

# **Air Products and Chemicals, Inc. (APD) Citi Global Industrial Tech and Mobility Conference Transcript**

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**Body**

Air Products and Chemicals, Inc. (APD)

Citi Global Industrial Tech and Mobility Conference Call

February 22, 2024, 08:50 ET

Company Participants

Samir Serhan - EVP & COO

Siddharth Manjeshwar - VP, Treasury & IR

Conference Call Participants

Patrick Cunningham - Citigroup

Presentation

Patrick Cunningham

Good morning, everyone. My name is Patrick Cunningham. I'm the North America chemicals analyst here at Citi. Today, I'm joined -- excited to be joined by Air Products, one of the world's leading industrial gas companies, which operates regionally and sells atmospheric gases, process gases and syngas to a broad range of end customers across a number of different end markets.

So Air Products is a substantial growth strategy centered around clean hydrogen projects to support the energy transition. To talk about these topics, I'm joined today by Dr. Samir Serhan, COO of Air Products. Dr. Serhan has decades of experience in industrial gases and joined APD in 2016 as EVP, leading technology, engineering, project execution, procurement, manufacturing, construction and start-up organizations and now has global responsibility for the operational business and project execution with P&L accountability for Americas, Asia, Europe and Africa, Middle East and India.

Also on my far left, I'm joined by Sidd Manjeshwar, who is VP, Corporate Treasurer and IR, overseeing Corporate Finance and Investor Relations. He joined APD in 2021, prior at FirstLight Power and Dynegy. So thank you for joining me here today.

So to kick it off, can you maybe start with a state of the union, what's your 2024 outlook? And as investors begin to get more constructive on the macro. Maybe walk us through on what you're seeing in each region.

Samir Serhan

Thanks, Patrick, and it's really a pleasure to be here at the Citi conference. We have announced our results for the first quarter. And basically, at that time, we also announced that for the year, we're going to be around -- for earnings per share around $12.35, which is midpoint would be around 7% 7.5% growth over last year.

Our base business, which is really that's what we have today. Lots of attention now talks about low carbon hydrogen but lots of our base business really -- is really what producing the results today because we are not selling a blue hydrogen or green hydrogen today. It's very solid. It's good, solid business fundamentals. We see some headwinds. I mean, let's go around the region. Let's start with the Americas.

In the Americas, refining is very strong. We cannot make enough hydrogen in our system in the U.S. Gulf Coast sort of finding a strong chemical is -- steel soft. We see some signs of things picking up. But overall, we see softness with the exception of the refining, which is really very strong.

When it comes to Europe, again, strong on sites. Hydrogen in Amsterdam is also doing well over there -- in Rotterdam, I'm sorry. Again, construction chemicals, I still see some softness there. Our teams, however, in Europe and in the Americas are holding on a price over variable margins. So we are definitely delivering on that. And also, we have volume growth.

And this is really coming from -- because, again, we still continue to invest in growth projects in our base business. Last year, we had started around 70 plants. Last quarter, we started around 25. So again, stronger growth in the volume when it comes also to our base business.

Asia, especially China, is definitely weak. We expected we were more optimistic about China. We expected it's going to have -- follow the growth curve like the Americas after COVID, it didn't materialize. And definitely, the key driver for there is the geopolitics, lots of uncertainty there between -- especially with the relationship between U.S. and China. It's getting lots of people to sit to the side to see to watch what's really going there. Our team indicating that the government definitely see this they and are looking at some incentives that will be communicated in the near term future.

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Electronics, overall, and especially in Asia, has been soft for some time right now. But we really see also things by the end of the year will pick up when it comes to electronics in Asia and also outside Asia. If we go to the Middle East, our joint venture there, the Jazan joint venture is doing very well according to target. We're basically commissioning the rest of the assets. Some of them are operational right now and it's delivering per plan.

