

Houston BizBlog

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U.S. chemical investment breakdown proves Gulf Coast is still king



About half of the \$71.7 billion in new U.S. chemical investments are from foreign companies.

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There's no question that the chemical industry is booming here in Houston. However, some may still be wondering to what exact degree new chemical investment will affect the area's jobs, tax collection and construction in the short and long term.

The American Chemistry Council has answered that question with a new study, "Shale Gas, Competitiveness and New U.S. Chemical Industry Investment: An Analysis Based on Announced Projects."

For this study, ACC analyzed the plans of 97 U.S. chemical plant projects that have been announced or are currently ongoing. Guess what? A whopping 78 percent of them are in the Gulf Coast.

Also, the total investment price tag for all 97 projects is \$71.7 billion to be spent between 2010 and 2020. On the job creation side, between 2010 and 2020 more than 485,000 direct jobs will be created, more than 258,000 indirect jobs will be created, and more than 442,000 jobs will be induced in communities around the investment areas. As for taxes, the ACC expects the investments to create \$20 billion in federal, state and local tax collections.

It's not surprising that the Gulf Coast, and mainly Houston, will reap the benefit of these investments. Houston has historically been and will continue to be a chemical hub since it has built up the infrastructure, pipelines and exporting capabilities for chemicals that are derived from oil and gas. Also, with the recent advent of horizontal drilling in U.S. shale formations, Houston has become flooded with natural gas and natural gas liquids from these shale plays. These products have always shipped into Houston, but now they are coming in at rates faster than ever before and historically low prices. Chemical companies need natural gas to power their plants, and many use natural gas liquids as feedstock for their chemical products.

The ACC estimates that after the bulk of this new investment is complete in 2020, there will be \$66.8 billion in increased chemical industry output. This output will create more than 46,000 direct chemical industry jobs, 264,000 indirect jobs and 310,000 induced jobs that are expected to remain stable for the long term.

Last year, the Houston Business Journal mapped the more than \$10 billion worth of chemical investments in the Houston area. However, between then and now, the chemical investments have continued to pour in — many of them from foreign chemical companies.

Still, with all of this investment, one of the main questions that remains to be solved is where these thousands of chemical and construction workers will come from. The HBJ recently reported the local construction sector is already struggling to maintain its workforce since many workers are leaving for more lucrative careers in the energy industry. Therefore, we will have to wait and see if these projections can feasibly pan out.

Molly Ryan covers manufacturing, technology, the Port and logistics for the Houston Business Journal. For her breaking stories and industry insights, follow her on Twitter.