

River corridor between N.O., BR is home for much of state's industrial boom

Rolling on the River

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“What we’re seeing right now is almost like the industry is trying to make up for 30 years of losses in eight years.” David dISMUKES, associate director of LSU’s Center for Energy Studies

Louisiana is enjoying its biggest industrial boom since the oil bust in the 1980s, and much of the action — tens of billions of dollars of investment — is happening along [the 70-mile corridor between New Orleans and Baton Rouge](#).

The stretch, known mostly for sugarcane fields and plantation homes before the petrochemical industry began to arrive in the 1940s and 1950s, is riding a wave of capital spending powered by natural gas prices that have hit historic lows. Local and state economic development officials say the construction bonanza will likely create tens of thousands of high-paying jobs and generate billions of dollars in tax revenue over the coming decades.

State economic officials estimate about \$75 billion will be spent on industrial projects in Louisiana during that span in what they say is the biggest such expansion in the state’s history. Decisions on new plants and expansions of existing ones are being driven by ample supplies of cheap natural gas, thanks to advancements in horizontal drilling and hydraulic fracturing technology. Manufacturers who use the clean-burning

fuel to power their facilities and to produce chemicals are reaping the benefits.

While the largest single project envisioned in Louisiana is in the Lake Charles area, the investment has otherwise been focused on the River Road between New Orleans and Baton Rouge. Economic development officials say a myriad of factors has contributed to giving the region a leg up.

The local advantages include pipelines to transport oil, gas and other chemicals; abundant gas resources in the Haynesville Shale area in northwest Louisiana; industrial electricity prices that are among the lowest in the nation; and easy access to the Mississippi River and the deepwater Gulf of Mexico. "Being close to the river gives our prospects an opportunity to transport those products cheaply," said Paul Aucoin, executive director of the Port of South Louisiana, which stretches 54 miles along the river. "You can't find more efficient transportation than transportation on the Mississippi River."

In Asia, because of transportation costs, natural gas typically costs four times as much it does here, experts say, giving the Gulf Coast an added edge in luring foreign investment.

"The logistical infrastructure we have in place in south Louisiana is really why people are moving here," said Steven Nosacka, a consultant on economic development for St. James Parish. "Certainly, natural gas makes it easier for them to come."

The influx of development has been a mix of new projects and expansions to existing plants.

Some of the highlights include: Nucor Corp.'s proposed \$3.4 billion steel facility in St. James Parish, which could create upwards of 1,250 new jobs; CF Industries Inc.'s \$2.1 billion investment at its Ascension Parish complex, which produces

nitrogen-based products used by agricultural and industrial markets; and explosives maker Dyno Nobel International's \$850 million ammonia production facility in Jefferson Parish.

Other major projects have been unveiled but are still under review, such as Shell's proposed \$12.5 billion gas-to-liquids facility in Ascension which would create 740 new jobs paying average salaries of \$100,000. In St. Charles Parish, Valero plans to build a \$700 million methanol unit at its Norco refinery, allowing it to compress natural gas into liquid to make chemicals and plastics.

Entergy Louisiana, a subsidiary of New Orleans utility giant Entergy Corp., is building a 550-megawatt natural gas unit at its Ninemile Point plant in Westwego, at a cost of \$721 million, to meet the rise in expected electricity demand.

Upriver, the boom may be even bigger. Greater Baton Rouge is heading into an industrial expansion like none other in its history, economist Loren Scott wrote in his recent economic forecast. Overall, the 16-parish Baton Rouge-New Orleans metro area is projected to add almost 44,000 jobs over the next two years, the report said.

The flurry of activity is a stark contrast to the lean years after the oil bust.

"It looks like this is going to be the biggest boom in Louisiana since the oil boom of the 1970s," said Michael Hecht, president and CEO of Greater New Orleans Inc., a regional economic development alliance.

Oil and gas production has long been the lifeblood of the Gulf economy, going back to when oil was first found in large quantities from a well near Jennings in 1901. Five decades later, the country's first offshore oil well hit crude about 10 miles off the Louisiana coast, near Morgan City.

Prices climbed steadily, and drilling activity exploded. But

eventually, a surplus of crude sent prices spiraling downward, from \$38 a barrel in 1980 to about \$11 a barrel by 1986. Louisiana's once-thriving industry fell apart, and the state's unemployment rate neared 13 percent in November 1986, the highest in the nation.

With the new wave of construction, industry observers are hoping the good times are back.

