

**Northwest Pennsylvania Oil and Gas Hub
Regional Summit
Advancing the Petro-Chemical Industry in Northwest Pennsylvania
January 11, 2018**

MEETING SUMMARY

This report presents a brief summary of discussions at the NWPA Oil and Gas Hub's Regional Economic Development Summit held in Meadville on January 11, 2018. We present a brief recap of the event, but most importantly, we highlight our preliminary work on an action plan to position NW Pennsylvania as a global leader in the petro-chemical industry. Via smart economic development strategies investments, we believe that our work can help create massive new business and career opportunities for local communities, companies, and residents. The conclusion of this summary presents preliminary action plan ideas on four priority issues identified at the summit. We welcome your ideas on this work and on other issue areas as well. More importantly, we welcome your participation in this critical work. If you are interested in volunteering on a work group or helping out in some other way, please contact please contact Lance Hummer: 814.677.4427, lhummer@keystonecec.org or Deb Lutz: 814-673-5654, sewnerie@steelvalley.

The Summit in Brief

- **Regional Perspectives**

Summit participants were welcomed by State Senators Michele Brooks, Scott E. Hutchinson, and Daniel Laughlin. They each reiterated their strong support for the work of the Oil and Gas Hub, and their shared commitment to working as a region to capture these new economic opportunities. They also committed to championing this regional approach in the State Legislature and elsewhere as needed.

Lance Hummer of the NW PA Oil and Gas Hub kicked off the summit with a timely reminder that NW PA sits at an historic juncture. Thanks to the development of the Marcellus and Utica Shale plays, and subsequent investments in facilities (e.g. the new ethane cracker in Beaver County) and infrastructure (e.g. multiple new pipelines), NW PA is situated in the center of an economic boom. New wealth and jobs will be created, but, if we want them to be created in NW PA, we must act now to capture the opportunity. Local communities will not succeed by going it alone: we need a regional approach! The summit's purpose is to develop a regional plan for capturing these opportunities. He concluded with a brief but powerful call to action: "We have a window of opportunity. If we don't take advantage of it, whose fault is it?"

Susan Hileman of the Northwest Pennsylvania Industrial Resource Center followed up with a brief review of the Oil and Gas Hub's work to date.

The NWPA Oil and Gas Hub is a collaborative professional resource partnership led by committed volunteers that exists to promote regional expansion and development of the petro-chemical /plastic industry for the economic revitalization of Northwest PA and the surrounding areas.

In 2009, the Hub began bringing together leaders of education, economic development, industry and local government. A plan was developed to provide: (1) information and programs needed to educate communities and businesses about the petro-chemical / plastic industry; (2) supply chain businesses with instruction on how to do business with oil and gas companies; and (3) facilitation of programs about the impact of the proposed Cracker Plant on manufacturing in PA.

Since inception, the Hub has hosted numerous events to support those efforts. Most recently in March 2017, the Hub hosted a forum featuring speakers from SW Louisiana, PA DCED, PIOGA and the Marcellus Shale Coalition called the “Regional Impact of the Petrochemical/Cracker Plant on Western PA”. This highly successful event focused on educating attendees about the opportunities ahead for PA businesses and communities with the construction of the Shell Cracker Plant located in Monaca (Beaver County), PA.

In September of 2017, the Hub launched the Plastics Industry Partnership based on the Next Generations Sector model. Industry leaders expressed strong support for new regional economic development strategies to leverage new market opportunities in the plastic and petrochemical industries.

- **State Perspectives**

Ryan Unger of the Team Pennsylvania Foundation (TeamPA) and Denise Brinley of the Pennsylvania Department of Community and Economic Development (DECD) shared many useful insights from the state perspective, sharing new research findings and updating the summit on current state programs and policies. Brinley and Unger reiterated the scale and scope of the potential opportunities generated by new shale gas related investments, and emphasized two core points:

- 1) Pennsylvania is the US’s leading energy state, yet much of this wealth is exported to other states and countries. For example, 75% of Pennsylvania’s natural gas is exported out of the state, which equates to PA being the #1 net exporter of energy in the U.S.
- 2) The state’s energy sector is at unique inflection point, as production levels grow and key infrastructure elements are now coming on line.

