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June 27, 2016

Ms. Korry Castillo
Director, Data Analysis & Transparency
Texas Comptroller of Public Accounts
LBJ State Office Building
111 East 17th Street
Austin, Texas 78701

Re: Deer Park Independent School District ("Deer Park ISD") Application No. 1139 (the "Application"); Applicant: Equistar Chemicals, LP ("Equistar")

Confidential Information in the Application

Dear Ms. Castillo:

We are writing as a follow-up to your conference call with Dale Cummings of Cummings Westlake, LLC on June 23, 2016, concerning the portions of the Application originally designated as "confidential," the subsequent changes made by Equistar to reduce the portions of the Application designated as "confidential," and the identification of the specific provisions of law on which Equistar is relying for withholding the remaining information in the Application designated as "confidential" from public disclosure under the Texas Public Information Act, Tex. Gov't Code § 552.001 et seq.

In accordance with Comptroller Rule §9.1053(e) (34 Tex. Admin. Code §9.1053(e)), Equistar originally designated certain portions of the Application as "confidential" and segregated such confidential information from the remainder of the Application and submitted such confidential information to the Texas Comptroller of Public Accounts (the "Comptroller") separately to protect against unintended disclosure. The portions of the Application originally designated as confidential information were the information and materials contained in the following Tabs of the Application:

- Tab 4 (detailed description of the project);
- Tab 5 (documentation to assist in determining if limitation is a determining factor), except company releases and news articles;
- Tab 7 (description of qualified investment); and
- Tab 8 (description of qualified property).

Subsequent to your telephone conference with Dale Cummings, Equistar has reconsidered the above portions of the Application and substantially reduced the portions of the Application designated as "confidential."

Specifically, Equistar no longer designates as "confidential" any portion of the information contained in the following Tabs of the Application:

- Tab 7 (description of qualified investment); and
- Tab 8 (description of qualified property).

In addition, Equistar has substantially reduced the portions of the information contained in the following Tabs of the Application that Equistar designates as "confidential" in accordance with Comptroller Rule §9.1053(e) (34 Tex. Admin. Code §9.1053(e)):

- Tab 4 (detailed description of the project); and
- Tab 5 (documentation to assist in determining if limitation is a determining factor).

The remaining portions of Tabs 4 and 5 that Equistar now designates as "confidential" (the "Confidential Information") have been so designated because:

- Tab 4 (detailed description of the project)

  The last four paragraphs of Tab 4 contain information concerning plant integration, utilities, sources of feedstock, and related matters and have been designated as "confidential." Such information describes specific processes and/or business activities to be conducted and/or the specific tangible personal property to be located on real property covered by the Application the disclosure of which would cause substantial competitive harm to Equistar. In addition, such information is proprietary commercial information regarding the specific location of the possible project and the nature of the processes, activities and business that will be conducted at the site and constitute trade secrets of Equistar.

- Tab 5 (documentation to assist in determining if limitation is a determining factor).

  The third and fourth paragraphs of Tab 5 and certain statements contained in three of the seven "*Notes*" after certain Equistar earnings call information and news articles contain information concerning operations, technology, processes and/or business activities at the high density polyethylene manufacturing facilities of Applicant's affiliates located in Wesseling, Germany, and the potential site covered by the Application and internal decision making matters relating to those matters and have been designated as "confidential." Such information describes specific operations, technology, processes and/or business activities to be conducted and/or specific tangible personal property to be located on real property covered by the Application and alternative sites, and internal decision making processes and considerations with

> respect thereto, the disclosure of which would cause substantial competitive harm to Equistar. In addition, such information is proprietary commercial information regarding the specific location of the possible project and the nature of the processes, activities and business that will be conducted at the site and constitute trade secrets of Equistar.

The reasons why the Confidential Information should be withheld from disclosure under the Texas Public Information Act, Tex. Gov't Code § 552.001 et seq., are set out below.

1. <u>Certain Business Information Confidential</u>

Tex. Gov't Code § 552.101 excepts from required public disclosure information considered to be confidential by law, either constitutional, statutory, or by judicial decision. This section makes clear that the Texas Public Information Act does not mandate the disclosure of information that other law requires be kept confidential.

The first sentence of Tex. Tax Code § 313.028, titled Certain Business Information Confidential, provides:

> Information provided to a school district in connection with an application for a limitation on appraised value under this subchapter that describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application shall be segregated in the application from other information in the application and is confidential and not subject to public disclosure unless the governing body of the school district approves the application.

Deer Park ISD has not yet approved the Application.

The Confidential Information describes the specific processes and/or business activities to be conducted and/or the specific tangible personal property to be located on real property covered by the Application and, therefore, is protected from disclosure under Tex. Gov't Code § 552.101 and Tex. Tax Code § 313.028 until such time as Deer Park ISD approves the Application.

2. <u>Trade Secrets</u>

The Confidential Information constitutes proprietary commercial information regarding the specific location of the possible project and the nature of the processes, activities and business that will be conducted at the site. The materials are protected by the trade secret exceptions set forth in Tex. Gov't Code §§ 552.110(a) and 552.131(a)(1). The determination of whether specific material is protected as a trade secret is a question of fact. While not defined in the statute, Texas has long recognized the definition of trade secrets set forth in the Restatement of Torts. See *Hyde v. Huffings*, 314 S.W. 2d 763, 776 (Tex. 1957), *cert denied*, 358 U.S. 898 (1958). The Texas Attorney General's office has consistently applied the Restatement of Torts in determining whether information submitted to Texas governmental agencies is exempt from disclosure in response to Open Records requests under the "trade secret" doctrine. *See, e.g.,* Open Records Decision No. 652, pp. 3-5 (1997);

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see also OR2002-2871 (May 28, 2002). The Restatement of Torts lists six factors to be utilized in determining whether material is, in fact, a trade secret:

1. Extent to which information is known outside of [Equistar and its affiliates];
2. Extent to which information is known by employees.
3. Security Measures.
4. Value of Information.
5. Effort Expended.
6. Ease of Duplication.

Applying these factors, the Confidential Information constitutes a trade secret and, therefore, is protected from disclosure under Tex. Gov't Code § 552.110(a).

3. <u>Certain Commercial or Financial Information and Economic Development Information</u>

Tex. Gov't Code § 552.110(b) provides that:

> Commercial or financial information for which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom it was obtained is excepted from the requirements of Section 552.021.

Similarly, Tex. Gov't Code § 552.131(a)(2) provides that:

> Information is excepted from the requirements of Section 552.021 if the information relates to economic development negotiations involving a governmental body and a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and the information relates to:
>
> *************************
>
> (2) commercial or financial information for which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained.

Tex. Gov't Code § 552.131(a)(2) is co-extensive with Tex. Gov't Code § 552.110(b). *See* OR2009-06132 (May 7, 2009) and authorities cited therein.

The Confidential Information is protected from disclosure under each of Tex. Gov't Code § 552.110(b) and Tex. Gov't Code § 552.131(a)(2), because disclosure of the commercial and financial information contained in the Confidential Information would result in substantial competitive harm to Equistar.

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Based on the foregoing, the Confidential Information is excepted from public disclosure under the Texas Public Information Act, Tex. Gov't Code § 552.001 et seq.

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If you have any questions, or require any additional information, please do not hesitate to contact me.

Thank you for your consideration.

Very truly yours,

Stephen A. Kuntz

TAB 4

Provide a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.

Description of Project

Equistar Chemicals, LP proposes to construct a new polyethylene unit at its La Porte manufacturing facility located at 1515 Miller Cut-Off in La Porte, Texas. The project includes the design and construction of a 1 billion pound per year polyethylene unit along with related infrastructure and logistics. The plant will manufacture polyethylene resin which is used in products such as plastic pipe, merchandise bags, milk jugs, food and beverage containers, household chemical and detergent bottles, pails and drums.

Construction is proposed to commence in 1Q 2017 with completion estimated in 2Q 2019. The proposed improvements for which the tax limitation is sought will include one (1) polyethylene unit along with all process infrastructure and auxiliary equipment, including but not limited to, compressors, drums, vessels, heat exchangers, pumps, filters, reactors, packaged systems, blowers and fans, dryers, dust collection units, mixers, feeders, extruder, rotary valves, scales, trolleys and hoists, utility service lines, storage tanks, blending silos, electrical switchgear, transformers, substations, instrumentation, equipment and structural foundations including supports, control equipment and facilities, warehouses, raw material and utility distribution improvements, flare, cooling towers, inter-plant piping and utilities, tie-ins, upgrades and revamps to existing facilities, road improvements, control building, fire prevention and safety equipment, railroad tracks, railroad switches, rail car loading equipment, rail car washing buildings and equipment, any other tangible personal property utilized in the process, storage, quality control, shipping, waste management and general operation of the polyethylene unit and any other infrastructure additions, upgrades and modifications related to the polyethylene unit.

Information about the integration of the proposed new unit with the existing plant contains confidential information and is submitted under separate cover. Information regarding raw materials, utility suppliers, and other infrastructure requirements is confidential and submitted under separate cover.

TAB 5

Documentation to assist in determining if limitation is a determining factor.

Equistar Chemical, LP's parent company -- LyondellBasell Industries N.V. ("LyondellBasell") -- is one of the world's largest chemical companies with 2015 revenues of over $32 billion. LyondellBasell has 55 manufacturing sites in 18 countries, with the principal manufacturing sites being in the United States, Germany, Italy, the Netherlands, France, and Spain. LyondellBasell has the option to invest capital in manufacturing plants on a worldwide basis.

Equistar has previously submitted a Ch. 313 Application for Limitation on Appraised Value for this project with Deer Park ISD, under Application No. 365. By letter dated March 3, 2014, the Comptroller recommended that Application No. 365 in the Deer Park ISD be approved. Equistar and Deer Park ISD entered into a Value Limitation Agreement with respect to this application on April 21, 2014.

Applicant has terminated the previous agreement with Deer Park ISD in accordance with Section 8.2(c) of the agreement because Applicant will not satisfy the $80 million investment requirement by year end 2016, as required.

Applicant is now re-evaluating the economics of this project and re-considering whether to continue. LyondellBasell Industries and its subsidiaries, including Applicant, own and operate petrochemical manufacturing facilities around the world as well as in the United States. The Applicant has one site in Europe, whose location is confidential, that it considers a viable site for building a new plant. The location of the European site is submitted under separate cover. Additionally, Applicant has other plants that produce polymer products in Lake Charles, Louisiana, Pasadena, Texas, Bay City, Texas, Victoria, Texas, Morris, Illinois, and Clinton, Iowa.

The decision to invest in a particular country or state depends on the economics of the investment in the particular jurisdiction. In the case of the investment in the proposed project in Texas, the decision will be based on a number of commercial and financial considerations, including the ability to obtain relief regarding local property taxes. This project will be reviewed with the Supervisory Board in May and again in July of this year for determination of whether to proceed. Obtaining the Chapter 313 value limitation is a necessary part of the economic analysis for investment in Texas. The petrochemicals market is very competitive. Without the Chapter 313 value limitation, siting the project at La Porte is less attractive.

The forth below is additional information in response to the questions in Section 8 of the Application.

1. **Does the applicant currently own the land on which the proposed project will occur?**

The reinvestment zone will consist of property owned by Equistar. No qualified investment or qualified property will be constructed on any land that Equistar does not own.

2. **Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?**

Yes.

3. **Does the applicant have current business activities at the location where the proposed project will occur?**

Aerial photos (attached here as Item A to Tab 5) depict the proposed project site. There are no current business activities occurring at the location where the proposed project will occur.

4. **Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?**

Applicant has made public statements regarding its intentions regarding the proposed project location. Copies of the relevant press releases are attached hereto as Item B to Tab 5.

Many of the references were made around or after the original application and form of agreement was approved, which was on April 21, 2014. In accordance with the Value Limitation Agreement that was obtained, LyondellBasell fully intended to commence construction of the proposed new HDPE unit at its La Porte manufacturing facility. Even up to as late as August / September of 2015, media reports referenced a new polyethylene plant to be built by LyondellBasell in the State of Texas. However, reflecting the uncertain status of the project, in more recent news releases (2016), the location of the new plant is no longer referred to as being within Texas.

- Date: April 29, 2014 Source: LyondellBasell Q1 2014 Earnings Call

http://seekingalpha.com/article/2173203-lyondellbasell-industries-nv-management-discusses-q1-2014-results-earnings-call-transcript?part=single

Then-CEO Jim Gallogly: "You might recall that we have been developing a new polyethylene process with the intent to build the first plant at one of our locations, and then add the technology to our licensing portfolio. Work has proceeded well over the past year. Our Supervisory Board recently approved advancing the project to the next stage, during which we will finish engineering and purchase long-lead items. Permit applications were filed during the fourth quarter."

NOTE: On April 29, 2014, approximately eight days after the original application No. 365 and form of agreement was approved by the Board of Trustees of Deer Park Independent School District, then-CEO Jim Gallogly spoke in detail about the project on the first quarter earnings call.