Question-and-Answer Session

Q - Patrick Cunningham

Fantastic. And maybe just there was some negative reaction to the last earnings call. And I think a lot of that was centered around the Helio business. So where are you seeing the most depressed demand in the helium business? And are there any challenges on the supply side that you're monitoring? Or maybe you have an update from a couple of weeks ago? .

Samir Serhan

I mean when it comes to helium, this is a product that you cannot manufacture. I mean this is something that really come out of the ground. Like when you're extracting natural gas, there is a traces of helium, you capture that, and that's the product that you sell. Air Products is basically the biggest in the world in the industrial gas space, that means selling helium.

Helium was short for like 3 years, and that drove the pricing higher. Many of our competitors actually filed or all of them actually filed force majeure for some of the project because they could not supply the product. Air Product did not. I mean we continue because we have significant supply. And also on the top of this, we built the helium cavern in Texas, where we store also helium to improve the reliability of supply for our customers.

So the last nine months a year, basically what happened there. There were some softness, again, Asia leading that and especially in electronics. In addition to that, there was a product leak in helium out of Russia. I mean, there are sanctions against the helium product in Russia, basically to utilize to ship it out of Russia. But that product is making it out of Russia one way or another. So because of that softness in the demand more supply, that put pressure on the pricing.

I think Air Products, we tried hold to upper up pricing, and we lost some volume because of that. And now we're really somewhat adjusting to the market dynamics to try to really gain some volume.

Patrick Cunningham

Got it. I want to transition to hydrogen and maybe I'll just have a question for Sidd here. So maybe just on that, how has the IRA change the competitive landscape? And how do you view future project investments in not just the U.S., but Europe and the rest of the world. And then maybe I'll have a follow-up on election risk as well.

Siddharth Manjeshwar

Sure. Terrific question, Patrick. Look, what I'd say is the last 18 months globally has seen a seismic shift forward for energy transition, right? And what I mean by that is the IRA was passed in late '22. Last year, we had, in Europe, an alphabet soup of regulation part, the RED II standard, the RED III, the delegated acts. But what -- and every country and every region of the world is sort of approaching this slightly differently.

The U.S. IRA was a giant carat, so to speak, where they're trying to address climate change issues and bring a tremendous amount of reshoring of supply chains to the U.S. as well as a lot of socioeconomic benefits in the regions of the U.S. where these investments happen. But ultimately, what they're doing is they're making it much cheaper for a producer to produce these low carbon molecules, right? Which I think we are taking advantage of and it helps our consumers, it makes it easier for them.

Now in Europe, they've sort of tried to address this from both the supply and the demand side. This entire host of legislation passed. And they've already got a carbon tax today in Europe. So by 2030, 40%, 42% of a lot of industries need to have a low carbon feedstock which is hydrogen because that's the only way you can decarbonize. And then they've also set certain targets of adoption for -- in renewable fuels, in maritime with SAF, et cetera. And this is going to basically places where we currently sell and new use cases are going to need this low carbon hydrogen.

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And then in Europe, what they're also doing is through all these incentives, they're also incentivizing steel companies each nation directly, like you've seen several steel producers now convert to DRI with big grants. So I think that's very helpful. Japan is doing similar things. They just recently passed a $20 billion incentive program for blue hydrogen. Green from our NEOM product is likely headed primarily to Europe, given that's where they're looking to adopt this the low carbon hydrogen and blue from our Louisiana project is likely headed primarily to the Japanese and Korean markets. Canada is doing similar things. So I think we're really excited about where this is all happening. And recently, on the back of all this, you've even seen other large refiners put large RFQs out for low-carbon green hydrogen.

So I think overall, we're very excited. I think as we think of the landscape, we can start seeing a lot more of our investments start shifting towards the Western world, primarily in the U.S., but we've announced some projects in Europe recently as well. But overall, I think it's a tremendous opportunity for us overall. And I'll Dr. Serhan to make any additional comments as well.

