



Press Release

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IHS REPORT PREDICTS LONG-TERM ADVANTAGE FOR U.S. CHEMICAL INDUSTRY DUE TO SHALE GAS REVOLUTION *Natural Gas Liquids Production to Double by 2020, Supplying Key Chemical Feedstock*

WASHINGTON (September 4, 2013) – The [American Chemistry Council](#) (ACC) lauded an [IHS report](#) released today that predicts a lasting competitive advantage for the U.S. chemical industry thanks to plentiful, affordable natural gas—part of a manufacturing renaissance that will include industrial expansion and new jobs.

“The unconventional revolution is contributing to a shift in global competitiveness for the United States by unlocking new production cost advantages,” the report said, which is “particularly pronounced in energy-intensive industries, such as chemicals.” The chemical industry will enjoy a “profound and sustained competitive advantage that is expected to last for decades.”

[ACC welcomed](#) the new analysis. “This report from IHS affirms that revitalization of America’s chemical industry will endure,” said [Cal Dooley](#), ACC President and CEO. “Natural gas supply growth is leading to unprecedented investment and capacity expansion in the United States, in stark contrast with other areas. We are truly the bright spot around the world.” While North American basic chemical and plastics production is expected to more than double by 2020, Western Europe’s will fall by about one-third, according to IHS projections.

By 2025, unconventional energy will help lead to as much as \$100 billion in investment in U.S. chemical and plastics facilities and boost industry capacity by nearly 89 million tons, IHS data showed. A recent [ACC report](#) found that investment has already begun, with dozens of companies planning shale-related projects. As of this week, 126 chemical industry projects representing \$84 billion in capital investment has been announced—54 percent of which is foreign direct investment in the U.S.

Robust supplies of natural gas liquids (NGLs), especially ethane, are key to the chemical industry’s newfound competitiveness. NGLs are the principal feedstock for basic chemical and plastics in the United States, while companies overseas mostly use naphtha, which is oil-based. Since feedstock comprises about 75 percent of production cost, lower prices favor U.S. chemical makers in global markets. IHS foresees NGL growth reaching 3.8 million barrels per day by 2020—a 100 percent increase over current levels. The positive outlook for NGLs is driving much of the chemical industry’s investment and expansion by building confidence in a long-term advantage.



Unconventional energy will help drive a manufacturing renaissance beyond America's chemical industry as industries benefit from lower costs for energy, electricity and raw materials. "Over the forecast period 2012-2025, improving cost competitiveness for domestic manufacturers will lead to increased U.S. industrial production," the report said. The increase is equivalent to \$258 billion in new manufacturing output in 2020 and \$328 billion in 2025.

The IHS report, "America's New Energy Future: The Unconventional Oil and Gas Revolution and the U.S. Economy—Volume 3: A Manufacturing Renaissance," cautioned that governmental policies could limit the nation's ability to reap the rewards of shale gas development. Restrictive regulations "have the potential to fundamentally alter the break-even economics of extraction, pace of development, or access to these energy resources," and could "slow or reverse the manufacturing renaissance," it said.

ACC shares these concerns. "Government policies will play an important role in ensuring the United States optimizes its competitive advantage, grows its economy and creates jobs," Dooley said. ACC has [testified](#) that needed policies include access to natural gas reserves on government and private lands, continuing state-based regulation of unconventional production, reliable infrastructure to transport supplies and accelerated depreciation schedules for chemical industry investments in plant and equipment.

Today's report from IHS is the third in a series examining the economic impacts of unconventional natural gas and oil activity. The [first](#) examined the national economic contributions of upstream oil and gas activity, while the [second](#) looked at state-level contributions of upstream activity. The current report examines the full unconventional value chain, including midstream, downstream and chemical industry. ACC is one of the sponsors of the series.

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