Date: July 25, 2014 Publication: ICIS

http://www.icis.com/resources/news/2014/07/25/9805129/lyondellbasell-specifies-size-of-new-us-pe-plant/

"LyondellBasell's proposed new polyethylene (PE) plant in Texas will have 1bn lb./year (454,000 tonnes/year) of nameplate capacity, said the CEO of the producer on Friday.

The plant should come on line in the middle part of 2017, said CEO Jim Gallogly during an earnings conference call."

"The plant will feature a new PE technology of the company, he said."

"'We think it will be a very competitive line, both in terms of the product it makes and the value it brings to capital costs but also, very importantly, this should help us a significant amount in our licensing efforts,' Gallogly said."

"'We are already very strong in low-density polyethylene [LDPE], the best in polypropylene [PP] in our view,' Gallogly said. 'This will add another leg to our technology stool that we think is very positive.'"

"According to an air permit application filed in 2013, LyondellBasell will build the plant at its complex in La Porte, Texas, and construction should start in January 2015."

NOTE: The original Application No. 365 and original form of agreement was approved by the Board of Trustees of Deer Park Independent School District on April 21, 2014. Approximately three months later, then-CEO Jim Gallogly again referenced the project in an earnings call.

Date: February 17, 2015 Publication: LyondellBasell, 2014 Annual Report

https://www.lyondellbasell.com/globalassets/investors/company-reports/2014-annual-report.pdf?id=6577

"While we believe most of our growth projects that are currently in progress will be advantageous, we are reevaluating future capital plans related to our new Gulf Coast polyethylene facility, based on the changes in energy prices and rising construction costs in the Gulf Coast."

NOTE: LyondellBasell's 2014 Annual Report, released on February 17, 2015, now notes the uncertainty regarding capital plans for the "Gulf Coast polyethylene facility."

- Date: April 24, 2015 Source: LyondellBasell Q1 2015 Earnings Call

  http://seekingalpha.com/article/3101296-lyondellbasells-lyb-ceo-bob-patel-on-q1-2015-results-earnings-call-transcript?part=single

  CEO Bob Patel: "Well, we have many options in front of us. This is one of the topics that we will discuss next week at Investor Day, but briefly the options we have in front of us are merchant sales which there is still plenty of opportunities out there, a new polyethylene plant, or we could build another metathesis plant to make propylene."

  NOTE: CEO Bob Patel mentions the polyethylene plant as one of several options.

- Date: July 28, 2015 Source: LyondellBasell Q2 2015 Earnings Call
  http://seekingalpha.com/article/3365585-lyondellbasell-industries-nv-lyb-bhavesh-v-patel-on-q2-2015-results-earnings-call-transcript?part=single

  CEO Bob Patel: "So to that extent we're advancing a couple of polyethylene expansion projects, one of which will employ our new technology, which will have capability to produce differentiated products. So we're advancing those projects very rapidly. We're continuing to study our – an expansion of our flex unit, which produces propylene from ethane. So all of those are still continuing. But I can tell you it's with an eye towards end markets, not just about consuming the ethylene that we're producing."

- Date: August 21, 2015 Publication: Fuel Fix from the Houston Chronicle
  http://fuelfix.com/blog/2015/08/21/lyondellbasell-looking-at-texas-sites-for-new-chemical-plant/#35088101=0

"While giant LyondellBasell has been expanding throughout the Houston area, CEO Bob Patel said the company is also looking to build a new polyethylene plant at one of its sites in southern Texas."

"Speaking at the Houston-based company's sprawling Channelview complex where LyondellBasell will start up 250 million pounds of new ethylene capacity near the end of August, Patel said an announcement likely will come later this year on adding more production of polyethylene, the most common type of plastic."

"He said it could be a combination greenfield-brownfield project in the greater Houston region, but he noted that the region stretches as far as its sites in Matagorda and Victoria. He declined to provide further details."

NOTE: Up until as late as August / September of 2015, media reports note that LyondellBasell's new polyethylene plant will be located in the state of Texas.

- Date: August 24, 2015 Publication: Houston Business Journal
  http://www.bizjournals.com/houston/morning_call/2015/08/lyondellbasell-plans-for-further-expansion-in.html

  "Bob Patel, CEO of the rapidly expanding LyondellBasell Industries (NYSE: LYB), said his company plans to build a new plant in Texas."

  "The official announcement will likely come later this year, according to the Houston Chronicle, and the plant will allow the chemical manufacturing giant to produce more polyethylene, the most common form of plastic."

- Date: August 25, 2015 Publication: Plastics News
  http://www.plasticsnews.com/article/20150825/NEWS/150829950/report-lyondellbasell-mulls-new-pe-plant-in-texas

  "LyondellBasell Industries plans to build a polyethylene resin plant at one of its Texas locations."

  "The new plant could be in a region that includes the firm's existing PE sites in Matagorda and Victoria, CEO Bob Patel said in an Aug. 21 article on the web site of the Houston Chronicle."

  "Patel added that the site could be a combination greenfield-brownfield project."

- Date: September 3, 2015 Publication: Houston Chronicle

  "He [Bob Patel] also said the company is looking to build a new polyethylene plant at one of its southern Texas sites, whether in Channelview or as far out as Matagorda or Victoria. An announcement likely will come later this year."

- Date: December 01, 2015 Publication: ICIS
  http://www.icis.com/resources/news/2015/12/01/9949501/lyondellbasell-ceo-outlines-big-plant-plans/

  "One would be a polyethylene (PE) plant that would have 1bn lb/year of nameplate capacity."

  "According to an air permit application filed in 2013, LyondellBasell will build the plant at its complex in La Porte, Texas."

  "The company has not decided on a start-up date."

  NOTE: As is typical in the industry, and given the long time it takes to obtain a permit, companies will apply for permits even before the project is approved.

- Date: December 03, 2015 Publication: ICIS
  http://www.icis.com/resources/news/2015/12/03/9949940/pe-boom-like-python-swallowing-a-pig-/

  New North American PE projects

Company	Capacity	Grades	Location	Start-up
LyondellBasell	454,000 tonnes	Unspec	US	Mid 2017

- Date: February 2, 2016 Source: LyondellBasell, Q4 2015 Earnings Call
  http://seekingalpha.com/article/3858056-lyondellbasell-industries-nv-lyb-bhavesh-v-patel-q4-2015-results-earnings-call-transcript?part=single

  Bob Patel: "And if you think about our projects like the PO/TBA project and our polyethylene project, those are kind of on the backend of construction of the big crackers and so on."

  "So I think those projects will benefit from some slackening in demand, but not only engineering capability, but also for construction and commissioning and so on. So, I think, we're well placed and if you think about future cycles, the industry has certainly added capacity to be able to execute projects."

- Date: February 2, 2016 Source: LyondellBasell, News Release for 2015 Earnings Report

  http://lyondellbasell.mediaroom.com/index.php?s=43&item=1108

  "During 2016 we plan to complete an 800 million pound ethylene expansion project, complete engineering for our one billion pound propylene oxide plant and finalize our polyethylene expansion plans."

- Date: February 2, 2016 Publication: ICIS
  http://www.icis.com/resources/news/2016/02/02/9966350/lyondellbasell-ceo-predicts-tight-pe-market-in-1h-16/

  LyondellBasell also has plans for new PE capacity. Patel said the company is planning a 1bn lb. (453,600 tonne) PE expansion, though he would not give the location. He did say LyondellBasell is actively studying debottleneck and expansion ideas.

5. Has the applicant received any local or state permits for activities on the proposed project site?

As is typical for large construction projects in the chemical industry, where permits are applied for significantly in advance of the commencement of the project, Applicant filed for air permit applications in 2013 and received the Permit Numbers 114809 & N190 in February of 2016.

6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?

As indicated above, Applicant previously entered into (and subsequently terminated) a Value Limitation Agreement with respect to this project.

7. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?

No.

8. Has the applicant provided information related to the applicant's inputs, transportation and market for the proposed project?

No.

9. Are you submitting information to assist in the determinations as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?

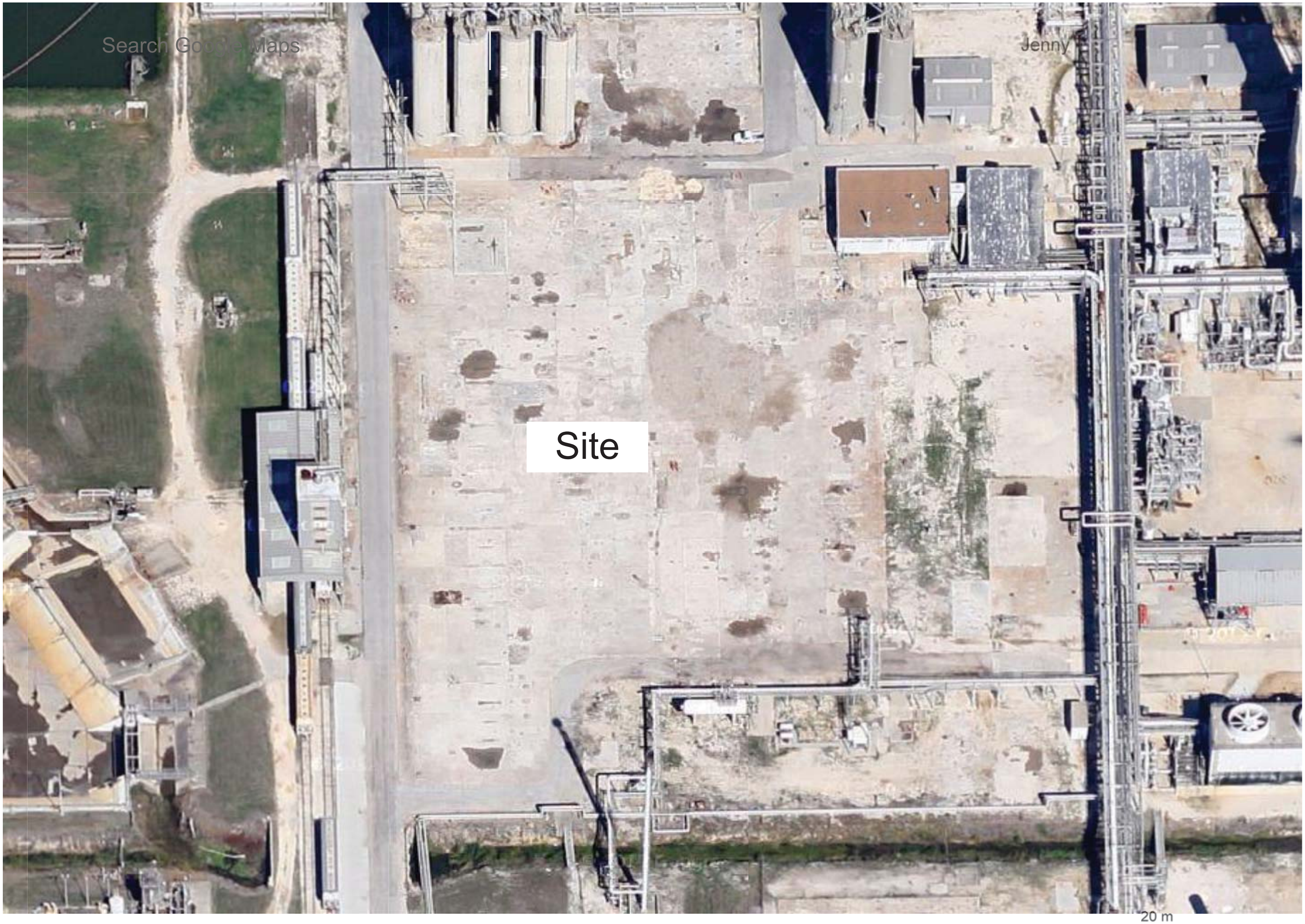
Yes, please see all attachments to Tab 5.

