VIEWS & VISIONS

A publication of Bowles Rice LLP

Fall 2015

The Region's Competitive Advantage

Dennis Yablonsky, CEO
Allegheny Conference on Community Development and its Affiliates

Dennis Yablonsky became the Chief Executive Officer of the Allegheny Conference on Community Development and its affiliated organizations, the Greater Pittsburgh Chamber of Commerce, the Pennsylvania Economy League of Southwestern Pennsylvania and the Pittsburgh Regional Alliance, in 2009.

Prior to joining the Allegheny Conference, he served as Secretary of Pennsylvania's Department of Community and Economic Development from 2003 to 2008.

Dennis spent the first 24 years of his career working for and leading two successful software companies: Cincom Systems in Cincinnati, Ohio and the Carnegie Group in Pittsburgh.

As the founding CEO of the Pittsburgh Digital Greenhouse and the Pittsburgh Life Sciences Greenhouse, both models for the focused growth of technology companies, Dennis has experience growing companies from the ground up, to profitability and success.

He serves on the boards of the Regional Industrial Development Corporation, the Strategic Investment Fund, the Pittsburgh Life Sciences Greenhouse, Vibrant Pittsburgh, the Senator John Heinz History Center and the Pittsburgh Public Theater. He also is a recipient of an honorary doctor of humane letters degree from Point Park University for his leadership in the Pittsburgh region.

The greater Pittsburgh region has re-emerged as a leading center of energy in recent years, presenting tremendous potential to further invigorate our economy into the future despite the near-term softness in oil and gas prices. The region is at the center of the largest unconventional oil and natural gas resources: the Marcellus and Utica shale gas plays. This convergence of geology and geography provides a competitive advantage for our region as a whole and for specific industries such as plastics, at the micro level.

A June 2015 American Chemical Council (ACC) report, *U.S. Chemical Investment Linked to Shale Gas: $145 Billion and Counting*, noted that "the surge of natural gas production from shale has reversed the fortunes of the U.S. plastics industry" and "has changed the competitive landscape for U.S. plastics." The ACC is currently tracking 245 investment projects representing $150 billion of new investment in chemical manufacturing capacity announced since 2010. On top of the jobs, payroll and supply chain benefits, the ACC is forecasting $21 billion in permanent new federal, state and local tax revenue by 2023 from these investments.

Fundamental to these chemical manufacturing projections are multi-billion dollar, plastics-related investments, and there's a strong case for such investments and the resulting revenue to come our way, should an ethane cracker plant be built here – an investment about which we remain optimistic.

The abundant wet gas reserves of the Marcellus and Utica Shales under the Pittsburgh region and neighboring states would provide ethylene, after ethane is cracked. Ethylene is then converted to polyethylene, a root compound for many types of adhesives, plastics and resin.

The greater Pittsburgh region is a target for potential cracker plant investments at sites in Pennsylvania (Beaver County), Ohio (Belmont County) and West Virginia (Wood County) – states whose abutting borders are within short driving distances of each other. Regardless of where these plants may eventually be built, it's recognized that workforce opportunities and economic impact will cross state borders. A plant in Ohio, for example, is only a little more than an hour's drive – 70 miles – from downtown Pittsburgh, the urban core of the greater region.

In reality, two crackers are better than one, and three are better than two. Multiple plants will accelerate the investment in infrastructure and supply chain companies that is necessary to make even more manufacturers successful and to further strengthen our regional economy on various levels, including delivering a significant portion of the $21 billion tax revenue projected by the ACC.

Working with public and private sector partners across county and state borders, the Pittsburgh Regional Alliance, the economic development marketing affiliate of the Allegheny Conference, is assessing key competitiveness issues to make the greater region ready for multiple cracker investments. This includes a focus on infrastructure, workforce and site availability. Efforts are currently underway to engage experts to analyze pipeline infrastructure and storage needs for natural gas liquids, ensure an ample, well-trained workforce to align with industry needs and to support the preparation of an inventory of pad-ready sites.

A cracker plant is a multi-billion dollar investment in state-of-the-art petrochemical processing and would be the largest industrial investment we have seen in generations. Each project will have its own requirements and timelines, but it's expected that thousands of construction workers will be needed, and these workers will have to come from the tri-state region, as no one state could meet the demand on its own.

Once a plant is online, there will be hundreds of employees needed to keep it operating, including process technicians. Our ShaleNET program has successfully identified, recruited, trained and placed 3,600-plus people from all over Pennsylvania, as well as Ohio and West Virginia, in natural gas-related jobs. Looking to the future, it will provide a template for training process technicians and other occupations that comprise the downstream workforce drawn from multiple states in close proximity to each other.

As one or more such facilities commits to our region, we expect their customers to follow, locating nearby. We're working to develop a robust network of chemical feedstock producers and end-user manufacturers to make use of products fabricated using polyethylene (PE) as a feedstock. Producers of rigid packaging, flexible packaging and film – and their supply chains – are top of the list.

The tri-state region, centered on Pittsburgh, has a more-than-ample supply of assets – below and above ground – that can tip the scales of business investment in favor of multiple ethane cracker investments in Pennsylvania, Ohio and West Virginia, as well as the attraction of PE manufacturers to set up facilities here. Continued collaboration between neighboring states will allow us to leverage – to maximum benefit – the greater region's competitive advantage. And that competitive advantage has the potential to make Pennsylvania, Ohio and West Virginia winners. V