

Enterprise Products may still pursue Williams's cracker: trade sources

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Enterprise Products Partners might be a candidate to buy Williams Companies' olefins unit in Geismar, Louisiana, sources said Friday, a day after they said they were no longer talking about a possible combination and three days after Williams put the unit on the market.

Williams on Tuesday announced its intentions to sell the 880,000 mt/year Geismar unit or reach a fee-for-service tolling agreement in an effort to monetize the facility. Williams owns an 88.5% stake in the plant and serves as operator, with SABIC holding 11.5%. The plant is a predominantly ethane-fed, light-end natural gas liquids cracker.

The two companies Thursday also separately said they were ending discussions on Enterprise's possible acquisition of Williams.

An Enterprise buy of the Geismar unit would represent the first ethylene capacity for the company. The unit will attract interest from several players, sources said, but they were mixed regarding its potential acquisition by Enterprise.

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"It's definitely possible, especially considering that they have the ethane feedstock," a trading source said Friday.

The distance of the Geismar unit from Enterprise's existing petrochemicals assets in Mont Belvieu, Texas, would not likely pose an issue for the company, an olefins source said.

But Enterprise's just-ended interest in a deal for Williams appeared mostly related to the latter company's large midstream assets, another trader said, adding that Enterprise might not want any additional exposure to downstream markets.

"The acquisition of the Geismar cracker can get too messy since there is another partner involved," he said, referring to the stake held by SABIC. "I would not be surprised if Enterprise is just interested in midstream and not the cracker."

The potential to generate interest in an ethylene export facility could make the acquisition a possibility, another source said. But that could mean stronger interest in the unit will come from US players short of ethylene or from foreign companies looking to gain exposure to US shale gas-based production, he added.

Enterprise Friday declined to comment about any interest in the Williams Geismar unit, citing company policy to not discuss details of its commercial activities. Williams did not respond to queries seeking comment on a potential deal for the Geismar unit.

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The Geismar unit was hit by an explosion and fire in June 2013 that led to the death of two workers and the injury of 70 others. The cracker did not return to full

production for 21 months. The unit had been expected to be restarted as early as July 2014 but did not restart fully until March 2015, when Williams completed a 270,000 mt/year expansion to bring it to the current capacity.

Market sources said it would be difficult to estimate a value for the Geismar unit, especially considering the explosion at the site and the ensuing downtime of nearly two years.

Williams' announcement Tuesday of its intent to sell the Geismar unit followed the sale of the company's Canadian businesses to Inter Pipeline in an effort to maintain its credit ratings and generate cash to focus on its core natural gas-focused business, the company said.

Enterprise's petrochemicals operations include the six propylene fractionation facilities with a combined 95,000 b/d of capacity at the company's Mont Belvieu, Texas, site. Enterprise owns a 66.7% interest in three of the fractionation units, with an aggregate 41,000 b/d of capacity. It owns 100% of the remaining three units.

Enterprise can produce more than 3.5 million mt/year of polymer-grade propylene through the purification of refinery-grade propylene.