TAB 5 – Item A

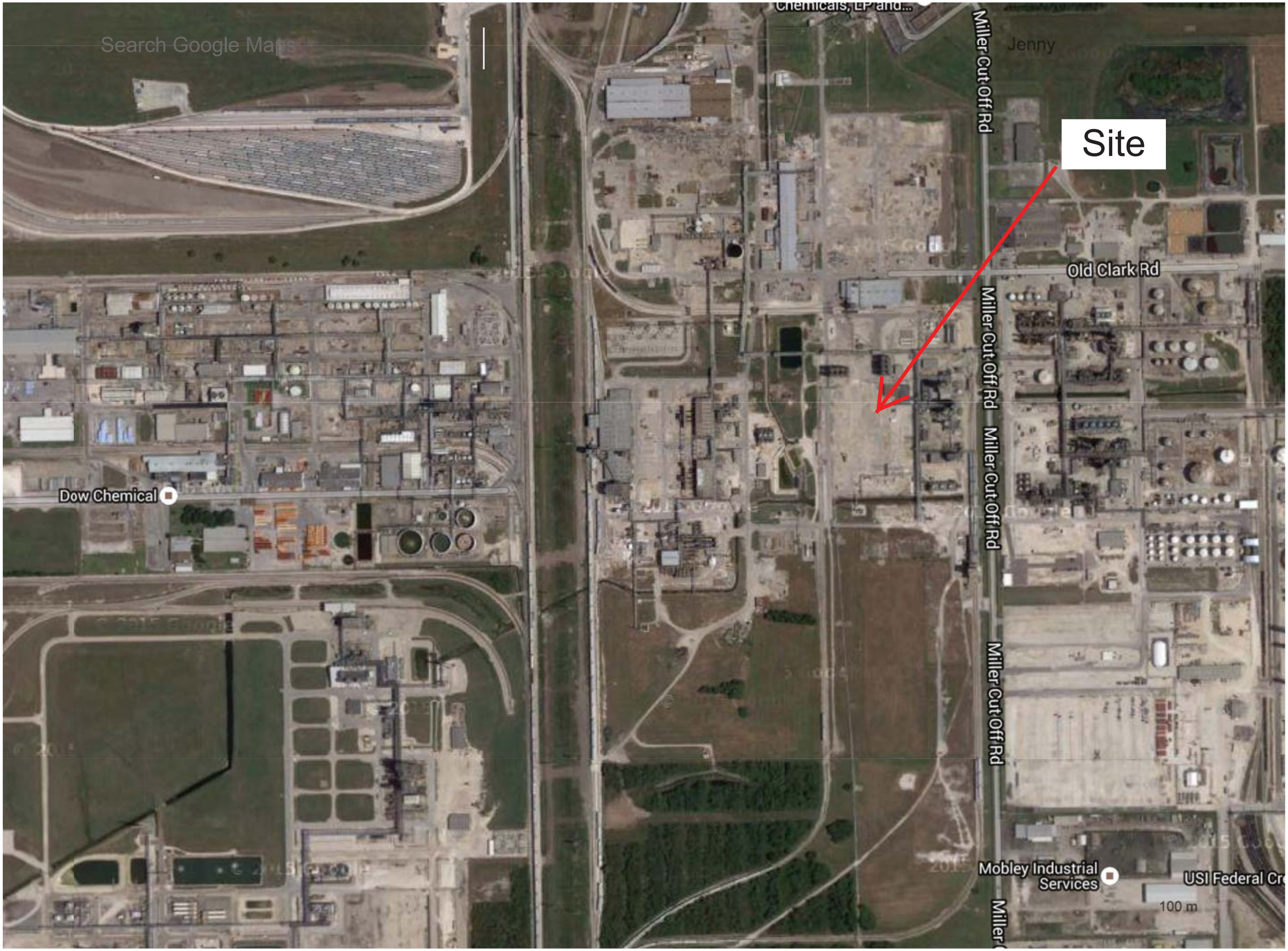
HDPE Unit: Future Site

HDPE Unit: Future Site

HDPE Unit: Future Site



HDPE Unit: Future Site



TAB 5 – Item B

LyondellBasell Industries NV Management Discusses Q1 2014 Results - Earnings Call Transcript

Apr. 29, 2014 2:10 PM ET
by: SA Transcripts

LyondellBasell Industries NV (NYSE:LYB)

Q1 2014 Earnings Call

April 29, 2014 11:00 am ET

Executives

Douglas J. Pike - Head of Investor Relations

James L. Gallogly - Chairman of Management Board, Chief Executive Officer and President

Karyn F. Ovelmen - Chief Financial Officer and Executive Vice President

Analysts

Duffy Fischer - Barclays Capital, Research Division

John J. Hirt - Citigroup Inc, Research Division

Vincent Andrews - Morgan Stanley, Research Division

David L. Begleiter - Deutsche Bank AG, Research Division

Donald Carson - Susquehanna Financial Group, LLLP, Research Division

Kevin W. McCarthy - BofA Merrill Lynch, Research Division

Hassan I. Ahmed - Alembic Global Advisors

Nils-Bertil Wallin - CLSA Limited, Research Division

Laurence Alexander - Jefferies LLC, Research Division

Frank J. Mitsch - Wells Fargo Securities, LLC, Research Division

Robert A. Koort - Goldman Sachs Group Inc., Research Division

John Roberts - UBS Investment Bank, Research Division

Operator

Hello, and welcome to the LyondellBasell teleconference. At the request of LyondellBasell, this conference is being recorded for instant replay purposes. [Operator Instructions] I'd now like to turn the conference over to Mr. Doug Pike, Vice President, Investor Relations. Sir, you may begin.

Douglas J. Pike

Well, thank you, Holly. Well, hello, and welcome to LyondellBasell's first quarter 2014 teleconference. And I'm joined today by Jim Gallogly, our CEO; Karyn Ovelmen, our CFO; and Sergey Vasnetsov, our Senior Vice President of Strategic Planning and Transactions. But before we begin the business discussion, I'd like to point out that a slide presentation accompanies today's call and is available on our website at www.lyondellbasell.com.

I'd also like for you to note that statements made in this call relating to matters that are not historical facts are forward-looking statements. And these forward-looking statements are based upon assumptions of management, which are believed to be reasonable at the time made and are subject to significant risks and uncertainties, and actual results could differ materially from those forward-looking statements. For more detailed information about the factors that could cause our actual results to differ materially, please refer to the cautionary statements in the presentation slides and our financial reports, which are available at lyondellbasell.com/investorrelations.

Now reconciliations of non-GAAP financial measures to GAAP financial measures, together with any other applicable disclosures, including the earnings release, are currently available on our website, at lyondellbasell.com. Now finally, I'd like to point out that a recording of this call will be available by telephone beginning at 2 p.m. Eastern Time today until 11 p.m. Eastern Time on June 2 by calling (888) 566-0499 in the United States and (203) 369-3057 outside the United States. And the pass code for both numbers is 3675.

Now during today's call, we'll focus on first quarter results, the current environment and the near-term outlook. That being said, I'll turn the call over to Jim.

James L. Gallogly

Thank you for joining our earnings call. As Doug mentioned, a set of presentation slides accompanies this call and is available on our website.

Let's take a look at Slide #4 and review a few financial highlights. First quarter earnings per share were $1.72, with EBITDA of $1.67 billion. This is the fifth consecutive quarter with EBITDA in excess of $1.5 billion. Strong results continued despite headwinds created by scheduled and unscheduled maintenance, weather-driven raw material cost volatility and shipping delays. Cumulatively, these items impacted the quarter by approximately $300 million but were partially offset by first quarter price increases. We expect some of this impact to be recovered in the coming quarter.

Overall, industry trends have remained relatively unchanged, although U.S. natural gas prices have been somewhat elevated following a very cold winter. Oil prices have remained relatively steady and seasonal trends are following their normal course. Our company performed significant maintenance in our U.S. operations in the first quarter. Given strong U.S. margins, this negatively impacted results. However, we also benefited from growth projects that are now online and advanced our new growth projects. I'll discuss these topics later in my remarks.

Turning to Slide #5. You'll see that our safety statistics continue at the strong level that we have established over the past several years. While our statistics are very good, I'm saddened to say that during April, a contractor working for a third-party company that manages railcar movements at our Wesseling, Germany, site died in a tragic incident. We are assisting that company in their investigation. Our Wesseling site had achieved 3 million man hours without any injuries just prior to this incident, truly a world-class record. But obviously, we have more work to do. As you have often heard me say, safety is our top priority, so this type of event is very troubling to us.

I'd like to now turn the call over to Karyn to discuss our financial performance.

Karyn F. Ovelmen

Please turn to Slide #6, which charts first quarter segment EBITDA. As Jim said, overall, our results have been strong and steady. Within the segments, the O&P-Americas results were below the typical run rate of the past years. This is primarily attributed to maintenance and weather impacts. Jim will cover these items in more detail. In addition to these factors, there was an impact from our La Porte turnaround preparation, where during the quarter, we made outside purchases of close to 300 million pounds of ethylene, which negatively impacted results.

In O&P-EAI, results exceeded recent quarters. We attribute this to an environmental indemnity settlement, improved margins and normal seasonal recovery following the fourth quarter holidays. In Intermediates & Derivatives, results followed recent trends. Oxyfuel results began the quarter with typical low winter margins, which improved as the quarter progressed. Methanol contributed strong results, while styrene and ethylene glycol weakened. Refining posted a quarter similar to the fourth quarter. Combined, these 2 quarters make up almost all of the last 12 months' earnings for this segment. The Technology segment continued to enjoy consistent strong earnings.

Slide #7. Slide 7 provides a picture of our cash generation and use. During the first quarter, we generated $1.1 billion from our operations and issued $1 billion in 30-year bonds at 4.875% interest. Our cash balance declined slightly with cash use of $1.5 billion in share repurchases and dividends. During the past 12 months, we generated $4.8 billion in cash from operations, while raising $2.5 billion in cash from bond issuances. Almost $4.4 billion were used for share repurchases and dividends and another $1.5 billion invested in capital expenditures.

On Slide 8, we summarize a few key aspects of our cash story. In the chart on the upper left, you can see the relatively steady cash generation from operations over the past 2 years, continuing into the first quarter. On the right, we have plotted the past 3-plus years of share repurchases and dividends, averaging approximately $2.8 billion per year. If you annualize the pace of first quarter share repurchases and dividends, it could be in the range of $6 billion for the year 2014.

During the quarter, we repurchased approximately 15 million shares, bringing the total purchase since last May, when we initiated the program, to approximately 42 million shares at the end of the first quarter. You have seen from recent press releases our shareholders approved a second share repurchase program at our annual meeting and the Supervisory Board approved a $0.10 per share increase of the quarterly interim dividend to $0.70 per share.

Now I'll turn things back to Jim for a further discussion of our business results.

James L. Gallogly

Thanks, Karyn. Let's discuss segment performance, beginning on Slides 9 and 10 with Olefins & Polyolefins - Americas. First quarter EBITDA was $736 million, $147 million less than the fourth quarter. Operationally, first quarter results were negatively impacted by a number of maintenance items, including unscheduled maintenance at our Channelview crackers. This required us to temporarily reduce production by an estimated 160 million pounds.

Late in the quarter, we began the La Porte ethylene plant turnaround, which impacted production by approximately 40 million pounds. As Karyn mentioned, in preparation for the turnaround, we purchased approximately 300 million pounds of ethylene. During the quarter, we also conducted a significant turnaround at our Matagorda polyethylene site. Collectively, these events generated most of the variance between the 2 quarters. Weather also had an impact, both through delayed shipments and increased cost of feedstock in natural gas.

Slide #9 provides a perspective on natural gas and NGL costs. January and February experienced cost pressure, but the beginning of spring brought some relief. The chart on the right side of the page indicates that the benchmark cost of ethylene production metric has returned to a level similar to the fourth quarter. However, natural gas costs have remained somewhat elevated, increasing utility costs.

Despite all of this volatility, ethylene margins remained relatively steady. Our average ethylene price increased by approximately $0.02 per pound. The cost of ethylene production increased similarly, in part due to increased natural gas and NGL costs. During the quarter, ethane accounted for 75% of our ethylene production and NGLs represented 87%. Within polyolefins, polyethylene prices increased by $0.03 per pound, while sales volumes remained relatively unchanged. Preturnaround planning mitigated impacts on our polyethylene sales. Polypropylene results were relatively unchanged.

Overall, the quarter for O&P-Americas was not on our normal pace. But the reasons for this were primarily transitory. The weather-related margin pressure that we experienced during January and February was relieved during March and the quarter finished on a strong note. During the second quarter, our focus will be on the successful completion of the La Porte turnaround and expansion. The downtime related to this will impact ethylene production. However, the impact on sales and EBITDA should be mitigated by the first quarter inventory build.

Let's turn to Slide #11 and review performance in the Olefins & Polyolefins - Europe, Asia and International segment. First quarter EBITDA was $356 million, $241 million greater than the fourth quarter. Results include a $52 million benefit from an environmental indemnity settlement with previous owners. As we had expected, results also benefited from a seasonal recovery following the year-end holidays. Olefin results improved by approximately $65 million. Margins improved by several cents per pound due to a combination of lower naphtha raw material costs, use of advantaged feedstocks and moderately higher coproduct prices. Our ethylene plants operated at approximately 93% of capacity, which was significantly above reported industry rates. Approximately 35% of our ethylene production was sourced from raw materials with advantaged economics versus naphtha.

Combined polyolefin results also improved, reflecting both increased European margins and volumes. Combined polypropylene compounds and polybutene-1 results increased by approximately $30 million, reflecting the typical seasonal recovery. Joint venture equity income was a strong $54 million, but no dividends were paid this quarter. Business conditions during April have been relatively consistent with those experienced during the first quarter.

Now please turn to Slide #12 for a discussion of our Intermediates & Derivatives segment. First quarter EBITDA was $375 million, almost $20 million higher than the fourth quarter. Propylene oxide and derivative results improved due to seasonal volume recovery versus the fourth quarter. Intermediate chemical performance declined, primarily due to weaker styrene and ethylene glycol results. Margins were pressured by the increased benzene and ethylene costs. This weakness was partially offset by increased acetyl results. Acetyls benefited from increased methanol, acidic acid and VAM volumes and margins.

