

China-based company plans to build plant in St. James

400 permanent jobs eyed at St. James site

by David J. Mitchell dmitche1@theadvocate.com JUL 21, 2014 - 5:04 PM



Advocate staff photo by HILARY SCHEINUK -- The plot of land, photographed from the Mississippi River levee, is located on River Road near Sidney Road, north of St. James High School. Governor Bobby Jindal announced plans for a new environmentally friendly plant in St. James Parish, Thursday, July 17, 2014, at the Oak Alley Plantation. Yuhuang Chemical, a subsidiary of Shandong Yuhuang Chemical Co. Ltd. based in the Shandong Province in China, is opening a \$1.85 billion industrial facility in St. James Parish that is expected to create 350

VACHERIE — The North American subsidiary of a top 25 Chinese petrochemical company will build a \$1.85 billion methanol complex in St. James Parish, injecting 400 permanent jobs and 2,365 indirect jobs to the region's economy over a nine-year period.

Yuhuang Chemical Inc. plans to build the massive complex along River Road on St. James' west bank, the first major direct investment in Louisiana by a mainland Chinese company.

Gov. Bobby Jindal said his administration, through trade trips and other meetings, has been in discussions with several other Chinese companies also looking at sizable investments in Louisiana.

"We are very, very confident today's was the first, but it'll certainly not be the last. Many other companies are also interested in the opportunity here and are learning what a great business climate we've got in our state," Jindal said during a news conference Thursday in an Oak Alley Plantation banquet hall in Vacherie.

The plantation, a symbol of Louisiana's economic origins, is just downriver from the future site of the Yuhuang plant.

The industrial facility is planned for 1,100 acres of agricultural land between the live oak-lined boulevard of St. James High School and the Plains All-American Pipeline terminal and tank farm. The site, which Yuhuang has an option to buy, has access to the Mississippi River and is crossed by the Union Pacific Railroad line.

While Jindal credited low U.S. natural gas prices as a factor in Yuhuang's and other companies' interest in Louisiana, he also pointed to his administration's efforts at improving the state's tax and business climate, as well as its efforts to beef up workforce development and improve education.

Several local and state leaders also on-hand for the announcement credited their own cooperation in drawing new industry to the region, an effort that recognizes an economic boost for one parish ends up benefiting several others, as well.

“It was good, constructive work that we’ve done and, of course, (that was) successful ’cause they did choose St. James Parish,” Parish President Timmy Roussel said.

Yuhuang Chemical, a subsidiary of the \$5 billion Shandong Yuhuang Chemical Co. Ltd. based in Shandong Province, is making its **first foray outside of mainland China with the facility**, said Charlie Yao, CEO of Yuhuang Chemical.

He said the complex will have an initial capacity of 1.7 million metric tons of methanol per year, which works out to about 1.9 million standard tons per year.

Construction will begin in 2016, with the first \$750 million phase of the methanol project beginning operations by 2018. After the first methanol plant is completed, the company will build a second \$500 million methanol plant and reach an annual capacity of 3.3 million tons per year of methanol. The third phase will include a methanol derivatives plant that will produce intermediate chemicals.

During the peak construction period, Jindal said, the project will result in another 2,100 temporary construction jobs.

Yuhuang Chemical’s permanent jobs will have an average annual salary of \$85,000 plus benefits. Hiring will begin in 2015, with employment reaching 200 by 2017 and 400 by 2023.

“Foreign direct investment projects add great value to our state by creating high-paying jobs, increased levels of international trade and extraordinary career opportunities for the families of Louisiana,” Jindal said.

In an interview Thursday, Yao, a former Shell executive, credited the state’s cooperative business climate, its help with infrastructure to support the new complex and low prices for natural gas, which is the feedstock for methanol production.

“The shale gas revolution has driven and rejuvenated the U.S. petrochemical industry and makes the Louisiana and the U.S. Gulf Coast highly competitive on global petrochemical efforts,” Yao said.

He said the company has been working on a site for four months and had been focused on Texas and Louisiana.

Yao said about 20 to 30 percent of the methanol will be shipped by barge and rail and sold to North American customers. The remaining 70 to 80 percent will be exported by oceangoing vessels, and about 20 to 30 percent of that remainder will be used by the parent company in China.

Yao added that the environmental permitting process is just starting.

Xinge Wang, president and chief executive officer of China Huanqiu Contracting and Engineering Corp., said methanol is a liquid with a consistency similar to gasoline and is used as an intermediate feedstock to make other chemical products. She said the liquid methanol will be moved by pipe from the plant onto rail, barge or ship containers.

China Huanqiu, known by the acronym HQC and a subsidiary of the state-owned China National Petroleum Company, has been hired by Yuhuang as the engineering firm on the project. HQC has licensed methanol technology from Air Liquide Global E&C Solutions.

Jerry Jones, a Baton Rouge lawyer who is working on the project, said the conversion of natural gas into methanol provides an efficient method of taking advantage of cheap U.S. natural gas and shipping it to China, where the price of natural gas is three times higher.

“The goal is getting the natural gas. Converting it to methanol puts it in a form in which they can ship it,” Jones said of Yuhuang.

In contrast to cooling and liquefying natural gas for shipment, the natural gas processed through the Yuhuang complex will have already been refined somewhat – into methanol. Once it arrives in China, the methanol can then be converted into other products. Among them are polypropylene and polyethylene, which are also used by plants in Louisiana to make a variety of plastics.

Jones said that even with the expense of building facilities in Louisiana, converting the natural gas into methanol then shipping it to China, that cost still is cheaper than relying on natural gas sources in China.

Louisiana Department of Economic Development began discussing the potential project with Yuhuang Chemical in February 2014 and offered an incentive package that includes two performance-based grants.

The state will give Yuhuang \$9.5 million over five years beginning in 2017 to offset project infrastructure costs. Another \$1.75 million will be paid over 10 years to defray, in part, the cost of developing riverfront access. In addition, the company will use the state’s LED FastStart workforce training program and the state’s Quality Jobs and industrial tax exemption programs.

Roussel, the parish president, said no local tax incentives, which would primarily be sales tax rebates on construction and equipment, have been discussed for the project.

One of China’s leading chemical companies, Shandong Yuhuang Chemical recorded more than \$4 billion in 2013 sales and employs more than 5,600 people worldwide. The company ranks No. 456 among the leading 500 Chinese companies and No. 24 among China’s top 25 chemical companies.

Low natural gas prices due to large shale plays in Texas, north Louisiana, Pennsylvania and other parts of the nation have sparked an industrial renaissance, leading to more than \$80 billion in announced projects for Louisiana alone in the past several years.

Many have popped up in the Mississippi River industrial corridor between Baton Rouge and New Orleans and in the Lake Charles area.

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