Chinese firm plans $1.1B plant in La.

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A $1.12 billion manufacturing complex planned by Wanhua Chemical is the latest in a string of foreign megaprojects for Louisiana and second major one from mainland China, potentially a sign of more to come.

"The key reason for this is they really don't have natural gas. They don't have the key raw material," said economist and consultant Loren Scott. "It makes more sense to them financially to make the material out of natural gas here and then ship it to China rather than shipping the LNG (liquefied natural gas) to China."

Wanhua, traded on the Shanghai Stock Exchange, is the world's largest manufacturer of methylene diphenyl diisocyanate, which will be produced at a Louisiana site that hasn't yet been selected. The material is used in making polyurethanes, a key component in things such as car seats, furniture, shoes and insulation.

Wanhua will invest $954 million in the facility, and its project partners will put up $166 million. The names of the partners were not disclosed Monday. The project will create 170 new direct jobs with an average annual salary of $70,440, plus benefits. Louisiana Economic Development estimates the project will result in 945 new indirect jobs.

Wanhua's Louisiana complex is the second-largest direct investment by a company from mainland China, according to Louisiana Economic Development. The largest, and only other so far, is the $1.85 billion methanol complex under development by Yuhuang Chemical in St. James Parish.

China continues to be one of the key international markets Louisiana is targeting for new foreign direct investment. Louisiana ranks third among the U.S. states for the most foreign direct investment from China, behind New York and California, where most of those investments involve real estate developments.

Louisiana Economic Development Secretary Don Pierson said he expects additional China investment will come - possibly from Wanhua and Yuhuang.

"I think that we have every reason to believe that we'll see more investment from China. I think it's in compliance with what the (Trump) administration is trying to encourage: made in America," Pierson said. "Projects like this help our trade balance, producing commodities they own and likely ship back to their markets.

"The industry system that's emerging in Louisiana, about $165 billion in investments over the last four or five years, is showing some real strength for us," Pierson said.

The projects are all part of the shale revolution, a U.S. manufacturing renaissance generated by the cheap natural gas flowing from shale formations. Companies worldwide are pouring billions into "shale-advantaged" projects, according to the American Chemistry Council. As of March, 294 chemical industry projects valued at $179 billion have been announced, and 62 percent of the total comes from firms based outside the United States.

Scott said he would not be surprised if the percentage is even higher in Louisiana.

With the exception of liquefied natural gas export terminals, most of the state's megaprojects involve foreign companies, he said. A partial list of the projects includes South African firm Sasol's $8.9 billion ethane cracker outside Lake Charles; Japanese firm Shintech's $1.4 billion ethylene plant in Iberville Parish, part of a $4.7 billion investment overall; a $717 million expansion by Dutch firm Shell Chemical at its Geismar campus; Vancouver, Canadabased Methanex Corp.'s $2 billion investment in two methanol plants in Geismar; a $1.5 billion plant in St. John Parish by Russian fertilizer maker EuroChem; Taiwan-based Formosa Plastics planned investment of $9.4 billion in petrochemical projects in St. James Parish; and South Korea's Lotte Chemical's $1.1 billion in a monoethylene glycol plant in Lake Charles and partnering with Atlanta-based Axiall on a $1.9 billion ethane cracker at the same site.

And that doesn't include ChemChina's $43 billion deal to buy Swiss agribusiness giant Syngenta, which has an herbicide and pesticide manufacturing plant in St. Gabriel and warehouse leases in Baton Rouge.

Since 2003, Louisiana ranks No. 1 among the U.S. states in per capita foreign direct investment attracted and No. 2 in foreign direct investment capital expenditures attracted overall at more than $34 billion.

Wanhua plans to release the site for its planned complex later this year. One of the company's reasons for selecting Louisiana, deepwater transportation provided by the Mississippi River, may provide a hint of the plant's location.

Scott said access to the Mississippi means the plant will have to be in the Baton Rouge-New Orleans industrial corridor.

It also will require a large piece of property. Yuhuang bought 1,300 acres on the river and St. James High School for its methanol complex. BASF invested a similar amount in a methylene diphenyl diisocyanate plant in China that lies on 5,000 acres.

Two years ago, when Wanhua was looking at sites in Ascension Parish, the company was searching for about 1,600 acres, Ascension Economic Development Corp., CEO Kate MacArthur said. Unfortunately, it appears Ascension is out of the running for Wanhua.

"The last time we had it on our project list was 2015," MacArthur said. "There was at least one site they were looking at, but it was a while ago."

Scott said St. James Parish may be a possibility.

"I think St. James got into this very late. If you remember, they were very anti-economic development for a while," Scott said.

The result is that St. James still has large tracts of property available for industrial development.

Pierson said he believes Wanhua has narrowed its choices to two sites. The company is awaiting some information, such as soil conditions and permitting, before making its decision.

The proposed Wanhua complex was announced by Wanhua Chairman and CEO Zengtai Liao and Gov. John Bel Edwards on Monday. Louisiana Economic Development has been in discussions with Wanhua since 2013. Last month, Pierson and a Louisiana contingent met with Liao and other officials at Wanhua's headquarters in Yantai, China, to finalize plans to move the project forward.

To secure Wanhua's investment, the state offered the company an incentive package that includes a performance-based grant of $4.3 million to offset site infrastructure costs. Wanhua is also expected to use the state's Industrial Tax Exemption and Quality Jobs programs. The Industrial Tax Exemption exempts manufacturers from paying local property taxes for up to 10 years.