The Channelview methanol plant operated for the full quarter at approximately 85% of nameplate capacity. Oxyfuel results benefited from seasonally improved spreads, but this was partially offset by lower volumes. The temporary closure of the Houston Ship Channel delayed some vessel movements, impacting results by approximately $10 million. April business conditions have been generally similar to conditions experienced late in the first quarter. In conjunction with the La Porte olefins turnaround, our acetyl operation at the site will be down for 2 to 3 weeks. Sales will be met through inventory.

Let's move to Slide #13 for a discussion of the Refining segment. First quarter EBITDA was $129 million, relatively unchanged from the fourth quarter. During the first quarter, the Maya 2-1-1 spread averaged $28.26 per barrel and crude throughput averaged 247,000 barrels per day. The spread at the refinery increased following a trend similar to the Maya 2-1-1 benchmark. Crude oil throughput increased versus the fourth quarter, contributing approximately $5 million to first quarter results. However, our product mix and yield were negatively impacted by coker maintenance. Additionally, increased natural gas and RIN costs negatively impact the results by a combined $20 million. April benchmark spreads have averaged approximately $29 per barrel, in line with the March spread. We took a 1-week outage on one of our crude units during April. RIN and natural gas costs have been reasonably consistent with March costs.

Our Technology segment continued to perform well, with the catalyst business slightly ahead of 2013 results. Segment results improved as a result of our past restructuring efforts and reduced R&D costs.

The next 5 slides provide an update on our growth program. You may recall that we're scheduled to bring online a new project almost every 6 months during the end of 2015. The benefit is already visible in our earnings. For example, the Channelview methanol plant started on schedule during December and contributed approximately $50 million to first quarter EBITDA. During late March, we initiated production at our Matagorda polyethylene facility, which now has an additional 200 million pounds per year in capacity due to the debottleneck. This project was generally on schedule with costs in line with our estimates.

As you can see from Slide #14, the next project in the queue is a major expansion at our La Porte ethylene plant. We currently anticipate that will start up mid-year with an EBITDA impact within the range that we previously discussed and plotted on the chart.

The next 3 slides provide a visual perspective on progress since last October. At that time, we were erecting a tower at the methanol plant. Today, it's online and contributing to our EBITDA. The Channelview expansion was a mere hole in the ground when we last discussed it. Today, you can see that the furnaces are really taking shape. At La Porte, we were erecting furnaces. Today, the furnaces are up and the final steps of the expansion are underway. We have approximately 2,800 contractors on-site. We have been moving quickly because the sooner we can bring these projects onstream, the sooner we can increase earnings and cash flow.

Slide #18 updates the cost and status for both the active and previously discussed developing projects. As a quick review, the light blue denotes projects that have been completed. The medium blue represents projects that are currently underway. The projects highlighted in dark blue are projects that we are developing. They're not yet under construction. The cost estimates and timing represent current estimates, while the potential pretax earnings column is based on 2013 industry benchmark data. Our 2013 margins would yield similar earnings.

If you compare this chart to past versions, you'll notice that the projects generally remain on schedule, but that we're experiencing increased costs on several projects. For example, the methanol project cost increased due to higher construction wages and hours worked as we strive to maintain a very aggressive startup schedule. The polyethylene expansion project was completed on schedule and within our cost estimates. The La Porte ethylene expansion is in full swing with the turnaround completion targeted for June. We have experienced cost escalation on this project in terms of scope, labor efficiency and materials cost escalation. Some of this is related to our aggressive schedule and working on a large-scale debottleneck within an operating plant.

The Channelview ethylene expansion remains on track, both in terms of schedule and cost. This has been a less complicated project to execute as we're only adding 2 furnaces to the existing plants. We received the final permits for the Corpus Christi ethylene expansion in mid-April. I first introduced this project to you over a year ago when the scope was still under definition. At that project stage, capital estimates were typically in the range of plus or minus 50%. On this chart, our estimates have been updated to reflect a more defined scope and the recent realities of Gulf Coast construction cost. The timing remains on track with the forecast that we made over a year ago. Our polypropylene compounding projects have moved forward as planned. Last year, we added 2 new lines. And during 2014 through 2016, we expect that we'll add another 4 lines. Spending will be in the order of $10 million and $15 million per year to make these additions.

Let's next discuss 2 of the projects that are not yet in construction. You might recall that we have been developing a new polyethylene process with the intent to build the first plant at one of our locations, and then add the technology to our licensing portfolio. Work has proceeded well over the past year. Our Supervisory Board recently approved advancing the project to the next stage, during which we will finish engineering and purchase long-lead items. Permit applications were filed during the fourth quarter.

The cost estimate and timing on the chart incorporate the final process design and the addition of site-specific infrastructure costs. Previous estimates were conceptual and only included the polyethylene line itself. The Chinese PO/TBA joint venture has advanced at a slower pace due to the general slowdown in the Chinese economy. We now believe that completion will be in 2018.

Along with moving many projects forward, we also took the decision to cancel the olefins' NGL recovery project. While developing the details of the capital project, we simultaneously pursued commercial options that would eliminate the need for capital, while accelerating the timing of earnings. We recently renegotiated a contract that met these criteria. Going forward, we will recover a greater portion of the economic benefit of our gas stream from the third party without making the capital investment. We are very disciplined with capital. And if we don't need to spend your money to get incremental benefits, we won't.

In summary, our project slate is very strong and is adding value today. Our projects are being completed on schedule. Project definitions and the construction cost environment are clearer today than a year ago. This has resulted in cost increases. But we expect the other projects will still have wonderful returns. We think that the labor market in the Gulf Coast is in the early years of an up cycle. We're very happy that most of our projects are under construction now rather than later. During 2014, we will continue to build momentum across the company. Market conditions, coupled with our internal focus on efficiency, enable us to pay a strong growing dividend while utilizing additional cash to acquire shares.

We're now pleased to take questions, Holly.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question comes from Duffy Fischer with Barclays.

Duffy Fischer - Barclays Capital, Research Division

First one, kind of a couple announcements by either competitor or supplier that have some impact on you. The first would be Enterprise's export of ethane and the 240,000 barrels a day number that they put out kind of coming online late in '16. One, just want to get your take on the plausibility of that actually coming up on time. And then how should we think about maybe an over-under for how much ethane will be exported out of the U.S. in, say, '17 and '18? And then the second question is around this morning's announcement by Westlake that they're going to pursue an MLP. And just want to get your take on -- obviously, it's company-by-company fit. But is there a fit with an MLP for Lyondell going forward?

James L. Gallogly

Okay. The first question on the Enterprise ethane export terminal. That's a large project, 240,000 barrels per day. And to say that they'll start up in mid-2016, that's a very aggressive schedule. But I'm sure that they've considered what the construction timing would be. I would first say that's a big vote of confidence in a strong oversupply of Gulf Coast ethane. They stated in the press release that the supply could exceed demand by 700,000 barrels per day by 2020. That's very, very strong. And that's after all of the new crackers are built. So they are very, very bullish. That capacity, as you know, is equivalent to about 3 world-scale crackers and 20% of current supply. So it's a very big and an important announcement. We have been studying whether we could effectively use ethane in our cracking in Europe. And in fact, I had a review with our European team 2 short weeks ago. It just doesn't work for us. When we look at propane, butane cracking, condensate cracking, and it just seems to be so much better for us. I know that INEOS has a project that's announced. But that's, what, 10,000 barrels ramping up to 20,000 barrels per day. I'm having a hard time understanding how that kind of volume could go to Europe. Some of it must be going to Asia. And I wonder if some of that isn't going to be used to spike LNG in a couple of the countries, where they have some lean gas supplies. I know that they haven't contracted all of that volume yet. We're anxious to see further details as that's worked out with Enterprise, how much of that is actually going to move. As you said, it's an aggressive schedule, and we'll see how that develops. But once again, I think the important note is they have a lot of confidence and a very long position in ethane. Otherwise, they wouldn't be making that type of investment. Second, on Westlake MLP, as we reported some time ago, we also studied an MLP. Our tax position on our assets is different than some others. We did go through bankruptcy 4 years ago and had some asset write-downs. And so the tax implications may be different from us. We've looked at it. We continue to look at it. Obviously, the market has reacted very favorably to Westlake's announcement. We'll take a look at all of that and continue our evaluation.

Duffy Fischer - Barclays Capital, Research Division

And Karyn, just a follow-up question for you. On the 300 million pounds of inventory you built, is it rule of thumb fair to say that there's about a $0.25 margin in that so that was about a $75 million hit to Q1 earnings?

Karyn F. Ovelmen

Yes. More or less, it's probably a little bit higher than that. And then again, we would expect to see that returning in the second quarter.

Operator

Our next question comes from P.J. Juvekar with Citi.

John J. Hirt - Citigroup Inc, Research Division

This is John Hirt on for P.J. today. Curious, looking at your methanol facility now that it's up and running and, I guess, it ran at 85% in the first quarter, it would seem to be a logical MLP candidate, given that it's a standalone plant. I think you've mentioned in the past that you've got some debottlenecking opportunities there and you just put in about $100 million -- $180 million of fresh capital. So I'm just curious if that's an asset you'd be willing to put into an MLP structure.

James L. Gallogly

John, that's a new item that we will look at. The asset hasn't been running very long. We just brought it up in December. We'll continue to advance -- ramp up the rates. We're going to do a little bit of unscheduled work in the third quarter on some heating tubes. But otherwise, that thing -- we think we can debottleneck it and get some extra capacity. Margins are holding up reasonably well. And it's definitely adding to our earnings. We'll take a peek at the MLP for that asset as well.

John J. Hirt - Citigroup Inc, Research Division

Okay. And then your O&P - Europe, Asia and International business was up nicely year-over-year. With propane swinging into favor in February and March and I think it's still in favor today, to what extent have you been able to take advantage of that? And can you just kind of talk about your feed slate mix in Europe today, given that you're now free from some of those unfavorable naphtha contracts?

James L. Gallogly

Yes. Well, the first quarter we ran at about 35% of advantaged feedstocks. Typically, in the summer, we can ramp that up. We'll be looking to do that as opportunities present themselves. That segment had a very nice first quarter. Margins were up on falling naphtha prices, and we ran our crackers at 93% capacity, which is outstanding, have been able to move the polymer volumes reasonably well. And of course, our businesses, such as polybutene-1, our compounded businesses performed very nicely as they always do from quarter-to-quarter. So we're pretty proud of the results in Europe. We're definitely differentiating ourselves from our competitors there. And we expect to continue to do that in the future.

Operator

Next question is from Vincent Andrews with Morgan Stanley.

Vincent Andrews - Morgan Stanley, Research Division

Jim, could you talk about -- in the past, you talked about maybe doing another round of kickbacks following this ramp, probably smaller in scale. And I'm just wondering, given what you're noting on the cost side of things and we still have crackers ahead of us, do you think that another round of sort of debottlenecking or brownfield-type stuff is prohibitive from a cost perspective at this point?

James L. Gallogly

Vincent, I don't think it's cost-prohibitive. It depends on where you do it and how you do it. But as you said, we like to do the debottleneck kinds of things, where the capital is naturally cheaper. One of the things I didn't mention in the base part of the call was that despite these cost increases in a couple of our olefins expansions, we're still bringing those on at something in the order of 2/3 of cost of other people's incremental production on a cents per annual pound basis. So they're not only earlier, but they're also quite a bit cheaper. We always look at those cost increases that we're seeing right now could delay some other projects that people are looking at. Their cost would definitely go up based on what we're seeing in labor rates, productivity, other kinds of costs like that. But we're going to be very sensitive as we do our economics and make sure that those additional capital projects do make sense. And as we put the engineering together, we will start announcing those.

Vincent Andrews - Morgan Stanley, Research Division

Okay. And just as a follow-up to the ethane export situation, could you just give a little bit more detail as to why your analysis said that exports for your facilities didn't work? Was it sort of the CapEx you would have to invest? Or is it sort of the relative opportunity with the other feedstocks? What were sort of the big bottlenecks for you?

James L. Gallogly

Yes. It was both of those things. It's -- we can run some of those crackers lighter than we do today. But generally, that's 20%, maybe 25% on some of those furnaces without a fair amount of modifications. They're slightly different than that. Some of its transportation issues because some of our crackers are inland. But frankly, when we looked at propane, butane, some of the condensates, the economics really favored the slightly heavier feedstocks when you looked at all the transportation costs and everything else. It just didn't work very well for us. I was hoping it would.

Operator

The next question comes from David Begleiter with Deutsche Bank.

David L. Begleiter - Deutsche Bank AG, Research Division

Jim, can you discuss the M&A pipeline? There's potentially a large transaction available on the plastics side. If greenfield doesn't make sense from a U.S. perspective, do you look more towards M&A longer term to perhaps integrate downstream?

Douglas J. Pike

Dave, I'm sorry, this is Doug. You weren't too clear on our side. I think you were asking about the future for M&A?

David L. Begleiter - Deutsche Bank AG, Research Division

Yes. The M&A pipeline, given potential assets on the plastics side, any interest -- can you discuss your interest in those?

James L. Gallogly

David, we're same place on M&A as we've always been, it has to be significantly accretive. Nothing has come on to the market that has been of interest to us lately. And as we previously said, we always evaluate all those opportunities as against buying our own shares. And so far, our own shares, in our view, is better value. And obviously, we know the company well and like our prospects.