Samir Serhan

I mean definitely low carbon hydrogen is not the flavor of the month. I mean this is here and it will stay I mean you have the IRA and the U.S. which incentivized production of the low-carbon hydrogen. You have the renewable energy directive in Europe were basically, as Sidd mentioned, more than 42% need to come from low carbon nonbiological sources by 2030. I mean this is -- so the demand for low carbon hydrogen is massive. I mean what we're really building at Air Products and others also announced their project, it's really a drop in the ocean to this demand.

So the money is there to incentivize these things. But what we're really also at Air Products focusing on because with incentives, it's comes and go, there are changes, we're basically building

our brands to be competitive as a grade. And whatever basically come out of the incentive whatever come out of the premium for the low carbon product, that would be really more on the top.

Patrick Cunningham

Yes, I think that's a good segue. I think there's a growing narrative that blue hydrogen is arguably the more scalable and relevant technology for clean hydrogen production. So can you compare and contrast the two from a technology maturity, capital intensity standpoint that's Green versus Blue or even throw gray in there? So what will it take to get green hydrogen moving in the U.S. globally?

Samir Serhan

I mean I think gray -- I mean if you look at the blue, I mean, it's more expensive than a gray because you need to capture the CO2, green is even more expensive than the blue. This is the reality. I mean with time, things might change the dynamics that we make it become more competitive, but that's how it goes from a cost. I think the world is growing. The world is looking for more energy more renewable energy.

And we're going to need all. I mean we're going to need a gray hydrogen, we're going to need the blue hydrogen, we're going to need green. They all have really a space. Blue, you have the infrastructure there. I mean you have -- basically, you're using fossil fuels, but you're capturing the CO2. You need to have a specific location where you can capture the CO2 because you really cannot do it anywhere in the world. The project we've done in Louisiana, basically, that's a unique location where you really can capture the CO2 in a very good, safe fashion.

We don't really try to decade our customers what color hydrogen are really looking for. Where basically, like if you go to your gas station, you can pick diesel, you can pick gasoline a different lead content. We basically are going to be offering only three, and we really do see that this is going to be incrementally. The shift is going to go to more to blue, less green, but green will eventually catch up.

Patrick Cunningham

Got it. And then just a brief follow-up. Historically, elevated natural gas has helped drive down cost parity of green and blue versus gray. But can you comment how that's shifted based on the currently low natural gas prices.

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Samir Serhan

I mean, definitely, the price of natural gas is a factor in deciding gray, blue and green but again, if you go back to '22, we had like, I think, August '22, the price of natural gas went up to $10 per million BTU, which is pretty significant in the U.S. It was like 7x that more in Europe. Today, I mean, I think we're below $2. Our forecast for the year, maybe we get close to $3 per million BTU.

You can go to a place like Saudi where you can get natural gas for like $1.50 per million BTU. But really, what's driving low carbon hydrogen is the CO2. If you produce today, hydrogen using natural gas, you're going to basically for every kilogram of hydrogen, you're going to be producing 11 kilograms of CO2.

Part of the European regulation to qualify for low-carbon hydrogen, you only need to produce like a 3.3 kilogram of CO2. So you're really talking about the reduction for each kilogram of hydrogen from 11-plus to 3-plus. That's significant. That reduction, this is the value of the low carbon hydrogen. This is why it's highly in demand because everybody want to decarbonize. And how can you really decarbonize heavy industry? Maybe if its your car, you can use electric renewable electricity, that's how we can decarbonate. But when you start to go to heavy industry, chemicals, petrochemicals, steel, cement, there is no other way to decarbonize and meet the targets that the people are setting -- companies are setting, government are settings without low-carbon hydrogen.

Patrick Cunningham

So maybe just shifting on to some of your larger projects, maybe we can talk NEOM, Louisiana. Let's walk through some of those projects where we are in execution. And what's your confidence on achieving double-digit IRRs on some of the projects that don't yet have a fixed return or offtake agreements in place? .

