US Gulf petrochemical investment a boon for project cargo

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Project cargo shippers and carriers hope to benefit from continuing petrochemical investment in the US Gulf, a rare bright spot in a generally weak global breakbulk market, and from increased shipments of large construction modules.

Gulf ports and transportation service providers in the region have had plenty of business during the last several years. Ample volumes of shale gas have provided petrochemical manufacturers with low-cost feedstocks and producers with natural gas for export.

As multibillion-dollar projects from this wave of construction hit or approach completion, talk has turned to prospects for a second wave of construction.

“The current situation in the United States is playing out similarly to what occurred in the Middle East decades ago, when the region emerged as a low-cost supplier due to a competitive feedstock. As a result of the shale gas revolution, that feedstock advantage is shifting toward the US,” Neil Chapman, president of ExxonMobil Chemical said at the recent Asia Petrochemical Industry Conference.

ExxonMobil this year announced plans to invest $20 billion into new and expanded Gulf Coast production, primarily polyethylene.

However, Chapman told Chemical Week, a sister unit of JOC.com within IHS Markit, that he does not agree with the concept of first or second waves. “I think it will be a continuous progress,” he said. “Some of the announcements that have been made for new projects are not likely to be built to the same scale or time.”

Others agree that the next round of construction activity, while still robust, may not match what the industry has seen during the last few years. “We do think a second wave is coming, but we think it will be smaller than the first one,” said Manav Lahoti, Dow Chemical’s commercial director of US olefins, who spoke at a recent Petrochemical Insight conference in New Orleans. “We are still optimistic about the US feedstock position.”

The American Chemistry Council reports that $85 billion worth of petrochemical projects in the US, mostly along the Gulf Coast, have been started or completed since 2010. Announcements or starts of new projects by Dow, ExxonMobil, and other companies are replenishing the pipeline.

“I have heard people say that we should not be talking about a second wave of investment, because it is not just going to be a second wave. It is going to be a continuous flow of investment in chemical manufacturing in the US for a significant period of time,” said Calvin Dooley, the council’s president.

The new and ongoing projects provide welcome business for breakbulk and project carriers, but have not been enough to restore the industry’s balance of vessel capacity and cargo demand. Low oil and commodity prices have cut deeply into energy and mining related breakbulk volume in many regions.

Ed Bastian, director of global sales of BBC Chartering USA, said the carrier’s US Gulf import business has been strong, but is largely one-way. He said BBC and other carriers have had to accept bulk or other less-desirable shipments to help offset vessel repositioning.

“Our company has anywhere from 25 to 30 ships a month coming in from different parts of the world, but there’s just no export cargo right now,” Bastian said at the JOC’s recent Gulf Shipping Conference. “When oil and gas was strong, that was supporting the export market and providing a balance, but that balance has gone away.”

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