David L. Begleiter - Deutsche Bank AG, Research Division

And just lastly, on the refinery, Jim, discuss the timing of the Canadian crude coming down into your operations and potential impact this year and next.

James L. Gallogly

Yes. As we've mentioned, we're expecting additional volumes to come in, in the second half of the year. Flanagan South is slightly delayed. But we expect still that to be kind of a third quarter event and allow us to ramp up Canadian crudes at a nice discount, which should help our Refining earnings. One of the things that's been happening is obviously the Maya 2-1-1 spread has been pretty decent, fourth quarter, first quarter and now into the second quarter. So with a little better operations, we should be able to have better earnings in that segment.

Operator

The next question is from Don Carson with Susquehanna Financial.

Donald Carson - Susquehanna Financial Group, LLLP, Research Division

Yes, 2 questions. On La Porte turnaround, what other impact will you have other than the inventory that you built? Did you have to buy some inventory? And so will that negatively affect margins as you go into Q2?

James L. Gallogly

Don, that primarily had a first quarter impact. We did have to buy about 300 million pounds of ethylene to cover. And as we are in the second quarter, we're now selling that or using it on our own operations. So that should have somewhat of a positive impact in the second quarter, whereas it was a negative in the first.

Donald Carson - Susquehanna Financial Group, LLLP, Research Division

Okay. And then on your EU feedstock flexibility. I know earlier in the year, you renegotiated a long-standing naphtha supply arrangement that you had. What was the benefit? Did this just give you more flexibility to use advantaged feedstocks? Or did you actually negotiate a reduction in the benchmark price for that naphtha contract?

James L. Gallogly

Yes, that was -- it wasn't just all naphtha, there were some other feedstocks, certain instances, we got slightly lower pricing. But the primary benefit of that is a lot more flexibility because we had basically take-or-pay requirements that would push us to process an awful lot of naphtha, when sometimes we would prefer to crack something different. By lowering the volumes on that, we're now able to bring in some advantaged feeds when available. Some of that is seasonal, some of it is not seasonal and can be done year-round as, for instance, we just showed with first quarter with 35% advantaged feeds.

Donald Carson - Susquehanna Financial Group, LLLP, Research Division

And what kind of benefit you think that's going to have on a full year basis going forward?

James L. Gallogly

Well, it really depends on what propane, butane and that is doing in the marketplace. Right now, it's fairly advantaged. But in the summertime, it's historically been even more advantaged. So we'll just have to see how that develops into the year.

Operator

Next question is from Kevin McCarthy with Bank of America Merrill Lynch.

Kevin W. McCarthy - BofA Merrill Lynch, Research Division

Jim, I was wondering if you could comment on the sequential pattern of profitability at the refinery. It looks like your benchmark spread improved and your throughput ticked up a bit and the earnings were off $5 million. What is going on there? Is it crude slate or the coker outage impact?

James L. Gallogly

It was more of the coker outage impact. It didn't let us process what we wanted to process and really hit the mix of products in the back end. So that was more of the story. And we had said last quarter that we still had some work going on, on that, and that's now been completed.

Kevin W. McCarthy - BofA Merrill Lynch, Research Division

Very good. And then second, you'd indicated kind of weather-related impacts of about $300 million, partially offset by some price increases. Can you give us a sense regarding how much of that pressure you might expect to recover in 2Q and beyond, if any?

James L. Gallogly

Yes. We'll get some of that back in the second quarter. But kind of to put that in perspective, a couple hundred million dollars was related to O&P-Americas, and then about another $100 million was related to increased natural gas, oxyfuels shipping delays, couldn't get some cargoes out. And then the coker stuff at the refinery increased natural gas prices.

Douglas J. Pike

Yes. Kevin, this is Doug. I just want to clarify that, that $300 million that Jim stated was not just weather. That was also largely the maintenance, where we had the planning for La Porte. We had our La Porte polyethylene facility and its turnaround. And then we had some weather-related maintenance and some other maintenance in some of the olefins plants. So that really encompasses the whole thing, not just the weather.

James L. Gallogly

Yes. That's very important to make sure that, that's clear. I mentioned the La Porte turnaround cost is 40 million pounds of ethylene and a couple of Channelview crackers using another 160 million pounds. And then we talked about weather-related things as well. So all of that is in that total mix, that 200 million [ph].

Operator

Our next question comes from Hassan Ahmed with Alembic Global.

Hassan I. Ahmed - Alembic Global Advisors

Again wanted to revisit this whole European ethane export side of things. Obviously, from one side of it, there's fear that there may be tightness in the U.S. ethane market on the back of this. But let's say that all of this volume does eventually arrive in Europe. I mean, obviously, there are going to be some fairly severe coproduct consequences as well, particularly on the propylene and butadiene side of things. So I would love to sort of hear your views around that.

James L. Gallogly

Yes. If all of that could go to Europe, and my view is, if we're talking about the Enterprise deal, I think that's highly, highly improbable from what I understand the economics looks like and the ability of crackers to even take it.

Hassan I. Ahmed - Alembic Global Advisors

I would imagine for companies -- you would have companies shutting down downstream units if they were to do that.

James L. Gallogly

Yes. There'd have to be a lot of work to accomplish it. And I just don't know how that gets done. Frankly, when we do our economics, it's also much easier to shift polyethylene than ethane. And that's why you see all these cracker announcements versus these kind of projects. There must be more to that story than we're seeing. And that's why we're anxious to hear more. But if your premise were basically right that, that all could go to Europe, it would have a significant impact on coproducts. It'd run up propylene prices, it'd run up butadiene prices, be significant shortages. But all of that stuff goes into our computation when we decide what we're going to crack every day. So I just don't see how that all that capacity could go to Europe.

Hassan I. Ahmed - Alembic Global Advisors

Fair enough. Now as a follow-up, changing gears a bit, you had mentioned that in terms of usage of cash, you'd look at acquisitions obviously being accretive and the like. I mean, could you comment on just your appetite in terms of specialty versus commodity? Because again and again, obviously you've reiterated the back-to-basic strategy. Does that still hold?

James L. Gallogly

Yes. There's several companies that like to talk about becoming more specialty-oriented. We're very happy with who we are. We compete very well. We have a commodity mindset in the way that we maintain our cost, the way that we work our debottlenecks in adding cheap capacity. We also believe that very well-run commodity chemical companies perform better across the cycle than specialty. So overall, we're more interested in accretive transactions versus whether they're this type or that type. We're interested in high return on our capital and the deployment of our cash.

Operator

And our next question comes from Nils Wallin with CLSA.

Nils-Bertil Wallin - CLSA Limited, Research Division

There's been a number of announcements on around condensate splitters being built over the next couple of years. And I was curious to get your thoughts on if that would change the economics at all at Corpus. Obviously, you're doing an expansion there, too. And if so, how that would affect the economics there?

James L. Gallogly

Yes. Actually, I think there will be some condensate splitters built. And frankly, we're looking at that as well because we have some opportunity potentially to do that at a very cheap cost. So we think it's a positive development for us instead of a potential negative. Yes, condensate prices could in theory go up. But we expect there to be a lot of condensate available, some out of South Texas already from the Eagle Ford that has a positive impact on us, to the point where we're just not taking any Middle East condensate in our U.S. operations any more. And we expect some additional condensates to come from some of the Northeast fields, particularly the Utica. So we think there's an opportunity for us there for the Corpus at our refinery, and we'll see how that all develops.

Nils-Bertil Wallin - CLSA Limited, Research Division

And then just a follow-up on that. Obviously, there's still wrangling going on in Washington whether condensate can be allowed to be exported. But if there's all this capacity that comes on, it may not matter because you'll have a lot of naphtha. In either case, would you be a participant either on condensate exports or naphtha exports into your European assets?

James L. Gallogly

Well, so far, we haven't needed to export any naphtha into our European operations. But potentially condensates could move in at the right pricing, although one of those things that's happened is there's been a displacement of foreign imports into United States. Those have been flowing into our European operations. And in fact, in one instance, we just changed a contract from being a U.S. contract to a European contract and moved those cheap condensates in.

Operator

Next question is Laurence Alexander with Jefferies.

Laurence Alexander - Jefferies LLC, Research Division

A quick couple of questions. First, can you give a sense for how -- what you think aggregate outages will be as a headwind in Q2 and possibly also Q3, if you have that available?

James L. Gallogly

Yes. There's a fair amount of capacity that we expect to be down in olefins in the second quarter. Obviously, La Porte is down now, our asset, and we talked about that being an 80-day outage. DuPont has a cracker down. ExxonMobil Beaumont and Baytown will be down. We're hearing about 10% of capacity down. And then with the pipeline looking like it's coming up into Louisiana, we're already seeing spot ethylene move up fairly aggressively. So we think that's all a nice development for margins into the second quarter.

Laurence Alexander - Jefferies LLC, Research Division

And then secondly, on the European dynamic, in terms of condensate and naphtha coming available, is -- are you seeing any competitor assets that would not be able to benefit from that dynamic over the next several years that would just keep the cost curves steeper? Or is this going to be something that everybody in the industry should eventually be able to benefit from?

James L. Gallogly

Well, I think the United States and the Middle East assets still are so competitively advantaged. It all gets down to a crude-to-natural gas ratio. And we still very much favor -- like what we see here in the United States and our Middle East assets are also benefiting. But we see that ratio staying high. And that's why you see people like Enterprise making announcements like they did. One thing I should have also said is obviously Europe has a large number of inland crackers. So that's something to consider when you start thinking about the ability to take advantaged feedstocks. There aren't that many coastal crackers with that kind of opportunity.

Operator

Next question I'm showing comes from Frank Mitsch with Wells Fargo.

Frank J. Mitsch - Wells Fargo Securities, LLC, Research Division

Thanks so much, Jim, for the project-by-project review. I thought it was interesting in listening to the commentary about the rising labor and material costs that you're seeing. So it kind of begs the question regarding all these mega crackers that may be coming up in 2016, 2017, even 2018, what are your thoughts about those projects? And how should we be thinking about that timeframe in terms of startups, et cetera?

James L. Gallogly

Those projects are going to be expensive. We're already seeing a lot of pressure. Since we're in the field today, we can see firsthand what's going on. And there's a couple of dynamics. One, labor is definitely going up and the quality of that labor is not what it used to be. And so productivity is going down, and that's at this stage when there's not as much out there to do. We're still in the early phases. So when some of those big projects ramp up, I think it's going to get worse, not better. So I would expect cost to be higher and I expect things to come in a little slower. We'll see what really develops. But I can tell you from our own experience, that's absolutely what we're seeing today.

Frank J. Mitsch - Wells Fargo Securities, LLC, Research Division

All right, terrific. And then obviously, you have a very enviable balance sheet. You spent over $1 billion on buying back stock in Q1. Does that pace seem reasonable for Q2 and beyond?

Karyn F. Ovelmen

Yes. So as of, you'll see we're going to file our Q here, you'll see as of the end of last week, we had approximately 10 million shares remaining on the initial 10% authorization. And the expectation is that we will purchase that through the end of this May. And then we have the new authorization. It's about 53 million shares, which we have authorized over the next 18 months.

James L. Gallogly

Yes. So I'd say we have a great balance sheet and we like our growth prospects a lot. So we're making an acquisition of ourselves.

Operator

The next question comes from Robert Koort with Goldman Sachs.

Robert A. Koort - Goldman Sachs Group Inc., Research Division

Jim, I was wondering if we're to presume that there is going to be a massive ethane imbalance for quite some time, have you seen that expressed yet in any greater willingness for long-term contracts or fixed fractionation margin contracts or something, where you could lock in a more secure price over the next 5 or 10 years?

James L. Gallogly

No, I really haven't. That's why I'm a bit anxious to see what's going on with the Enterprise project to see if there are more details on what they're doing. But right now, I don't see that. We'll just have to see how that develops. Frankly, if it's as long as we think, we're still going to get great pricing. And so we're happy to let it all develop like it's going on right now.

Robert A. Koort - Goldman Sachs Group Inc., Research Division

And do you suspect that it's possible, like if they really had 3 virtual ethane crackers pop up in Europe, would that make your cracker system even better, would we get into some shorter supply that some of these -- as we've seen in the U.S.? Or is it just a drop in the bucket, given the scale of assets already over there, just won't make a big difference?

James L. Gallogly

Well, I just frankly can't see how all that Enterprise volume goes to Europe. Physically, I just don't know how that happens and how it gets integrated into the crackers over there. And I don't see anybody that would build a new ethane cracker over there with these kind of economics, you'd build it here in the United States immediately and not have that shipping cost. So there's got to be more to their story. I think there must be an Asian dimension that we don't understand yet.

Robert A. Koort - Goldman Sachs Group Inc., Research Division

And I've seen some producers suggest the potential for ethane imports into Europe have allowed them to negotiate better feedstock terms. Have you seen that creep up at all for you?

James L. Gallogly

Not really.

