

JG Summit and Meralco push for globally competitive petrochem industry



JG Summit's P31.6 billion state-of-the-art plant will generate 2,000¹ jobs and hasten the petrochem industry's march towards self-sufficiency.

As part of its mandate of nation building, Meralco inked an interconnection agreement (ICA) with JG Summit Petrochemical Corporation (JGSPC) to provide the latter requisite power in its Batangas City operations. The partnership resulted in savings that JGSPC parlayed into producing raw materials for use in various local industries.

For more than a decade, JG Summit Petrochemical Corporation (JGSPC) relied on diesel generators to run its Batangas petrochemical plants. When load requirements grew the company was forced to expand existing gensets to increase power output from 46.9MW to 81.75MW.

Yet, a desire to save on fuel costs led JGSPC to explore an ICA with Meralco. The utility's projections revealed possibilities for substantial savings for JGSPC. Connecting with Meralco would also offer JGSPC opportunities to export surplus power to the grid, acting as a contingency reserve when capacity is low.

"We're achieving economies of scale by expanding the complex's manufacturing capabilities. In addition, we optimize our generator's capacity by exporting excess power," says Patrick Go, JGSPC Executive Vice President.

Based on a 54MW operational demand, tapping the Meralco grid will result in monthly savings of up to P12-million on fuel consumption alone. The petrochem company is investing some P200-million to construct a 69kV substation and equipment to interconnect its generators and electrical system to the grid.

In turn, Meralco is spending more than P190-million to build a 14.2km 69kV line from the tapping point near Bolboc Substation to JGSPC that will link it to the Meralco distribution system.

As a collateral benefit, enterprises including Shell Philippines and San Miguel Mills also stand to gain from this inter-connection facility by having the option to source for reliable power from the Bolboc Substation. The project is also expected to directly employ 500 workers, with support services expanding the workforce to 2,000.

"Having the potential to create jobs, Meralco sees JGSPC's expansion as part of nation-building," says Alfredo S. Panlilio, Meralco Senior Vice President and Head of Customer Retail Services and Corporate Communications. "It's important that we help the industry to be self-sufficient and produce critical raw materials for local industries."



Partners for a revitalized Philippine petrochem industry. Photo shows symbolic handshake of Meralco President and CEO Oscar S. Reyes (5th from left) and JG Summit Holdings, Inc. (JGSHI) and CEO Lance Y. Gokongwei. Also in photo from left to right: Gee Delfin, Meralco Relationship Manager; Bal N. Guisala, Meralco SAVP Networks Planning and Project Management; Victor S. Genuino, Meralco VP and Head of Corporate Business Group; Alfredo S. Panlilio, Meralco SVP and Head of Customer Retail Services and Corporate Communications; Froi J. Savet, Meralco Senior Manager and Head of Network Asset Planning; Atty. Patricia Ty, (JGSHI) Corporate Legal; Cecile M. Domingo, Meralco AVP and Head of Private Sector Relationship Management; and Cesar Camaongay, (JGSHI) GM of Corporate Energy Division.

State-of-the art naphtha cracker plant

JG Summit's partnership with Meralco comes at an auspicious time, as the petrochem company is constructing the country's first naphtha cracker plant in Batangas.

JGSPC's P31.6 billion plant addresses an acute shortage of quality resin materials. Through its subsidiary, JG Summit Olefins Corp, JGSPC will operate the first and only integrated polyethylene (PE) and polypropylene (PP) resins manufacturer in the country.

When it starts commercial operations this year, it will provide the needed olefin for the local petrochem industry, complete the supply chain and provide stability to the country's petrochemical industry.

"JG Summit's move to connect to the grid will do more than generate savings and income for the company. It will give that much-needed push for the country's petrochem and manufacturing industries as well," says Ricardo V. Buencamino, Meralco Senior Executive Vice President and Head of Networks.

Road to self-sufficiency

By helping supply resin materials, JGSPC creates a self-reliant petrochemical industry in the country. Independence will shield the domestic economy from the volatilities and shocks from increasingly turbulent geo-political global dynamics.

Of 12 countries producing petrochemical products, research from Business Monitor International's (BMI) Asia Petrochemicals Risk/Reward Ratings (RRRs) ranked the Philippines last. In 2012, the country's value of production index (VaPI) rose just 0.3%, while the value of plastics production surged 10.6%. Harnessing the full potential of the entire petrochemical streams of over

2,000 chemical and industrial products helps provide the right path for the country's road to industrialization.

JGSPC's construction of the naphtha cracker plant is part of this scenario. The plant can provide the country vital resin requirements to catalyze sustainable and dynamic manufacturing facilities fueling growth across all user-industries.

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A self-sufficient sector will incur foreign savings of up to P25B a year, and P2.5B in value added tax and other taxes paid annually. It is expected to attract investments of P50-75 billion in horizontal, backward and forward integration projects.² As the leading power utility in the country, Meralco is key to this industrial growth.

"We support the growth of business operations of cross-industries," added Panlilio. "Meralco continuously invests in constructing major substations to provide local companies reliable power supply to sustain operations."

1. JG Summit Annual Report, 2011

2. A Strategic Roadmap towards a Productive Future, Association of Petrochemical Manufacturers of the Philippines (APMP), 2012

Philippines' petrochemical industry status

Industry analysts believe the country's petrochemical sector is still in its nascent stage, as it lags behind neighboring countries that produce petrochem products. The sector can be a huge contributor to the country's gross domestic product. However, there are urgent steps needed to make the industry self-sufficient.

Business Monitor International (BMI) says that what ails the industry is a shortage of domestic olefins, the building-blocks for a wide range of materials such as solvents, detergents and adhesives. BMI adds that until the lack of this critical chemical component is addressed, the country will continue its dependence

on imported ethylene and propylene as well as aromatics and their derivatives.

People may not be aware that most goods they use are made of petrochemical products. Key industries such as food and agriculture, transportation, healthcare, electronics, and telecommunications use this raw material for production of their commodities. Petrochemical products are found on mobile phones, food packaging, Kevlar bullet-proof vest, fishing nets, plastic films for greenhouses, synthetic fiber, and rice sacks.

Key to the production of petrochemical products

is having enough supply of good quality PE and PP resins – the top polymer resins used worldwide. These can be processed to achieve a wide range of mechanical and chemical properties, making it possible to use them in a myriad of applications.

The country's petrochemical industry currently relies on imported raw materials. But that could be changing as growth in the domestic resins market is prompting oil and petrochemical producers in the country to consider investment in downstream industries – the last stage of the petrochemical industry structure that involves plastic fabrication and processing.

PETROCHEMICALS

Coal Natural Gas Oil



Benzene
& Derivatives

Xylene
& Derivatives

Toluene
& Derivatives



Propylene
& Derivatives



Methane
& Derivatives



Ethylene
& Derivatives



Butanes
& Derivatives



Butylenes
& Derivatives



Butadiene
& Derivatives

The petrochemical industry is composed of cross-sector manufacturers which produce resins and derivatives found in everyday goods and items such as cushions, baby bottles, tires, fertilizers, perfume, plastic packaging and lubricants among others.