Samir Serhan

Good question. I mean, I think we'll let us start with the biggest green hydrogen project. It's the project NEOM. I mean, it's engineering almost complete. Procurement majority of the item is all complete. It's basically heavy construction right now. I mean, I know some people are is really a product building new. I can tell you today, we have 10,000 people at NEOM Jobsite, building NEOM. So this shows you, it's an incredibly impressive site to visit to see the hydrogen plant, their separation plan, the electrolyzers, the hydrogen bullets, the ammonia plant, the . So 10,000 people we have there at NEOM right now putting this together with the target really coming at the end of '26, December '26 on stream, 600 tons of green hydrogen per day. Basically converting it to ammonia, to ship it around the world.

Our interest were not an ammonia company. We're a hydrogen company. So our interest is the hydrogen molecule, but to ship it. We converted it to hydrogen. When it reaches destination, we will crack it back to hydrogen and basically sell that molecule. So that's really where the status of NEOM. We do understand the risk associated with the offtake.

I mean -- and we've been talking about for some time, we do see the demand but we have not really communicated any of these contracts. We are negotiating this contract as we speak, and we will communicate as soon as possible. Because of the risk was taken on developing these mega projects and being the first mover, we are demanding more than our typical return on our base business. And we are negotiating and we're hoping soon we basically start communicating some of these contracts for long term.

We're not looking for spot sales. This will be 10-, 15-, 20-year contracts for Air Products. Most of it is going to really go for heavy industry, and it's not going to really go to for like mobility, some of a percentage, a small percentage will go for the mobility, but the majority of this will go to for heavy industry. And to highlight the demand, there is one customer, which is, I think it's public information, .

They have a request for quotation already out, requesting 500,000 tons of green hydrogen, not blue, not gray, green hydrogen for three of the refineries to convert it from a gray hydrogen to green hydrogen, 500,000 tons of green hydrogen per year that's 2.5x NEOM, just to put it into perspective. That's the demand on the market right now. Where is NEOM #2?Where is NEOM #3 today? And it shows you that mean about the demand versus supply.

But we look forward, of course, to announce some of these contracts to derisk because I know some of our investors feel uncomfortable with not having these long-term contracts because this is a traditional within industrial gas model.

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Patrick Cunningham

Got it. And would you be -- I mean, would you be willing to accept sort of higher-than-usual fixed return or -- and I know you're not going to go to the spot market necessarily with these volumes. But are you looking for some much higher hurdle? Or is there going to be some variable mechanism and premium on this pricing?

Samir Serhan

It's a fixed return. Long term, it's really very like similar to our on-site model, long-term contracts, 15 years fixed return with variable cost pass-through. It's the traditional industrial gas model.

Patrick Cunningham

And then just on Louisiana, I think there was a lot of -- I think there was a lot of negative reaction to that CapEx, higher CapEx number there. So maybe we could just go into that and what maybe investors misunderstood.

Samir Serhan

Sure. Again, Today, we are executing more than 160 projects under execution to basically do engineering, procurement, construct them and hand them over to our execution out to our regional heads. For low-carbon hydrogen, there are only a few on your hand that you can count. The rest of it is really based business, as I mentioned before. We, because, again, Air Products is starting selling gray hydrogen over the fence as the first industrial gas company. We started that 40-some years ago. And really since then, we've been taking leadership in the gray hydrogen space.

Today, we're producing 10 million tons of gray hydrogen a day. That's significant, 10 million tons of gray hydrogen a day. all of that know-how we developed in dealing with the hydrogen, reliability, safety, efficiency, productivity, executing these projects, operating these projects. All of that really got us the confidence to basically be the first mover when it comes to the low carbon hydrogen. And that's why we have committed and we said we want to be the world leader in blue hydrogen and green hydrogen.

Because of that passion commitment that we have and the confidence in delivering. We announced the project in Louisiana and the project NEOM. We feel very confident about them that they're going to really deliver more than our traditional 10% IRR, very, very confident about that. But because they were first movers, so we announced the project, we start executing and we start doing the engineering.