Robert A. Koort - Goldman Sachs Group Inc., Research Division

Okay. And the last one, if I might. On the Refining side, do you think there's any scope for any change in the ethanol mandates in gasoline?

James L. Gallogly

I hope so.

Robert A. Koort - Goldman Sachs Group Inc., Research Division

But do you think there is?

James L. Gallogly

I think we'll know more in a short period of time. But at least in the first EPA announcement on certain of the cellulosic volumes, they were realistic on that. So we hope good judgment prevails.

Operator

Our next question comes from John Roberts with UBS.

John Roberts - UBS Investment Bank, Research Division

Jim, when you say lighter feedstocks just don't work for you in Europe, is -- that's because of the propylene and propylene oxide integration that you've got over there?

James L. Gallogly

No, not really. This -- when I say lighter feedstocks don't work, I want to be careful. I said ethane doesn't work. Propane and butane does. Condensates do. Obviously, when we crack lighter like that, we make less propylene, less butadiene. But overall, within our system, we're still a major purchaser of propylene anyway. We're very short. And so that we're buying on the open market. So overall, it's more a question of lightening up somewhat. Last year in the summer, we went quite a bit lighter and in the first quarter, maybe almost 1/3 of the feed. So we'll keep working that, trying to make money.

John Roberts - UBS Investment Bank, Research Division

And then as a follow-up, it seems pretty certain that CapEx will decline materially in 2016. I know that's a little ways out here. But is that far enough out that you could have some shorter-term projects come in and back-fill on the CapEx side?

James L. Gallogly

Well, we're not going to have all the big projects that we do today to expand U.S. olefins. We want those online soon. And that's why we've been racing to get those projects finished. But we'll have another pipeline of projects that come back in that point in time but maybe not as much as we're doing right now.

Operator

[Operator Instructions] Robert Rightsees [ph] with Broadwright Capital [ph].

Unknown Analyst

I just have one quick question. Regarding the first 2 months of the year. I was trying to put together how much that cost you with the weather and some of the outages, et cetera. And I'm not sure if you were saying a couple hundred million here and there. But could you give us either margin number or a dollar number, what you think the weather and some of those effects cost you in the first quarter?

James L. Gallogly

Yes. What we're seeing is in O&P-Americas, the impact was about $200 million. And then there was $100 million of other items on the rest of the portfolio related to weather, natural gas prices, coker outage, all of those kinds of things.

Douglas J. Pike

And Bob, there's a little bit of an offset, of course, across the quarter as we raised prices moving across the quarter.

James L. Gallogly

And February was our toughest month. March was much better.

Operator

I am showing no further questions at this time.

James L. Gallogly

Okay. Well, thank you very much. We expect a very solid second quarter in U.S. O&P-Americas. As I said, the first quarter was not on our normal pace. We have the La Porte turnaround as a key project and other growth projects moving ahead very rapidly. So we feel very good about U.S. O&P. EAI had a strong first quarter, running at exceptional rates, 93%, way above industry averages. And we think we're performing differentially in Europe compared to our peer groups. I&D had another very solid quarter, performing as expected. And now with methanol online, we have upside in our Refining operations. Margins are good. We just need to run better. So we feel very good about our future. We're investing in our company. We've increased the regular dividend and are buying back our shares. We have a very bright future, and we thank you for your support.

Operator

Thank you. This does conclude today's conference call. You may disconnect at this time. Have a great day.

LyondellBasell Industries N.V. (LYB): Q1 EPS of $1.72 misses by $0.01. Revenue of $11.13B (+4.3% Y/Y) misses by $40M.

Comments (0)

LyondellBasell specifies size of new US PE plant

25 July 2014 17:51 Source: **ICIS News**

HOUSTON (ICIS)--LyondellBasell's proposed new polyethylene (/chemicals/polyethylene/) (PE) plant in Texas will have 1bn lb/year (454,000 tonnes/year) of nameplate capacity, said the CEO of the producer on Friday.

The plant should come on line in the middle part of 2017, said CEO Jim Gallogly during an earnings conference call. (/resources/news/2014/07/25/9805088/lower-ngl-costs-drive-lyondellbasells-q2-profit-jump/)

The plant will feature a new PE technology of the company, he said.

"We think it will be a very competitive line, both in terms of the product it makes and the value it brings to capital costs but also, very importantly, this should help us a significant amount in our licensing efforts," Gallogly said.

"We are already very strong in low-density polyethylene [LDPE], the best in polypropylene (/chemicals/polypropylene/) [PP] in our view," Gallogly said. "This will add another leg to our technology stool that we think is very positive."

According to an air permit application filed in 2013, LyondellBasell will build the plant at its complex in La Porte, Texas, and construction should start in January 2015.

The company has been discussing the $400m plant in previous earnings calls (/resources/news/2014/05/12/9780322/lyondellbasell-pe-plant-to-showcase-technology-planned-for/) held throughout the year.

In January during its Q4 2013 earnings call (/resources/news/2014/01/31/9749517/lyondellbasell-mulls-building-us-pe-plant-to-showcase-new/), CEO Jim Gallogly called the technology “a low-pressure new technology that, I think, we may build 0 number 001 in the US”.

Currently at its La Porte complex, LyondellBasell has 355,000 tonnes/year of linear low density polyethylene (LLDPE) capacity and 200,000 tonnes/year of low density polyethylene (LDPE), according to the **ICIS** plants and projects database (http://www.icis.com/v2/directory/default.aspx).

By **Al Greenwood (mailto:icisnews.americas@icis.com)**

Related articles:

29 September 2014 22:52 LyondellBasell CEO Jim Gallogly to retire in early 2015 (/resources/news/2014/09/29/9825022/lyondellbasell-ceo-jim-gallogly-to-retire-in-early-2015/)
27 August 2014 17:32 Shell lists capacity for proposed cracker, 3 PE plants in northeast (/resources/news/2014/08/27/9815318/shell-lists-capacity-for-proposed-cracker-3-pe-plants-in-northeast/)
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Although margins for our North America olefins and polymers will likely be lower than the 2014 levels due to a reduced NGL advantage and increased supplies associated with easing of industry capacity restrictions, we continue to expect margins in 2015 to reflect an NGL advantage. We also expect our European olefins margins to decline from high fourth quarter 2014 levels, which were primarily related to feedstock price reductions that outpaced those for product prices. Benefits from significant volumes of advantaged feedstocks and improved product competitiveness with a weaker euro and lower feedstock costs should support EU performance.

Our I&D segment should continue to benefit from extended competitor outages in the PO chain and low feedstock costs in 2015. The Refining business has experienced a margin reduction as a result of the oil and refined product price declines, which is being partly offset by higher volumes of advantaged North American crude oil as pipeline supplies increase.

A continued and sustained decline in crude oil prices and the resulting impact on downstream product prices may result in additional LCM inventory valuation adjustments in all but our Technology segment during the first quarter of 2015.

While we believe most of our growth projects that are currently in progress will be advantageous, we are reevaluating future capital plans related to our new Gulf Coast polyethylene facility, based on the changes in energy prices and rising construction costs in the Gulf Coast.

RELATED PARTY TRANSACTIONS

We have related party transactions with certain of our major shareholders and their affiliates and our joint venture partners. We believe that such transactions are effected on terms substantially no more or less favorable than those that would have been agreed upon by unrelated parties on an arm’s length basis. See Note 4 to the Consolidated Financial Statements for additional related party disclosures.

CRITICAL ACCOUNTING POLICIES

Management applies those accounting policies that it believes best reflect the underlying business and economic events, consistent with accounting principles generally accepted in the U.S. (see Note 2 to the Consolidated Financial Statements). Our more critical accounting policies include those related to the valuation of inventory, long-lived assets, the valuation of goodwill, accruals for long-term employee benefit costs such as pension and other postretirement costs, and accruals for taxes based on income. Inherent in such policies are certain key assumptions and estimates made by management. Management periodically updates its estimates used in the preparation of the financial statements based on its latest assessment of the current and projected business and general economic environment.

Inventory—We account for our inventory using the last-in, first-out (“LIFO”) method of accounting.

The cost of raw materials, which represents a substantial portion of our operating expenses, and energy costs generally follow price trends for crude oil and/or natural gas. Crude oil and natural gas prices are subject to many factors, including changes in economic conditions. Fluctuation in the prices of crude oil and natural gas from period to period may result in the recognition of charges to adjust the value of inventory to the lower of cost or market in periods of falling prices and the reversal of those charges in subsequent interim periods as market prices recover. Accordingly, our cost of sales and results of operations may be affected by such fluctuations.

In May 1, 2010, upon emergence from bankruptcy, we recorded our inventory, which is primarily crude oil and correlated products derived therefrom, at fair value in accordance with the requirements of fresh-start accounting. The per barrel benchmark price of WTI crude oil at that date was $86.15.

During 2014, we recorded LCM inventory valuation adjustments totaling $760 million driven primarily by the decline in the price of crude oil and related declines in the prices of heavy liquids and other correlated

Seeking Alpha$^{\alpha}$

LyondellBasell's (LYB) CEO Bob Patel on Q1 2015 Results - Earnings Call Transcript

Apr. 24, 2015 5:23 PM ET
by: SA Transcripts

LyondellBasell Industries N.V. (NYSE:LYB)

Q1 2015 Results Earnings Conference Call

April 24, 2015 11:00 AM ET

Executives

Doug Pike - Vice President, Investor Relations

Bob Patel - Chief Executive Officer

Karyn Ovelmen - Chief Financial Officer

Sergey Vasnetsov - Senior Vice President, Strategic Planning and Transactions

Analysts

Arun Viswanathan - RBC Capital Markets

PJ Juvekar - Citi

David Begleiter - Deutsche Bank

Hassan Ahmed - Alembic Global

Vincent Andrews - Morgan Stanley

Aleksey Yefremov - Nomura

Don Carson - Susquehanna Financial

James Sheehan - SunTrust Robinson Humphrey

John Roberts - UBS

Kevin McCarthy - Bank of America Merrill Lynch

Frank Mitsch - Wells Fargo Securities

Nils Wallin - CLSA

Jeff Zekauskas - J.P. Morgan

Duffy Fischer - Barclays

Bob Koort - Goldman Sachs

Laurence Alexander - Jefferies

Operator

Hello. And welcome to the LyondellBasell's Teleconference. At the request of LyondellBasell, this conference is being recorded for instant replay purposes. Following today's presentation, we will conduct a question-and-answer session. [Operator Instructions]

I'd now like to turn the call -- conference over to Mr. Doug Pike, Vice President, Investor Relations. Sir, you may begin.

Doug Pike

Well, thank you. Hello. And welcome to LyondellBasell's First Quarter 2015 Teleconference. And I'm joined today by Bob Patel, our CEO; Karyn Ovelmen, our CFO; and Sergey Vasnetsov, our Senior Vice President of Strategic Planning and Transactions. Before we begin business discussion, I'd like to point out that a slide presentation accompanies today's call and is available on our website www.lyondellbasell.com.

I'd also like for you to note that the statements made in this call relating to matters that are not historical facts are forward-looking statements. These forward-looking statements are based upon assumptions of management, which are believed to be reasonable at the time made and are subject to significant risks and uncertainties.

And actual results could differ materially from those forward-looking statements. And for more detailed information about the factors that could cause our actual results to differ materially, please refer to the cautionary statements in the presentation slides and our financial reports, which are available at lyondellbasell.com/InvestorRelations.

A reconciliation of non-GAAP financial measures to GAAP financial measures, together with any other applicable disclosures, including the earnings release, are currently available on our website lyondellbasell.com.

Finally, I'd like to point out that a recording of this call will be available by telephone beginning at 2 p.m. Eastern Time today until 11 p.m. Eastern Time on May 24th by calling (866) 839-4837 in the United States and (203) 369-3588 outside the United States and the pass code for both numbers is 4558.

Now during today's call, we'll focus on first quarter results, the current environment and the near-term outlook. But before turning the call over to Bob, I'd like to call your attention to the non-cash lower of cost or market inventory adjustment or LCM that we recognized during quarter.

This charge is somewhat unique to our 2010 company formation, when all assets and liabilities were measured at fair value, our use of LIFO accounting and the recent declines in prices for many of our raw materials and finished goods inventories. The comments made on this call will be in regard to our underlying business results, excluding the impact of LCM inventory charges.

That being said, I'll turn the call over to Bob.

Bob Patel

Good morning. Thank you for joining our earnings call. As Doug mentioned, a set of presentation slides accompanying this call and is available on our website. Let's take a look at slide four and review a few financial highlights.

First quarter earnings per share were $2.54, but EBITDA of $2.04 billion, excluding a $92 million lower of cost or market inventory adjustment. This quarter the EPS figure is a new high for LyondellBasell and our EBITDA has now averaged approximately $2 billion in each of the last four quarters. This can be seen in the lower left chart.

Strong operational and business performance coupled with share repurchases contributed to a quarterly diluted earnings per share increase of $0.82 per share since the first quarter of last year.

Over this one year period, our outstanding share count was reduced by 58 million shares or 11%. At the end of March, we had 475 million shares outstanding and as of the 22nd of April approximately 473 shares are outstanding.

