



The American Chemistry Council

Statement for the Record

21<sup>st</sup> Century Manufacturing Task Force

Ohio House of Representatives

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Submitted by:

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President and Chief Executive Officer



Mr. Chairman, honorable members of the Task Force, thank you for the opportunity to offer my thoughts on the critical role Ohio can play in leveraging its abundant shale gas supply to spur a U.S. manufacturing renaissance here in Ohio and across the country. My name is Cal Dooley and I am president and CEO of the American Chemistry Council, a trade association representing more than 140 leading companies engaged in the \$760 billion U.S. business of chemistry.

Today, I am speaking on behalf of our members, the nearly 800,000 Americans employed by our industry – including more than 40,000 men and women right here in Ohio – and the countless downstream manufacturers that rely on our products to create cutting edge solutions for some of the world’s biggest challenges. Our products will help make it possible to satisfy a growing world population by providing a healthy and plentiful food supply, clean air and water, safe living conditions, efficient and affordable energy sources and lifesaving medical treatments in communities around the globe.

There has never been a better time to be a part of the U.S. chemical industry. If you look at the decade before 2005, we were an industry in decline. Natural gas prices had quadrupled in a matter of years, putting a heavy strain on chemical industry output and, consequently, on downstream manufacturers that depend on products to conduct their businesses. Of the 5.5 million jobs lost in U.S. manufacturing during this time, more than 140,000 had belonged to the domestic chemical industry.

In a dramatic reverse of fortune, however, we are now poised to see the greatest growth of the chemical industry in a generation. Today, the chemical manufacturing sector is one of America’s top exporting industries, with \$187 billion in annual exports, accounting for 12 percent of all U.S. exports. The recent growth has been due to new technologies and advancements that give us access to critical, new natural gas resources across the country, and very prominently, here in the state of Ohio.

Many people don’t realize that chemistry is the foundation of America’s manufacturing sector. Approximately 96% of all domestically manufactured goods rely on chemistry. And we rely on natural gas not only for heat and power, but also as a raw material, or “feedstock,” to create the thousands of products Americans use every day. Cell phones, computers, tires and carpeting, which all use chemistry, are all made from the ethane found in natural gas.

To put it another way, natural gas is to the chemistry industry as flour is to a bakery. Lower-cost “flour,” or ethane, gives us a sizable advantage over foreign competitors that use a different process based on a raw material from crude oil. With global oil prices hovering around \$100 a barrel, and U.S. natural gas around \$3.25 per million BTUs, America’s chemistry industry is in a strong competitive position for the first time in years.

A U.S. manufacturing renaissance has only just begun. Last year, the American Chemistry Council launched an energy advocacy and awareness campaign called “From Chemistry to



Energy,” to support key policies and regulations that will enable our industry, and U.S. manufacturing at large, to fully capitalize on America’s diverse supply of energy resources.

To make sure the United States remains a good place for manufacturers to do business, we must use our energy supplies wisely. America’s chemical manufacturers and 94% of voters believe that we need an “all of the above” energy strategy to build a strong economy, create new jobs, and make our country more globally competitive.

A comprehensive energy strategy that maximizes the benefits of this immense natural gas supply, while keeping natural gas markets stable and protecting the environment, would be transformative for our industry. We’re already seeing the first signs of the bright future that lies ahead if our country can get these policies right.

You may have seen in the news several announcements of U.S. chemicals investments, totaling approximately \$40 billion, in new ethane cracking plants, production expansions and restarts. These investments have a strong, collective impact on industries that rely on chemistry and plastics – including auto manufacturing, construction, agriculture, health care, and technology.

ACC projects that a 25 percent boost in ethane supplies from investments like these could generate 400,000 U.S. jobs, \$132 billion in U.S. economic output and \$4.4 billion in local, state and federal tax revenue every year. These include direct chemical industry jobs and thousands more in our supplier industries and the sectors that support all those jobs.

Here in Ohio, you have access to approximately 15.7 trillion cubic feet of Utica shale gas – more than enough to jumpstart economic growth in your state, invigorate Ohio’s industrial base and create thousands of high-paying manufacturing jobs for local residents.

A recent ACC study found that a new petrochemical plant in Ohio would create 17,000 permanent jobs in the chemistry and supplier industries located here. That is on top of the nearly 43,000 Ohioans already employed by our industry, and tens of thousands of other jobs supported by chemistry. The plant would also generate \$1 billion in Ohio wages, \$7.5 billion in state chemical industry output and \$169 million in state tax revenue.

ACC believes Ohio can serve as a model for other states looking to expand natural gas development as a means to reduce energy costs and to create a competitive advantage for local manufacturers. Ohio is uniquely positioned to capitalize on shale gas development while ensuring that we have appropriate regulatory policies in place to protect our water supplies and our environment.

As you well know, sound regulatory policies that allow for natural gas production in an environmentally responsible manner will ultimately determine whether shale gas becomes the “game changer” everyone hopes for, or a sorely missed opportunity to generate economic growth and new, high-paying jobs.



We believe states like Ohio are best equipped to make the decisions about how to responsibly oversee energy production in their communities. That is why we support state, not federal-level, oversight of hydraulic fracturing. We also support disclosing the chemical ingredients used in hydraulic fracturing solutions, while at the same time preserving and protecting the intellectual property of our members.

Some states have already implemented a mandatory chemical disclosure system that works – disclosing relevant information while appropriately protecting confidential business information. Texas, in particular, has a law that strikes the right balance and could serve as a guide for other states, including Ohio.

Getting the rules and regulations right for natural gas production is just one part of the solution. We also need to invest in reliable infrastructure so companies can transport this valuable resource to other markets across the country.

Today, the existing infrastructure and pipeline capacity is not adequate to move ethane to market, though some businesses have begun to bring this critical ethane infrastructure to the prominent shale regions. Making sure we can get supplies where they are needed will contribute to a “multiplier effect” across U.S. manufacturing, spurring the development and expansion of downstream industries that rely on chemicals to create products for housing, food packaging, clothing, cars and many others.

In closing, President Obama has offered assurance that his administration “will take every possible action to safely develop” natural gas from shale and that “the United States has a huge opportunity at this moment to bring manufacturing back.” And your state has a strong advocate in Governor Kasich, who has led the effort to ensure Ohio capitalizes on the broad economic impact of affordable, abundant natural gas production.

By making the most of shale gas here in Ohio we can support new manufacturing capacity, generate high-paying jobs and support economic growth and prosperity for years to come.