While we're doing the engineering part of the job doing the engineering, we were optimizing this project. These are one of a kind projects never done before. So we were upsizing the project to try to make sure that we're getting blends that are very efficient and very low on the cost curve. So when we were doing Louisiana, we found that the CO2 sequestration field we have are very solid. When we basically lease those, other people did lots of investigation to show how sound are they and the results were good. Then when we took over, we did more testing and the results also were very good, very impressive when it comes to what we achieved.

Because of that, we decided to go from instead of capturing 5.5 million tons to capturing 10 million tons. To capture 10 million tons, it's going to need capital because you have to do more wells, you have to do more pipelines, infrastructure. We've done this, and we added to the capital, and that was one of the part of the significant increases to the capital is related to the CO2 sequestration. But that additional space, we're going to be monetizing because this could be another facility like there or we have a number of hydrogen plants in Louisiana.

We can capture the CO2 from those hydrogen plant and sequest in that field, which is going to be ready. And now you can get incentives, the $85 per ton of CO2 requested. And also you can get a premium for selling a low-carbon product with 95% of the CO2 requested.

So again, that was like one item, part of the engineering when we were doing the optimization, we said it's a slam then let's do it. It makes lots of sense, and we've done it. Same thing with the land. We bought significant more land because we really wanted to expand this. Same thing with the , where the ships are going to be coming. We wanted to accommodate bigger ships who are in the future in a few years, there will be ships going to be running on ammonia. So we wanted to accommodate that for the Jetty . So again, we invested more in the Jetty to do this.

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So all of these things really were done to really optimize. And now we have a project, as I said before, will produce and compete with a gray product and get us our minimum return just as we sell it as a great product, although we're going to be capturing 95% CO2.

Part of that capital increase, of course, there was an inflation around 10%, just -- again, I think that was like that exaggerated. When you're really running these projects, that means they have their own complexity, but we have created a high-performance organization. We have some of the best talent that we attracted from our competition in the industrial gas field from EPC company, operating company to really execute these projects. So we feel very confident about getting to the finish line successfully on those.

Patrick Cunningham

Yes. I mean I think just maybe more broadly across your $15 billion hydrogen energy transition backlog. Can you elaborate on some of the common roadblocks tied to project execution? It seems like a lot to manage from an engineering and project management standpoint. And you guys are also now taking steps to own multiple parts of the value chain with some of these mega projects. So talk about what that means both from an organizational perspective and a cost perspective.

Samir Serhan

I mean it's strange to say it, but part of our strategy to derisk some of these projects as we do self-perform. So other companies, I mean, to build these plants, they basically go and contract them, they will contract a company to do the feed for them, then contract a couple of companies to do the ABC. We self-perform these projects because we want to be the chef in the kitchen, making all of the decisions have full control. And we have taken us like 8 years to develop the organization we have at place.

Now we have 10 execution centers worldwide working in 24 hours on these jobs with the best talent really available in the market with the best state-of-the-art tools that are available in the market. So we are managing this. And again, please understand in when we were talking about a few years ago, about $12 billion, many people had doubts, kidding me, you want going to do a $12 billion sale of gas. I mean, can you guys manage this. We did, and we have now this asset, and it's contributing to our bottom line.

When we have decided a few years ago to build a coal gasification as class -- world the class coal gasification in China. Again, people doubted that, that facility now is running and producing and it was done on time, under budget with all of the COVID issues where you had the problem go to get your grocery, we manage basically to build the world scale coal gasification plant in China during that time.

So again, this is not about talking, this is about walking the talk, and we really managed to deliver. And we have no doubt that we will be delivering on the and the NEOM and really achieve our business case for our...

Patrick Cunningham

And maybe just -- maybe this could be a misconception. People just suggesting taking on multiple parts of the value chain, there's risks and things like ammonia cracking. Maybe just walk through what gives you confidence you can execute on NEOM and Louisiana, for example?

