Desperately Seeking an Exit Summary

Shell is reportedly seeking a buyer or partner for its Polymers Monaca facility. The company is unlikely to recoup its $14 billion petrochemical investment, according to "Desperately Seeking an Exit: Shell Sells Its Pennsylvania Tax Credits for Millions, But Still Wants Out," a new report from the Ohio River Valley Institute.

- **After receiving the largest tax incentive package in Pennsylvania history, Shell has failed to deliver on promises of jobs and downstream growth.** Since Shell's ethane cracker project was announced in 2012, Beaver County has seen inflation-adjusted GDP contract by 12%, population decline by 3%, and employment more than 13% despite growth nationally and statewide.

- Now, new analysis of public records shows the company has been awarded nearly $90 million in tax credits intended to support the local petrochemical industry. In 2022 and 2023, it sold almost $30 million of its credits, largely to out-of-state insurance firms and other companies unrelated to petrochemicals manufacturing. The disposition of the $57 million awarded in 2024 has not been published. **The Pennsylvania Resource Manufacturing Tax Credit's "lookback provision," set to trigger in 2028, could allow legislators to reevaluate the flow of tax credits to Shell Polymers Monaca.**

- **The lookback provision will make finding a buyer or partner difficult. But it's just one of many obstacles.** Others are:

    - **Shell Polymers Monaca remains isolated.** Standalone ethane crackers face a significant disadvantage compared to facilities located near developed supply chains, like those along the Gulf Coast's "petrochemical corridor." These plants have connections to storage and other plants that can provide a buffer when operational upsets occur.

    - **A global supply glut "crisis" continues to pinch petrochemical producers.** Shell Polymers Monaca launched at the tail end of the "chemicals supercycle," a decades-long period of unprecedented petrochemical demand growth. The supercycle led to a massive overbuild of ethylene production capacity, tightening competition and narrowing petrochemical operators' margins.

    - **Producers of Appalachian ethane have options.** Shell targeted Appalachia for its petrochemicals complex shortly after the region's fracking boom opened up a wealth of cheap ethane. Now, gas and ethane are no longer "trapped" in a lower value market due to expanded access to other markets, rising data center demand, and increased LNG exports.

- **These persistent factors are likely to discourage prospective partners or buyers.** On top of global market headwinds, Braskem, Formosa Plastics, LyondellBasel, Ineos, and other petrochemical majors are struggling with their own financial challenges. See the table below for more details on potential buyers or partners.

Table: Who is likely to buy Shell Polymers Monaca?

Company	Details	Likelihood
PTT Global Chemical	• Failed to reach final investment decision (FID) on nearby ethane cracker project	**Less likely**
Braskem	• Financially distressed; potentially restructuring debt • Abandoned West Virginia ethane cracker project in 2019	**Less likely**
Formosa Plastics	• Weak financials; declining revenues since 2019 • Expanding petrochemical capacity along Gulf Coast • Purchasing a turnkey, discounted ethane cracker project in Pennsylvania may be appealing	**More likely**
LyondellBassel	• Revenue has fallen 38% since 2022 • Looking to divest assets to raise cash & reduce debt • Has operational expertise to run Shell plant	**Less likely**
Ineos	• Set up to import ethane from the East Coast; Shell plant could be a strategic asset • Subject to dire financials facing European petrochemical industry • Discloses limited financial information	**More likely**
Dow Chemical	• Revenue & profit declines in 2023 and 2024 • Analysts say Dow should shift from commodity volume to differentiated, lower-carbon materials	**Less likely**
BASF	• World's largest chemical producer; stronger financials than competitors • Buying Shell could expand company's North American footprint while leveraging what remains of 'feedstock advantage' • Cutting costs in Germany due to financial hurdles	**More likely**
Exxon	• Relatively strong financial performance in 2024 and early 2025 • Management appears to be prioritizing specialty chemical production or facility integration • Scrapped ethane cracker plans in the Ohio River Valley in 2019 • Gulf Coast polyethylene project delayed due to difficult market conditions	**Less likely**
Chevron	• Relatively strong financial performance in 2024 and early 2025 • Management appears to be prioritizing specialty chemical production or facility integration • Sold off Appalachian assets in 2019; suggesting little investment appetite for the region	**Less likely**
OXYChem	• Warren Buffet's $9.7B acquisition doesn't indicate bullishness on petrochemicals	**Less likely**