchased and further processed by the chemical industry around the world are primarily derived from oil and natural gas. In the United States, more than 80% of the chemical industry’s feed stocks come from natural gas. In recent years, natural gas prices have fluctuated dramatically—reaching over \$13 per million British Thermal Units (BTUs) in the early to mid-2000s, and continues to be very volatile. For our chemical companies in Ohio, unpredictable natural gas supply and pricing—coupled with recession in major markets for chemicals—have stifled new investment and job creation in an industry that is the foundation for almost all manufacturing in the U.S. and that is a technology resource that is vital to our long-term economic viability and national security.

Purchased Energy:

The chemical industry is a major energy user, and purchased electricity is a large component of production costs. The threat that coal may not be a long-term source of electric power in Ohio has loomed over the industry for many years, and has a definite impact on where new investments are located by major chemical companies.

Ohio's Shale Gas Represents a Potential "Renaissance" in Ohio's Chemical Industry:

As recently as two years ago, no one in our industry in Ohio saw any "magic bullet" solution to the dual challenges of high and unpredictable costs of raw materials and purchased electricity.

Now, with the emergence of Ohio's vast shale gas reserves onto the scene, it is my belief that Ohio's chemical industry is about to experience a "renaissance". I say this because sensible, responsible development of the shales will make Ohio's chemical industry competitive with companies in any region of the world—except for Saudi Arabia and Canada. That is because the shale gas can provide both (1) lower cost feed stocks that our chemical companies will use to create innovative, high-technology content products of chemistry for sophisticated customers around the world, and (2) a long-term supply of natural gas to fuel utility boilers to generate low-cost electricity.

The feedstock benefit reflects that much of Ohio's shale formations contain high levels of "wet gases", which are fractions such as ethane, butane, and propane. These fractions are the critical feed stocks for the chemical industry today—and when they are processed through a cracking facility, will yield basic chemicals, most importantly, ethylene from ethane.

If I may refer to the chart here, a copy of which has been provided to the subcommittee, I can point out the route from a natural gas well to ethane collection to a cracker where ethylene is produced to other major chemicals and then to some examples of the thousands upon thousands of products that are critical to each of us.

Last year, the American Chemistry Council's Economics Division published an economic analysis (*Shale Gas and Petrochemical Investments in Ohio*—provided to the subcommittee) that concludes that a new cracker facility in this region with the capacity to create 1 million metric tons of ethylene from ethane could trigger construction of new chemical production facilities in Ohio that would:

- add \$4.8 billion in additional chemical production (+17%);
- lead to the direct, indirect, and induced creation of 17,000 new jobs in Ohio, \$600 million in new payrolls, and \$170 million in new tax revenues for Ohio governments; and,
- provide our existing 2,500 polymers (plastics) businesses in the state with a reliable, competitive, and close by supply of the ethylene derivatives they use in their businesses.

Mr. Chairman, as a native of this part of the state who has seen generation after generation of our young people move away to find opportunities to make a better life for themselves, I have a strong personal interest in seeing things change here. The opportunities for Ohioans to benefit from sensible development of our shale resources represent a once in a lifetime opportunity. I would urge the Congress to look upon this as an exciting first step in making our state, this part of the state, and our people players in the global economy, with a standard of living that befits a great people with a great work ethic.

Thank you again for the opportunity to share my excitement with you.