VIEWS & VISIONS

A publication of Bowles Rice LLP

Spring 2018

Market To Your Strengths

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J. Keith Burdette is the President and CEO of the Polymer Alliance Zone, Inc. (PAZ) – a five-county, public-private partnership of the plastics industry, education and government that works to create new jobs and investments and build superior workforce development programs. He is also the Business Development Director at Bowles Rice, where he assists clients and attorneys with business and economic development issues.

Burdette served as Cabinet Secretary for the West Virginia Department of Commerce during Governor Earl Ray Tomblin's administration. In that role, he also served as Executive Director of the West Virginia Development Office, Chairman of the West Virginia Development Authority and the Jobs Investment Trust, West Virginia's venture capital organization. He was a member of the Governor's Workforce Development Council and served as a member of the Community and Technical College's Board of Governors.

Burdette served for three years as Director of Policy and Legislative Relations in former Governor Bob Wise's administration. After leaving that position in 2003, Burdette formed his own business, a consulting firm, and represented both state and national businesses and organizations.

His experience in business development also includes a role as President of the Area Roundtable from 2004 to 2010, the umbrella organization for all development activities in Wood County, West Virginia, including the Wood County Development Authority and the Parkersburg-Wood County Development Corporation.

In 1996, former West Virginia Governor Gaston Caperton, in response to the most recent significant study on economic development strategies for the state, created the Polymer Alliance Zone (PAZ). Instituted by executive order, the theory behind his establishment of PAZ was a time-tested approach – market to your strengths. West Virginia had at the time a significant cluster of world-class leaders in the polymer industry located along the banks of the Ohio River. They were innovators, creating thousands of patents and producing cutting-edge plastic products right here in the Mountain State. PAZ would often celebrate this fact and tout the conditions that made them possible. By doing so, other companies of similar purpose and needs would follow.

To be honest, while the strategy was sound, conditions changed. Some of the resources that gave us strength dissipated. Mergers and acquisitions changed the players. A significant portion of both the polymer and chemical industry slowly but surely moved to the Gulf Coast region, where the feedstock necessary to make their products was plentiful, and a broad, supportive infrastructure made it readily available.

Governor Caperton could not have envisioned then that the conditions which undermined his strategy and caused a hemorrhaging of investment and jobs in our state would take an unimaginable turn of gargantuan proportions that could give the industry and the state's economy a second chance. When technology unlocked the country's shale gas reserves, it unlocked a huge economic opportunity for West Virginia. The chance to reinvigorate the former governor's plans now rests with our ability to smartly and safely develop those resources and

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successfully market their potential. The scope of the opportunity is enormous.

Think of this: Just eight years ago, the Appalachian region – specifically West Virginia, Pennsylvania and Ohio – accounted for approximately five percent of our nation's gas supply. Today, that number is 30 percent. Within two years, the percentage is expected to rise to 35 percent. If these three states were a country, it would rank third in the world for natural gas production!

