A Technology Leader, ExxonMobil Chemical Leveraging Feedstock Advantages to Deliver New Capacity for Servicing Growth in Developing Countries

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As the largest US natural gas producer, ExxonMobil’s olefin feed slate changing during next five years to advantaged ethane

HOUSTON--(BUSINESS WIRE) Exxomobil Chemical, the world’s fourth-largest chemical company, continues to ensure its competitiveness in a low oil-price environment, according to a new report from IHS Inc. (NYSE: IHS), the leading global source of critical information and insight. This competitiveness, the report says, is due largely to the status of ExxonMobil Chemical as a world leader in proprietary technology, a geographically diversified portfolio, its access to advantaged feedstocks, its ability to upgrade co-products, and its strong refinery integration.

However, ExxonMobil Chemical’s product focus, similar to the chemical businesses of other oil and gas majors, is comparatively narrow, with relatively limited diversification. This, along with a decline in parent company Exxon Mobil Corporation’s upstream earnings, may affect the company’s growth and competitive positioning, according to the new report, entitled the IHS Chemical: ExxonMobil Chemical Competitive Company Analysis.

Exxon Mobil Corporation’s product portfolio ranges from oil and gas exploration, development and production to refining, fuels marketing, lubricants and specialties, and chemicals, IHS said. It is the third-largest publicly traded, global oil and gas major with revenues of $259 billion in 2015. Exxon Mobil’s earnings from the chemical segment accounted for more than 24 percent of the total company’s earnings in 2015. (ExxonMobil Chemical is led by Neil Chapman, its president, who will speak at the 2016 IHS Chemical World Petrochemical Conference, Wednesday, March 16, in Houston).

“ExxonMobil Chemical has significant opportunities and competitive advantages in terms of its proprietary technology, global scale, and an integrated system that allows unique operational efficiencies,” said Dave Witte, senior vice president of IHS and general manager of IHS Chemical. “ExxonMobil Chemical’s feedstock diversity and flexibility, for ethylene, in particular, are the key elements driving margins. However, the company does have limited product diversification in its propylene and benzene chains.”

“ExxonMobil Chemical continues to capitalize on U.S. feedstock and energy costs, which are among the lowest in the world,” Witte said. “The company is expanding its Baytown (ethylene), Texas, and Mont Belvieu (PE), Texas, complexes, which are scheduled for completion in 2017. In addition, the company started its second Singapore petrochemical complex in 2013 to target the high-growth Asian market and is strategically investing in new elastomer capacity in both Singapore and the Middle East.”

One of the most significant investments for ExxonMobil Chemical, Witte said, is the expansion of its export-based position at Mont Belvieu, Texas. This ethylene -- together with PE expansions -- will significantly expand the export company’s capabilities. He described Exxon Mobil as a “logistics juggernaut,” focused on expanding its market reach through advanced logistical operations, and increasing commercial operations in growth markets such as the Asia Pacific region.

“Currently, ExxonMobil Chemical can supply the Asian market through its facilities in Singapore and China, but this U.S. expansion will provide additional cost-effective options for exports to Asia and elsewhere,” Witte said. “ExxonMobil Chemical's dominance in proprietary technologies, combined with its scale and market channels, make it a very attractive candidate for partnerships, particularly in Asia and the Middle East,” he said.

Ethylene is the largest-volume chemical produced worldwide, and in terms of manufacturing and market position, ExxonMobil Chemical resides at the top end of global producers. In terms of ethylene production, ExxonMobil Chemical ranks third globally behind SABIC and Dow Chemical, respectively. The company has an ethylene production capacity (on a shareholder basis) of nearly 8.8 million metric tons (MMT) annually in 2016, and that number will expand to more than 10 MMT by 2021, the IHS report said.

IHS said Exxon Mobil also strives to capture the benefits of integration (mostly around olefins and aromatics), which is also core to its strategy. One way the company does that, the IHS report noted, is to manufacture the bulk of its chemicals at facilities adjacent to its refineries, which enables the company to benefit from integrated operations and the sharing of services, maintenance and utilities.
Potential threats to the company’s continued growth could come in the form of three key challenges, Witte said. “If petrochemical prices decrease further, that will offset Exxon Mobil’s U.S. and Middle East feedstock advantages, which is significant. Additionally, if the company experiences constrained access to feedstock supplies in countries outside of the U.S., where the government or national oil companies control supplies, this could be a challenge. However, I think Exxon Mobil Chemical’s biggest threat to growth may hinge on China’s economic slowdown, the potential implementation of protectionist measures, and the risks associated with geopolitical uncertainty in the Middle East. These macro-risks are not only applicable to ExxonMobil, but ExxonMobil’s large, but fairly narrow portfolio, could be more substantively impacted as a result.”

To speak with Dave Witte, please contact Kat Kosior at katarzyna.kosior@ihs.com. For more information on the IHS Chemical report, entitled IHS Chemical Exxon Mobil Chemical Competitive Company Analysis, or the other new Competitive Company Analysis reports to be offered in the series, please contact Hannah.McNulty@ihs.com.

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