These market patterns point to a strong conclusion: Pennsylvania (and especially NW PA) must do more to generate more local benefits from this energy wealth, and it must do so quickly to capture the opportunities that are now before us. Brinley and Unger highlighted a number of potential opportunity areas including development of new gas-powered utility and industrial plants, such as new facilities

operating in Sunbury and Mehoopany, new transmission investments (especially for last mile developments), recruitment of additional cracker facilities to the region, and new transformational investments such as the proposed \$3.5B Appalachian Storage and Trading Hub.

Brinley and Unger concluded by applauding the strong partnerships already in place in NW PA, but they noted that additional work is needed.

Regional collaborations to help identify new sites, to better market the region's assets, to develop local talent, and to identify new market opportunities will help NW PA capture maximum benefits from the ongoing shale gas revolution.

- **Ideas for Regional Collaboration**

Armed with these insights, summit participants turned to a "lightning round" discussion where they addressed two questions:

- 1) What are the most pressing regional challenges that may limit our ability to build a strong petrochemical industry, and related sectors, in Northwest Pennsylvania?
- 2) What actions, policies, or resources are needed to address these potential challenge areas?

The discussion began with an open forum where participants shared ideas on potential issues worthy of further consideration or development as parts of a regional action plan to support development of the petrochemical industry.

The following suggestions were considered:

- Infrastructure: including power, transportation, transmission, etc.
- Workforce Development and Training
- Education for Employers
- Development-ready Sites
- Improved Links to Louisiana and other regions with long experience in the petrochemical sector
- Residential Development
- Energy Technology, R&D, and Innovations
- Retail and Service Sector Needs
- Entrepreneurship and New Business Opportunities
- Universities: Aligning Curriculum and R&D efforts to industry
- Regulatory Reviews and Improvements
- Market Intelligence and Supply Chain Opportunities
- Regional Branding
- Transportation Costs: Challenges to local distribution/access to gas and gas by-products
- Environmental Concerns
- Mega-Regional Connections: Links to NY, OH and WV efforts
- Shared Resource Mapping and Information Sharing

Using an informal voting method, summit participants were asked to identify their own top priority areas. Based on this tally, four issue areas generated the greatest interest:

- Infrastructure
- Regulatory Reviews and Improvements
- Market Intelligence and Supply Chain Opportunities
- Regional Branding

After selecting these priority topics, summit participants divided into four informal groups to further explore these issue areas.

- **Work Group Sessions**

The work group sessions met very briefly and were only able to touch on core issues in each of the topic areas. Participants sought to identify early action steps, potential barriers and other issues that may need resolution to succeed in developing a regional action plan in each of these topic areas. Summaries of each group's key findings are presented below.

1) Infrastructure – Lead by Susan Hileman

Participants in the infrastructure discussions noted that there is wide array of potential options for new investment, but the window of opportunity is short – less than 2 years! Ideas ranged from a Natural Gas Line (NGL) paralleling Route I-79, to the creation of utility corridors which utilize public rights of way exiting via interchanges, to new investments in a regional distribution center or storage site for plastic pellets and related materials. In addition, suggestions were made to reinvigorate the KOZ program, as well as development of national agreements across state lines and international agreements in the case of Lake Erie/Canada to allow for transportation via waterways. A strong case can be made for many of these projects, but regional priorities for investment must be developed. As such, the group recommended an early assessment of current infrastructure assets and gaps as they relate to the petrochemical/plastic sector.

Given the short timeline available and the fact “infrastructure” generally requires long term planning, a proactive plan to accelerate movement is needed. Initial work on this issue should focus on a quick inventory of assets and development of tools to share this information within the region and to businesses considering relocation or investment in NW PA. Using this data, the plan should include a priority project list which can be developed and for which funding can be pursued. NOTE: The group felt it is absolutely critical to our region's success that funding be identified for a single Point-of-Contact to focus on priority goals and be held accountable for action. County Comprehensive Plans should be shared and coordinated with this regional POC.