Samir Serhan

I mean, again, when it comes to technology, these things were not decided overnight. So when we decided on NEOM, it took years to decide to build our -- the biggest green hydrogen project in the world. If you go now to NEOM, I mean, it's a 300 square kilometer it will get you a whole day to drive around the job site. Where can you find a space like this, where you have sunny during the day and you have wind during the night and you have right on water. So these are the things. You're getting electricity, were producing 4 gigawatts of renewable electricity. That's where the scale anywhere in the world, most competitive ever on earth.

This is, again, this convert to the green hydrogen price because this is the energy to produce the green hydrogen from water. So you basically have a very competitive location, well selected. Again, we bought a challenge to do that project, okay, we cannot ship hydrogen. We need to ship it as ammonia. We need to crack it then back to hydrogen. We evaluated the market plenty of technology to crack ammonia. So it exists. But to do that, you lose 30% to 40% of the product.

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I don't want to lose 30%, 40% of my green ammonia. It's -- this is a very valuable molecule. I don't want to -- so again, we put our expert on it, and we developed the ammonia cracker Air Products, incredibly efficient. So again, there are hurdles. We manage them and we basically -- and now we have -- we're making 10 of these crackers to go all over the world.

So these are really when it comes to blue hydrogen, again, you can talk about a lot, but technology is a key. It's a foundation for these projects. Some people did not notice a few years ago, we bought the Shell gasification technology and the GE gasification technology. By buying those, we got like 120 years of collective experience between those two companies and gasification.

And by the way, part of that acquisition, we got something called Box partial oxidation. This is one of two technologies in the world to produce blue hydrogen. I mean this is massive. This is something to have a technology when people did not even talk about low carbon hydrogen where we bought it before and now we own it.

These are the things that really why we're so convinced about what we're doing because we're really, as I said, trying to produce a product by derisking it, where it can be competitive to agree product.

Patrick Cunningham

So I have a few more questions, but I wanted to pause and see if there are any questions from the audience. All right. So maybe just going back to the tax credits for green hydrogen production. So the IRS issued guidance on these credits in December 2023, can you comment on the industry's perception or approach with the credits and related investments? Does this expedite certain product time lines? Why is this good or bad for products? .

Samir Serhan

I mean we're very supportive and this has been public Air Products with really with the guidelines, the treasury basically announced. We believe the IRA is really there to incentivize the carbonization of the world, the carbonization of the U.S. And it's not to benefit companies just to get extra money that mean to the bottom line. So we really do believe heart and soul basically about additionality that you need to add new capacity, renewable energy, hourly matching and not monthly or yearly and also when it comes to be on the semi grade. And all of our green hydrogen projects, that's what we're really doing, complying with these guidelines. So we really believe this is the right thing to do and our projects are basically designed accordingly to comply with this.

Patrick Cunningham

Very helpful. And then maybe just talk about cash and CapEx for this year and beyond years. What are the priorities for cash deployment? Maybe even just beyond the Clean Energy backlog, which is obviously quite sizable. Is there any other regions which you're looking to grow the base business in? Any end markets which you're looking to get more exposure to?

Siddharth Manjeshwar

Sure. So I think great question, Patrick. And given the recent stock price reaction that you mentioned as well, we've been guiding the question around where does stock buybacks get into that as well, right? And look, as a company, if we're yielding 3%, 4%, what we're finding opportunities, which could be in the high teens it still doesn't make sense, right? So I think we're still focused on our organic and greenfield and brownfield opportunities that we're finding. And we're finding a lot of them across the globe, right? And I think that's part of being a first mover is we've spent the time, effort, diligencing and protecting and derisking our supply chains.

Our overall business, generally, we spend $1 billion across the globe. Two years ago, we brought 60 assets online. Last year, it was roughly 30 assets. This past quarter itself, we had 25 assets that we brought online. So the base business is flourishing. And again, one distinction I draw is teams within Air Products that are executing the base business and the low carbon strategy are entirely separate, right? So it's not like we've taken our eye off the ball on the base business. I think that business is growing. We're winning more than our fair share of opportunities there. And as it pertains to capital allocation, look, given we're in a more elevated period over the next couple of years, we've been mindful of managing our dividend as well as our capital deployment CapEx needs as well. The next couple of years will be more elevated, and then it would trend down if we don't announce any more new projects.