Overall, our business portfolio has continued to perform well, margins and volumes have been good leading to consistent strong results. Our revenues have declined since product prices have followed crude oil price declines. Ultimately, in our business, profitability and cash generation are more important metrics and both have been strong.

The sustained strength of LyondellBasell's profitability over the past year in this volatile crude oil environment can be attributed to a combination of items which have helped offset the impact of lower product prices related to the decline in crude oil.

First, tightness in the global ethylene and polyethylene supply and demand balances help support product prices. This has been driven in part by planned and unplanned industry downtime, which is persistent into the early weeks of April.

Coupled with our solid operations, our O&P segments have benefited from these favorable balances. Additionally, our O&P and I&D segments have benefited from lower U.S. natural gas and NGL prices, which have lowered our production costs.

In Refining, increased availability of Canadian crude oil and improving ratio of byproduct pricing to crude oil have benefited the Refining segment. First, we are also benefiting from the ethylene and polyethylene expansions that we completed last year, and our share repurchase program and resulting lower share count having a material effect in raising earnings per share.

On slide five, you will note that our safety performance continues to be very good and is showing some improvement when compared with 2014. While we are proud of these results, we certainly not satisfied until we reach perfection in this area.

Please turn to slide six and our first quarter and last 12 months EBITDA results. Within the segments, the O&P-Americas first quarter EBITDA was just shy of $1.1 billion. Olefin prices declined with lower global crude oil prices. However, polyolefin in change margins did not fall as much.

In O&P-EAI, EBITDA exceeded $350 million. As in the Americas segment olefin prices and margins declined, while polyolefin results improved. In the Intermediates and Derivatives, EBITDA exceeded $375 million, Ethylene oxide and derivatives continued to demonstrate steady performance, methanol results declined due to scheduled first quarter maintenance.

During the first quarter, Refining posted EBITDA of $154 million, a highest quarter in more than two years. Crude oil throughput was down but margins increased. Our Technology segment continued to enjoy consistent strong earnings.

I will now turn the call over to Karyn for our summary of cash flow.

Karyn Ovelmen

Thanks, Bob. Slide seven and eight provide picture of our cash generation and use. During the first quarter, we generated $1.5 billion from our operations and issued $1 billion in 40-year bonds at an interest rate of 4.625%.

Our cash and short-term securities balance improved as a result ending the quarter with $3.6 billion or about $600 million more cash and securities than at the end of 2014. Cash used for share repurchases and dividends totaled $1.7 billion during the quarter.

During the first quarter we make several annual payments, including Taxes property taxes, customer volume rebates and employee bonuses. Together, these payments totaled approximately $465 million.

During the past 12 months, we have generated $6.7 billion in cash from operations, while raising $1 billion from bond issuances and issuing over $4 million in commercial paper. Almost $7.4 billion were used for share repurchases and dividends and another $1.5 billion invested in capital expenditures.

Before I wrap up, I want to point a couple of other items that might help your analysis. First, our book tax rate was 27% in line with our previous guidance. Depreciation and amortization was $287 million. However, this includes a non-recurring $35 million impact from amortization of an environmental credit.

Thus, the first quarter run rate is below previous guidance. Assuming the euro dollar relationship remains near first quarter levels, we would expect depreciation and amortization to remain near the adjusted first quarter run rate.

The final point, I want to discuss is our overall foreign exchange exposure. We have defined some of the pertinent points on slide nine. There are lot of moving parts in our global business but in the end, we believe that the real economic and business exposure to foreign exchange is small relative to the size of our business.

Our businesses tend to be global in nature and priced off of crude oil based raw materials. Therefore our products are generally priced in relation to dollars. Of course, we do experience translation impacts in our reported numbers. This quarter the reported translation impact is $45 million as compared with the fourth quarter exchange rate.

However, we believe that this was mostly offset within the business and the true economic impact was not significant within our earnings. Along with the nature of the business serving as a foreign exchange buffer, we also hedged our net transaction exposure. When all aspects are considered, we don't believe that exchange rate had a significant impact on first quarter results.

With that, I'll turn the call back to Bob.

Bob Patel

Thanks Karyn. Let's move to a deeper discussion of the underlying segment results, excluding the impact of the LCM inventory charge. Slides 10 and 11 pertain to Olefins & Polyolefins - Americas. First quarter EBITDA was $1.07 billion, about $200 million less than the fourth quarter.

Olefins results declined by $280 million as ethylene prices declined by $0.14 per pound from Q4 to Q1. This was partially offset by lower cost of ethylene production, which modestly declined due to lower feedstock and natural gas cost.

Our U.S. olefins plant ran at approximately 97% operating rate during the quarter, approximately 10% ahead of the U.S. industry average. Our metathesis unit ran throughout the quarter generating approximately $20 million of EBITDA. Approximately 90% of our ethylene was produced from NGLs with ethane representing approximately 70% of ethylene production.

On slide 11, we have plotted the key NGL prices and the costs of ethylene production metrics as estimated by IHS. These provide good perspective on the NGL price response to the decline in the price of crude oil as well as the impact to the cost of ethylene production.

You can see that U.S. propane and butane prices largely followed the price of crude oil lower. Similarly ethane prices followed natural gas prices. These movements accompanied by co-product price movements result in IHS' estimated cost of ethylene production metrics, plotted on the right hand side of the slide versus the first quarter of last year, IHS' estimates that the price of ethylene declined by nearly $0.14 per pound while the cost of ethylene production metric declined by nearly $0.10 per pound.

Our margin results show a similar trend while volumes are benefiting from our expansions in the absence of last year's significant turnaround activity. While the olefins results declined sequentially, polyolefin results improved by approximately $75 million as price declines lagged the declines in monomer prices. This led to an increase in margin versus the fourth quarter of 2014. However, both polyethylene and polypropylene margins declined as the quarter progressed and finished the quarter lower than where they started.

Thus far during the first weeks of April, sales and production volumes have been relatively consistent with the end of first quarter pace. We don't have any significant maintenance plan for the quarter. Our 250 million pound per year Channelview ethylene expansion is scheduled to be online late in the second quarter. From a cost standpoint, NGL and natural gas cost remained low. At this time, April product prices are still being negotiated. So I won't offer further commentary.

Let's turn to slide 12 and review performance in the Olefins & Polyolefins - Europe, Asia and International segment. First quarter EBITDA was $357 million or $35 million less than the fourth quarter. Olefin results declined by approximately $105 million, similar to the America segment, the decline is related to lower pricing versus the fourth quarter of 2014, the first quarter average ethylene price declined by $0.14 per pound roughly equivalent to the decline in the Americas segment.

Our cost of ethylene production metric was relatively unchanged in dollar terms. We produced almost 50% of our ethylene from raw materials with the cost advantage to naphtha. While still significant, the contribution from these feeds declined by approximately $15 million versus the fourth quarter.

Olefin operating rates remain strong at 94% of capacity, more than 10% ahead of the European industry average. Combined polyolefin results partially offset lower olefin results as EBITDA improved by approximately $45 million.

Volume increased in polyethylene and polypropylene by 22% and 16% respectively. Polyolefin spreads improved roughly 9% in local currency but they were unchanged on a dollar basis. Polypropylene compounds and polybutene-1 benefited seasonally as volumes improved by approximately 12%, coupled with increased margins, EBITDA increased by approximately $30 million. JV equity income increased slightly to $57 million. April business conditions have been relatively consistent with those experienced during the first quarter.

Now, please turn to slide 13 for discussion of our intermediates and derivative segment. Exclusive of the LCM impacts, first quarter EBITDA was $381 million, $17 million higher than the fourth quarter. Propylene oxide and derivatives results improved by approximately $15 million on 11% higher volume. Industry maintenance and sales into the aircraft de-icing end use contributed to the volume increase.

Intermediate chemical performance improved by approximately $35 million. However, it is often the case, individual products saw varying results. Acetyl results declined by approximately $20 million due to our scheduled Channelview methanol plant maintenance and lower product margins, each was responsible for approximately half of that decline. The methanol plant returned to operation in March and ran near full rates since that time.

The acetyl decline was offset by stronger EO, EG and styrene results as well as the absence of some fourth quarter costs. Oxyfuel results were lower by approximately $35 million, primarily due to lower margins following a typically strong fourth quarter margins.

For oxyfuels, our year-on-year comparison removed seasonality and provide a different perspective. On this basis, you can see in the chart on the lower right that raw material margins are relatively unchanged. This variance might surprise you given the decline in crude oil and gasoline pricing. However, butane and methanol raw material cost have also declined.

April business conditions have been generally similar to conditions experienced late in the first quarter. We'll have a PO/SM unit turnaround at Channelview during the quarter. This will impact propylene oxide and styrene production. Although plans have been made to minimize the impact, we estimate that second quarter segment results will be negatively impacted by approximately $20 million.

Let's move to slide 14 for the discussion of the refining segment. First quarter EBITDA was $154 million. Excluding LCM impacts, this is $121 million quarter-on-quarter increase. During the first quarter, the Maya 2-1-1 spread averaged $23.74 per barrel. The realized spread of the refinery was relatively consistent with the Maya 2-1-1 spread.

Crude throughput averaged 241,000 barrels per day, a decline of about 25,000 barrels per day, primarily due to maintenance and the third-party off-gas processor and some maintenance within the refinery.

The lower throughput impacted results by approximately $20 million. During the quarter, we increased shipments of -- we received increased shipments of Canadian crude oil, as a result of the volume of combined Canadian and light U.S. crude process doubled versus the fourth quarter, reaching almost 30% of our crude slate.

However, during the period, the per barrel advantage was relatively small versus other heavy crude oil. The capture rate on the benchmark spread improved as the price difference between byproduct and crude prices declined. This has waived the capture rate on the spread to the low 70% level from approximately 60% during 2014.

RIN costs were relatively unchanged versus the fourth quarter. April benchmark spreads have averaged approximately $23 per barrel. The third-party facility that impacted first quarter operating rates has completed their maintenance.

During April, we have operated the refinery unit less than full capacity as we conducted some maintenance ourselves. We plan to increase rates shortly. This will slightly impact second quarter throughput.

As you may know, the majority of our employees at the Houston refinery represented by the United Steelworkers union remain out on strike. The company has negotiated diligently and in good faith with the union from the beginning and we remain committed to negotiating in good faith and for a fair and responsible contract.

To date, the parties have been unable to reach agreement on local issues and the strike continues. As a result of this strike, we've decided to delay our planned fourth quarter FCC turnaround to first quarter 2016.

I want to take this opportunity to recognize and thank all of our employees and contractors who have been operating the refinery during this period, including employees represented by the union who have elected to return to work. Through their commitment, we've operated the refinery safely, reliably and enabled it to achieve the best quarterly results in over two years.

Our technology segment continued to perform well, with both the catalyst and licensing businesses slightly ahead of fourth quarter results. In this segment, licensing revenues can be lumpy.

We would now turn to slide 15. I'll briefly summarize and then we'll take your questions. The key point, I want to emphasize is the consistency and strength in our results across the past four quarters and while we have experienced a very volatile crude oil and raw material market, our businesses have performed consistently well.

In O&P Americas, we've been aided by strong operational performance, olefin margin improvement and low-cost natural gas and NGLs. In O&P-EAI, it is a similar story as both naphtha and advantage raw material costs have declined to offset falling product prices.

Although, we have a translational effect related to the euro-dollar exchange rate, increases in euro based results offset the impact. As a result, dollar based margins and spreads were relatively unchanged.

Our I&D segment continued to show consistent results of the characteristics of its product, contracts and portfolio dampen the impacts of raw material volatility. The Houston refinery bounced back from a weak fourth quarter to post results that exceeded the past nine quarters.

Our first quarter results in my comments regarding April business should provide a level of comfort that our business is responding very well in this period of crude oil price volatility. Our focus on operations and optimization enable us to move quickly.

Meanwhile, our project teams continued to move our expansions forward with the next start-ups scheduled for the end of this quarter. It's difficult to say that every quarter in 2015 will achieve the earnings results of this quarter. However, our focus on safety, operational reliability and costs position us to perform relatively well in any environment. Thus far, April has not disappointed.

At this time, I will close the formal comments by reminding you that we will hold our Investor Day next Wednesday in New York and via webcast. With that, we would be happy to take your questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] And our first question comes from Arun Viswanathan with RBC Capital Markets. You may ask your question.

Arun Viswanathan

Thanks for taking my question. Congratulations on a great quarter. Just wanted to understand some of your comments. You've pointed out some outages that are supporting pricing right now and you said that conditions are relatively consistent. Can you comment on the demand trends that you're seeing in April and maybe your expectations for May and June? Do you expect restocking or increased consumer demand, especially in Europe as well just given a weak euro? Thanks.

Bob Patel

Market conditions are very strong, as I mentioned in the previous earnings call. Generally, we see seasonal improvement in our demand going in Q2. So if you look back in time, Q2 tends to be one of our stronger quarters in terms of demand. As we sit here today, supply-demand balances are well balanced and any small outages have caused tightness or even shortage in regional market. So my sense is that volumes will remain strong in U.S. and Europe in April, May and June. Small outages or regional outages can cause local disruptions. We are at that point on the operating rate curve where markets are -- supply and demand are well balanced.