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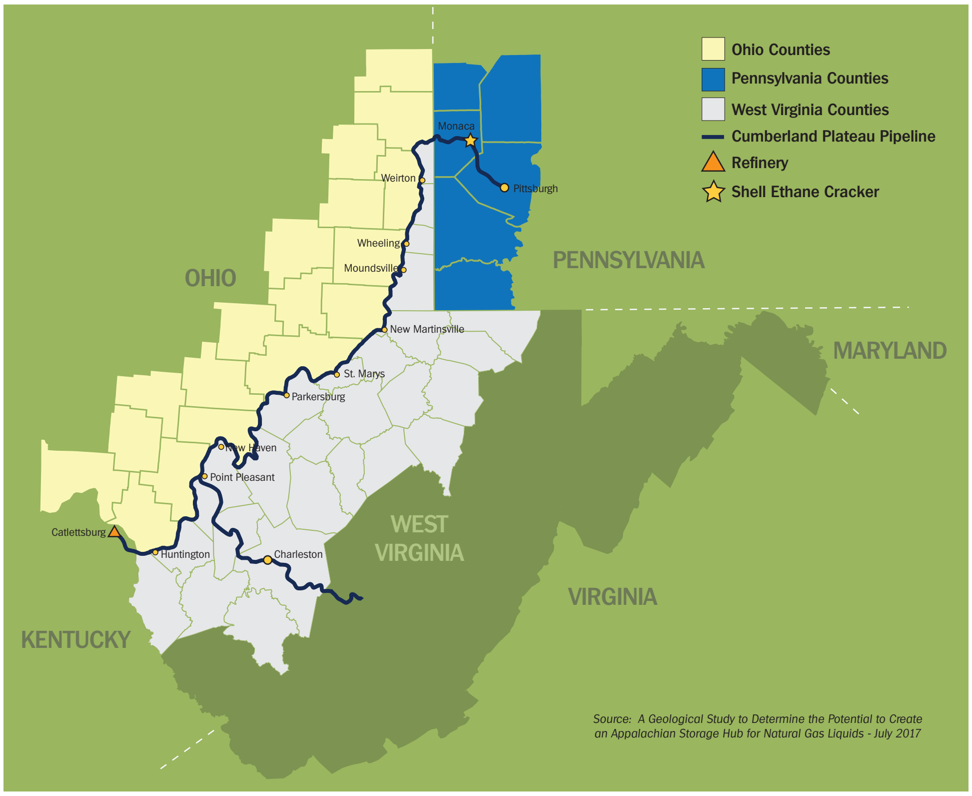
But that's only part of the equation. For the polymer industry, the abundance of natural gas liquids may hold the key to our success. Among those liquids is ethane. Ethane reserves in the three-state region may be greater here than anywhere outside of the Middle East, and some believe it may even be the largest in the world. Ethane, when "cracked," produces ethylene, which is the building block for most of the manufactured consumer goods produced in the world today.

Appalachian Storage Hub Area of Interest



Having those resources and being able to do something with them are two different things. The infrastructure is critical. That's why the chase for ethane crackers has been so intense in the region. Manufacturers can be drawn like a magnet to the plants that convert ethane to ethylene. While the jobs and investment associated with an ethane cracker are significant, the companies that might be attracted to our region because of it are enormous. The Chemical Institute of America estimates those job numbers in the 100,000-plus range.

The proposed Appalachian Storage Hub is a key component to the equation because it could allow those ethane crackers to have a single, reliable and stable source for the ethane that they currently already have access to in the Gulf Coast. I remain convinced that had the storage hub been in place five years ago, there would already have been two or three crackers in the region either under construction or in operation. And, yes, pipelines are a necessary and safer way to deliver the gas and ethane to the crackers to allow them to operate. Imagine the risk, not to mention the effect, of attempting to transport potentially several hundred thousand barrels of ethane a day over the streets and highways of our state.

All of this may sound simple, but it isn't. As the old saying goes, if it were simple, someone would have done it already. These investments will cost tens of billions of dollars. They have very specific site requirements, which is not our strong suit. Strict regulatory requirements and permits must be met. World class engineering must also be obtained.

Also, we can't assume that everyone wants this to happen. There are the NIMBY (Not In My Back Yard) folks, who have no problem consuming the product, but don't want it complicating their view of what the world should be. While I don't question their sincerity, I question their pragmatism. They are, however, a relatively small component of the population. Most West Virginians are tired of seeing manufacturing success and the jobs that are associated with them go elsewhere. We have a workforce that is anxious for new opportunities that take advantage of their skills. Our real struggle is the competition beyond our borders.

West Virginia isn't competing against Pennsylvania or Ohio to make all this happen. We are competing against Texas and Louisiana and the entire Gulf Coast, which would like nothing more than to stick a straw in our region and suck the resource and the jobs to their states. The abundance of our resources makes some of that likely. We have to make sure, however, that does not become the rule.

West Virginia has been referred to by some elitists as an "energy colony" because we have a history of extracting valuable resources from our land and shipping it elsewhere where value-added manufacturing or energy production creates long-term jobs and investments. This is an opportunity to reverse that trend and turn the extraction of a natural resource into just one step in the evolution of manufacturing in our state.

Our goal with the Polymer Alliance Zone is to help realize Governor Caperton's goal from 22 year ago. Organize our resources. Support programs and projects that will strengthen our ability to compete for jobs in polymer and related industries. Recruit new opportunities, new investments and new jobs, and advocate for strategies that will use our God-given resources for the long-term benefit of our state. Now is the time and West Virginia is the place. V