But I think the intent is for us to bring offtake visibility on NEOM and Louisiana before we announce and you heard Seifi mention this recently, before we announce any more megascale projects.

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Patrick Cunningham

Makes sense. And maybe we'll just leave it with this question. So what are the top 2 or 3 innovations and structural changes affecting your company in the next 5 years? Are there any emerging trends that are perhaps being overlooked?

Samir Serhan

I mean I don't know if the word overlooked, but I would really say about really the demand for low-carbon hydrogen. It's really -- this is really seismic. I mean -- and I think just like we really see the market underestimating this. It's not overlooked. It's really underestimated. And it's going to take some time. I mean, for the people who are really sitting to the side and questioning is the low carbon hydrogen really real or not. I mean we have demonstrated. I mean, we have our project in Canada.

That's basically going to be producing low carbon hydrogen in Edmonton, and we have signed a 15-year contract with [indiscernible] a refinery to produce biofuels. This is real. And part of the pricing of that product is also based on the carbon intensity of it. So this is not a dream. This is a reality that means for a real project in Canada.

Then we also announced a project in Europe again, we're basically doing a blue hydrogen is the biggest in Europe so far. We're also producing a blue hydrogen. We have our there and the product is being sold as a blue low carbon product basically to our customers. So it's there, you've seen Exxon Mobil announcing heavy investment in low-carbon hydrogen. I mean I mentioned that example about Total looking for significant amount of a green hydrogen. You've seen Dow looking basically to decarbonize their ethylene crackers. Again, I mean, look at all of the ethylene plants around the world. I mean, how much hydrogen you need to decarbonize these ethylene plants. I mean these are the crackers that, where we have all of the plastics all over the world, I mean, for the different industry.

So you really see that demand. I mean, it's very overwhelming. I mean -- and we really need to get more supply. I mean, we've started. This is not a product challenge. I mean other companies need to come in because to meet that demand, I mean, it's going to require a significant amount of investments to deliver on it.

Patrick Cunningham

[Indiscernible] or is it back to your going to make it work whether the incentives are there or not?

Samir Serhan

I guess the question is, do we worry about the incentives, the IRA with the change, potential change in the administration.

I mean I can give you -- it's very hard to predict politics, but I can give you a real life example. When it comes to CO2 sequestration, which is also part of the IRA. This was also before IRA. You had $50 to sequest 1 ton of CO2. This has been there for a long time the incentives. And Air Products for 10 years, we've been actually capturing 1 million tons of CO2 for the last 10 years, and we've been getting that $50 per ton since then.

And at that time, basically, there were Republican in the White House, and there was a Democrat in the White House. I mean when it comes really to IRA and decarbonization, I mean, this is not what the color is a blue or red. I mean this is about creating jobs. It's about decarbonization. We don't have too many options here. So we really don't see that a threat basically.

And it's an act of Congress. I mean this is not a presidential order. It's -- but as I mentioned also before, we announced our Louisiana project even before the IRA. And we really also because of that, we try to make it as competitive to compete in the gray product without decent centers.

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Siddharth Manjeshwar

So just building on Dr. Serhan's point, the other project which we're developing, the green hydrogen project in Upstate New York, to his point, at prevailing gray liquid hydrogen prices, that project has very compelling returns. So I think the IRA does enhance it. But the way we managed our execution strategy is based on what he just mentioned.

Samir Serhan

And that's hydrogen Europe producing using hydropower, which is renewable, which is going to be green. So that's really how we are derisking the regulation than centers if they can go up, down or so.

Patrick Cunningham

Thank you. Any further questions? Dr. Serhan, Sidd, please join me in thanking our speakers.

Samir Serhan

Thank you.

Siddharth Manjeshwar

Thank you.

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