“What we’re seeing right now is almost like the industry is trying to make up for 30 years of losses in eight years,” David Dismukes, associate director of LSU’s Center for Energy Studies, said about the petrochemical industry’s quick growth.

Other areas of the state are also poised to benefit from the spike in activity — in particular Lake Charles. By far the biggest project envisioned there is South African petrochemical giant Sasol Ltd’s plan to build a nearly \$21 billion gas-to-liquids and ethane cracker complex in Westlake.

That project would be the single largest industrial investment in state history.

In Lake Charles, the growth is so robust that it’s causing some stress. There, an entire new industry is being developed, creating “new demands on the community” in terms of workers and housing and services “that simply don’t exist right now,” Hecht said. “The challenges that we face in New Orleans and Baton Rouge, which you could characterize as growing pains, pale in comparison to the growth requirements in Lake Charles.”

Not only does natural gas provide a cheap power source, it is a component of various household goods, including fertilizers, detergents, pharmaceuticals and paints.

“Without question, the natural gas boom is going to provide the fundamental base of our economy for the next 10 to 20 years, even as we diversify into new industries like

technology and biomedical," Hecht said.

The sudden blitz of construction activity will pose some challenges. Demand for skilled laborers and construction workers is expected to spike, which would drive up project costs.

"If you're competing for the same resources, all that happens is that it becomes more expensive and it gets delayed," said Tom Yura, senior vice president of the German chemical manufacturer BASF, which announced in September that it will spend almost \$43 million on a new polyurethane blending facility at its Geismar operation, putting the company's capital investment in Louisiana at more than \$350 million since 2009.

Experts warn that the state should not get overconfident about keeping up the breakneck pace.

"It's going to be an increasingly competitive situation," Hecht said, "and I think even more competitive as we move forward, because of the compressed time frame that people are going to want to get these projects online."

Another potential setback could come as many members of the petrochemical industry's workforce age out of jobs. Yura expects about 80,000 people will need to be trained in Louisiana over the next four years, largely to replace retiring workers.

"We can already see some of the effects of being short in some of the critical crafts that we believe are a symptom of things to come," he said.

For BASF, low natural gas prices have been a game-changer, Yura said, because raw materials can make up as much as 80 percent of manufacturing costs.

"That's a huge discount, a huge discount," Yura said,

and if you look at how that relates into my total manufacturing costs, it reduces my energy costs and it reduces my raw materials, that's a good majority of everything.

For the region, the boom should mean lots of jobs.

Since the housing bubble collapsed in 2008, Louisiana has added 83,000 jobs and \$54 billion in capital investment, according to Gov. Bobby Jindal's office. Preliminary figures from the Louisiana Workforce Commission reported that the statewide unemployment rate in August was 7 percent, compared to 7.3 percent nationwide.

The pace of growth has helped spur interest in vocational programs focusing on manufacturing processes, officials say.

What we're seeing is a large increasing enrollment, because people are being more knowledgeable that the training is available, the jobs are there, and they're very lucrative jobs," said Cindy Poskey, administrator for South Central Louisiana Technical College's River Parishes campus.

Poskey said her campus is at capacity, with about 850 students and programs running day and night.

One potential answer to industry's expected labor shortage is a dual-enrollment program the technical college offers. All told, 750 additional high school students participate, getting a head start in entering the workforce.

We do that to help them start their post-secondary education while they're still in high school," Poskey said, "so they can see us sooner, and that in turn will materialize to getting more people into the workplace sooner."

Not everyone is so upbeat about luring so much industrial investment in a state that critics say has always had lax environmental regulation. Anne Rolfes, founding director of

the Louisiana Bucket Brigade, a nonprofit environmental advocacy group, believes Louisiana officials should focus their attention on cleaner development.

“If we keep bringing this dirty business here, we’re going to run out tourists completely. We’re just filling up more and more with pollution,” Rolfes said. “This stuff is going into our waterways, and we’re getting so polluted that we’re not going to be able to alligator-hunt and fish.”

But local economic development officials seem less troubled by the new industrial investment. And they are optimistic that the barrage of construction coupled with developing jobs in high-growth industries will help prevent a repeat of the oil bust three decades ago.

“We have to think about not only how do we make the most of this new activity, but also how do we prevent the collapse that we saw in the 1980s following the boom in the 1970s,” Hecht, of GNO Inc., said. “One of those answers is by diversifying, and that’s why I’m so pleased that even as we’re having this industrial boom, we see new sectors like technology and biomedical rapidly growing.”