A region-wide infrastructure database remains a critical need throughout the 8 counties in the region and will allow us to comprehensively capture the assets we have and identify the gaps

2) Regulatory Reviews and Improvements – Lead by Erin Wells

Pennsylvania often presents companies with a complex regulatory environment where rules and procedures can vary by municipality, township, or county. This working group recommended a set of strategies to scrub existing rules and regulations in areas such as zoning and permitting to speed up the review process and provide more clarity for new companies and new investors. Other potential action items might include a guide to existing rules and procedures and more aggressive tax incentives to attract new investments.

Participants also recommended an organized campaign to educate the media and key stakeholders (e.g. elected officials, educators, and business leaders) about the role that regulatory improvements can play in creating a more attractive business climate in NW PA. We would engage the already existing Joint Legislative Committee. The group also recommended engaging with the already existing Joint Legislative Committee to offer new ideas on regulatory improvements, especially as they relate to this industry sector.

3) Market Intelligence and Supply Chain Opportunities – Lead by Brett Wiler

New regional energy investments create tremendous opportunities for existing local companies and for new entrepreneurs, but these businesses need guidance on how to identify and capture these market opportunities. Participants in this discussion focused on how to create more robust regional supply chain connections where local firms can win new business thanks to new energy developments. Group participants recommended beginning with a regional assessment of current supply chain connections in relevant industries, particularly in those energy-intensive manufacturing sectors identified as targets by Team PA and DCED. This analysis will help identify local firms with the potential to compete in these markets, and other sectors that the region could target for business recruitment. The region needs to have shared software to capture company capabilities. The software needs include a component that can develop “market commonality” valuations where firms can share their capabilities, needs, and potential business opportunities. Having this information ensures continuity and enhances a regional brand. We believe we already have the software with that capability via Executive Pulse.

This regional marketplace can then help build better supply chain connections and also help brand the region as a strong location for firms operating in target industries.

4) *Regional Vision and Branding – Lead by Erik Pages*

Participants in this group discussed how best to market the region—as opposed to specific counties or municipalities—as a global center of excellence in the petrochemical/plastic industry. Focus need to be on the “branding” or message focusing on the petrochemical/plastic industry, identifying early steps that must precede further brand development. At the outset, the group suggested a brief inventory of local assets that are in demand by the petrochemical/plastic sector and related industries, especially manufacturing sectors.

This work should be accompanied by an outreach effort to educate local stakeholders about this unprecedented development opportunity. This could take many forms, including a “mini-road show” of data similar to that shared by Team PA and DCED at the Summit. This regional outreach can help build momentum behind a new vision promoting NW PA as a global hub for the petrochemical/plastic industry.

After completing these initial tasks, work could commence on a new regional brand and other related activities. In particular, the group recommended a deeper dive to identify industry clusters that operate in key sectors (energy intensive) related to petrochemical/plastics. These sectors are particularly well-aligned with current talent and industry assets in NW PA. These sectors should serve as initial targets for regional business outreach and recruitment efforts. A further step might involve closer regional cooperation across state lines, via development of collaborations with partners in New York, Ohio, and West Virginia.

Closing Thoughts

Our working group sessions were “lightning rounds,” i.e. they were not intended to “solve” these challenge areas. Instead, they sought to identify priority areas for shared regional collaborations, along with some promising steps for early work. The groups all raised promising ideas and concepts, but most of these ideas remain unpolished and unrefined. We now hope to build on these excellent inputs and ideas, but we need your help. As a first step, we want your feedback on the ideas raised at our Summit. Have we identified appropriate priority areas? Do other issues deserve more attention?

Beyond your feedback, we also want to capture your passion and expertise for NW PA. We intend to convene working groups to dig deeper into the four priority issues identified at the summit. If you are interested in volunteering to participate in a working group, please let us know by completing the attached form. If you would like to see other issues addressed in the Hub’s work, we want to hear those ideas too. You can also share those ideas via the attached form.

Beyond these specific requests, we welcome your input and ideas more generally about the Summit, the work of the NW PA Oil and Gas Hub, and more generally, how we can work together as a region to generate new wealth and new jobs for all of our residents. To share other ideas, please feel free to contact us at 814-677-4427 or email lhummer@keystonecec.org.