Arun Viswanathan

Okay. Thanks. And as a follow-up in I&D as well, you stated in the press release that there are some seasonal benefits. Maybe you can just help us parse that out with some of the downtime. Do you expect Q2 results to be up? And then how does the rest of the year play out? Thanks.

Bob Patel

Generally, Arun in I&D, the seasonality comes from oxyfuels where we benefit from butane is becoming relatively less expensive in the summer months and the blend season kicks in. So, I expect that oxyfuel results should improve as they do each year seasonally in Q2. For the rest of the year, we expect very good demand for all of our products in the I&D business.

Arun Viswanathan

Great. Thanks.

Operator

Thanks. Our next question comes from PJ Juvekar with Citi. You may ask your question.

PJ Juvekar

Yes. Good morning, Bob.

Bob Patel

Good morning.

PJ Juvekar

European and Asian ethylene seems to be quite tight. And I think there are a couple of things going on. I think 10% to 12% of Asian capacity is out for maintenance. And then secondly, oil prices have gone up. So that might cause some restocking. So how do you think about this tightness and how do you think that plays out for rest of the year?

Bob Patel

In the case of Asia, supply and demand balances are tight. And then as you rightly note, there were lot of outages in Q1. From what we see in the IHS information, the planned outages are actually going to be higher in Q2 compared to Q1. So, I would expect that in a rising oil environment, the restocking plus seasonal demand increase should be positive for products sales into Asia. And I think that should tighten the global supply demand balance, especially for polyethylene.

PJ Juvekar

Thank you. And then secondly, just on a longer-term issue, oil and gas CapEx has come down quite a bit. The rig count has fallen and it seems like the labor pressure on the Gulf Coast is easing a little bit. Would you like to take advantage of that with any further brown field or green field projects, or is that too early to make a call? Thank you.

Bob Patel

Thanks, P.J. Well, I think it’s a little early to make that call, because we really haven’t seen the labor rate stabilize yet. Perhaps it’s safe to say that the rate of increase in labor rates has not been as much as what we’ve experienced. We will continue to evaluate that, but as you know, we have a lot of projects still in front of us that we need to execute in terms of the bottlenecks.

We remain focused on those as those are low costs, high return and they will be well ahead of the first class routes capacity that will come out. So we will evaluate as we continue to evolve our strategy, but at this point, we remain committed and focused on executing what we have in front of us and then we will see how labor markets evolve.

PJ Juvekar

Thank you.

Operator

Thank you. Your next question comes from David Begleiter with Deutsche Bank. You may ask your question.

David Begleiter

Good morning. Bob, can you discuss your view of U.S. ethane now $0.18 a gallon near all-time lows. How do you see that price trending this year and how you do ethane supply demand going forward over the next three or four years, given perhaps maybe a little lower growing activity and increased demand from new crackers and export facilities?

Bob Patel

Well, in terms of supply demand balance, we see still an abundance of ethane. They are somewhere 300,000 and 400,000 barrels per day of ethane being rejected today. So that's a significant amount and could supply several world scale crackers that will be built in the U.S.

In terms of the near-term price dynamics, it seems to me that the ethane has been trading right around its field value and with propane being abundant, propane will be competing to be in the cracker feed slate here in the U.S. So between both of those being well supplied, my sense is that ethane will be closer to its fuel value in the foreseeable future. And with natural gas prices at $2.50 coming in the December months, I expect that ethane prices should be where they are today.

David Begleiter

Very good. And Bob, just make -- I am sure you will address this Wednesday, but how do you view acquisitions and what role they might play in Lyondell's future over the next five to seven years?

Bob Patel

Our focus David has been on share repurchase as a means of deploying our free cash flow. That's really the benchmark that we compare acquisitions to. We will continue to develop our strategy with our Board and we will look at different alternatives, but frankly we have to think about why -- what are we trying to sell for. It is an acquisition for the sake of growth or to become bigger not necessary as we are already a very large company with the global footprint.

We have incredible scale and we will show you that next week at Investor Day. So we are in a great spot. We don't have to do something in terms of an acquisition today. We will evaluate different options of our strategy with our Board and in the meantime continue to focus on delivering on our CapEx that we in front of us and continue our share repurchase program as we have outlined.

David Begleiter

Thank you very much.

Operator

Thanks. Your next question comes from Hassan Ahmed with Alembic Global. You may ask your question.

Hassan Ahmed

Good morning, Bob.

Bob Patel

Good morning.

Hassan Ahmed

You broadly spoke about demand obviously being good and you mentioned restocking generally. My question is a bit more specific about the polypropylene side of things. If I take a look at sequential volume improvements, a good 6% in O&P Americas, up 16% within EAI. Is this sort of sustainable? Is this primarily restocking related? I mean, if you could talk a bit about the polypropylene market in general.

Bob Patel

Yes. I think in polypropylene in both regions, demand is growing at a reasonable rate. There is some restocking that probably occurred in Q1 and some destocking on our side. So if you think about an inventory in the value chain, I am not sure that has increased significantly. It's probably shifted a little more downstream.

Having said that, I don't think inventory downstream is on the high side, it's probably about right going into a seasonal uptick in Q2. So could we experience 16% growth quarter-after-quarter probably not. There are some timing effects here. But I do see demand being very strong globally. And Q2, as I mentioned earlier, tends to be our stronger quarter in terms of volume.

Hassan Ahmed

Fair enough. Now as a follow-up, as sort of more of your brown field facilities come online and expansions happen. Within the Americas you are becoming net long ethylene to the tunes of I would say over 1 billion pounds. So what is the plan associated with that ethylene? Do you want to continue sort of being a merchant seller of ethylene? Do you want to integrate into may be polyethylene units, I mean what's the strategy there?

Bob Patel

Well, we have many options in front of us. This is one of the topics that we will discuss next week at Investor Day, but briefly the options we have in front of us are merchant sales which there is still plenty of opportunities out there, a new polyethylene plant, or we could build another metathesis plant to make propylene.

So we continue to evaluate that and we will discuss a little more in detail next week at Investor Day how we think about those options, but we think we have a solid options ahead of us and the bottleneck projects have very good returns.

Hassan Ahmed

Very good. Thanks so much, Bob.

Bob Patel

Thank you, Hassan.

Operator

Thanks. Your next question comes from Vincent Andrews with Morgan Stanley. You may ask your question.

Vincent Andrews

Thanks. And good morning, everyone. Bob, could you talk a little bit about sort of where we -- how we should think about the European operating rates over the next couple of quarters, obviously very high this quarter and obviously lot about it just, but how should we thinking about it into Q2 and then maybe thereafter?

Bob Patel

European operating rates have been strong and in my view will be strong going into Q2. Vincent, there is a couple of things that are going on in Europe and I think are benefiting the operations there. One is the weaker euro is improving export competitiveness of our customers as the end users of our products. And we are seeing less imports because of the weaker euro.

So more and more of what we are seeing is competitiveness of polyethylene or polypropylene exports as well as finished goods. The other is of course lower oil price makes Europe competitive on the global cost curve. So my sense is that we are going to run at full capacity for the foreseeable future Q2 and Q3. I don't expect that to change.

Vincent Andrews

Okay. Thanks. And as a follow-up, you addressed sort of how you think about the ethane price forecast going forward as it relates to new capacity. But what do you think might happen on the outlook price, on the polyethylene price as always new crackers come along, and presumably that product has get forced out into the export market and what do you think that could do to spreads for sort of balance for North America?

Bob Patel

Well, I think longer-term as some of the larger green field capacity comes online that product will be exported on the increment to either Asia or to South America. And so the margins in the U.S. will largely depend on the crude to gas ratio and cost of production in destination markets like China.

And so my sense is that just like the Middle East and years ago built out their capacity to export, will the U.S. will fulfill ethylene derivative demand growth in the coming years. And so I think the margins will still be good and in the sense the U.S. advantage is present today and could get better as the crude to gas ratio increases again.

Vincent Andrews

Okay. Thanks very much.

Bob Patel

Thank you.

Operator

Thanks. Our next question comes from Aleksey Yefremov with Nomura. You may ask your question.

Aleksey Yefremov

Good morning. Your working capital declined slightly quarter-over-quarter? Do you expect to realize more pronounced benefit later in the year in terms of your working capital? Thank you.

Karyn Ovelmen

We don't expect any major swings in working through the end of the year. We exclude LCM in some of the Forex. It really were pretty flat on a normalize basis in terms of working capital. And we expect that kind of -- we'll see some seasonality towards the end of the year, but no significant changes in working capital through the year.

Bob Patel

Yeah. We don't have any significant inventory dislocations in our system.

Aleksey Yefremov

Thank you. And as a follow-up, another question on ethane, do you think there is enough pipeline capacity that connects the Northeast NGL producing regions to the Gulf Coast? We currently have one pipeline? Do you think there are more pipelines needed and if that is the case, do you think those pipelines can be build in time for ethylene crackers startups in 2018?

Bob Patel

Well, I think, there is sufficient supply of ethane here on the Gulf Coast already. And as those crackers get built out, I would imagine that some of the lines that we are going south to north will be reversed and will get more ethane from the north.

Sergey Vasnetsov

Yeah. Aleksey, I think, in general Marcellus and Utica as they build up. Off take has been one of the issues. It's been address first by the ATEX pipeline. There have been two more pipeline proposals. It's a same in gas coming off of those facility but they have to build out the infrastructure. And really this is all part of what's been going on in the industry really for the last five years. The E&P progresses than the midstream catches up and we been a logical beneficiary of it as they develop.

Aleksey Yefremov

Thank you.

Operator

Thank you. Our next question comes from Don Carson with Susquehanna Financial. You may ask your question.

Don Carson

Thank you. Question on U.S. feed slate in the quarter and going forward. Bob, you mentioned that you -- 90% of your feed slate was NGLs, was 70 percentage points ethane. Is that 20% dealt to the max propane and butane you can crack and if so would you plan on any investments to increase your flexibility to crack propane and butane?

Bob Patel

Yeah. Don, not necessarily that that 20% is the max and we have more flexibility within that. It's just a question of economic and optimization, and how we run our crackers week to week, but we have flexibility. And remember we also crack some liquid feed stocks down in Corpus Christi. So its not just ethane and propane, we kind of crack full range.

Sergey Vasnetsov

And we'll talk to this some more in the Investor Day as well.

Bob Patel

Yeah.

Don Carson

Okay. And then just a follow-up on near-term pricing, it looks like polyethylene is going to rollover flat in April. There is an industry thought an initiative in May that looks like it has real support? How long you think this tightness in polyethylene is seasonal uptake that we're seeing? What's kind of your price outlook for not only in Q2 but also going into the second half of the year?

Bob Patel

Well, I'll speak to markets rather than price and I would say that, the supply demand is very firm today. And so there is market underpinning or what you see -- and so we'll just have you see how the quarter develops. But I'm very bullish about demand for Q2. I think demand for Q2 will be very good as it is seasonal.

Don Carson

Thank you.

Operator

And so our next question comes from James Sheehan with SunTrust Robinson Humphrey. You may ask your question.

James Sheehan

Thanks. Question for Karyn. How do you see the pace of share buybacks occurring through the rest of the year?

Karyn Ovelmen

Yeah. We are going to -- we'll continue to on the pace that we are at. We have the second 10% that will be wrapping up here in the May timeframe. And in our next Annual Meeting we have the authorization that we expect to get approval for an additional 10% going forward.

James Sheehan

Thanks. And on the Refining segments you mentioned some maintenance occurring here in the second quarter. How do you see that affecting throughput?

Sergey Vasnetsov

I think it will be minimal. We just about completed and already started, we don't think it's going to be material for the segment.

James Sheehan

All right. Thanks a lot.

Operator

Thank you. Our next question comes from John Roberts with UBS. You may ask your question.

John Roberts

Good morning. Nice quarter. One of the messages from the IAHS Conference last month was that we're heading into a period where propylene would be long relative to ethylene. I don't know if you agree with that? And if you do agree with that, how does -- is that going to play out through your polypropylene, propylene oxide. You mentioned you're looking at expanding metathesis? I don't think you do that along propylene market, but maybe if you could give us your outlook on propylene?

Bob Patel

Sure. Thanks for the question, John. Well, propylene is one of those molecules that when its get long, the sources of production tend to adjust. So, for example, when propylene values fall, generally you crack less propane, you crack more ethane.

For us we have the flexibility to run the metathesis unit or not to run the metathesis unit. We'll certainly evaluate that as we think about investment. I know that IAHS has a view on propane.

To propylene, the PDH plants when they come on. But remember as propane balances become narrower and propane price could rise and therefore, propylene from propane could become more expensive. So there are a lot of factors that impact the propylene price and it is very dynamic. So before we make an investment, certainly we would think through all of those factors.

John Roberts

So you're thinking propane rises or are you thinking propane stays low?

Bob Patel

I think if there's a lot of propane consumption, propane could rise. And remember propane can be exported as well in a much larger quantities that ethane can. So we'll just have to see how those supply-demand balances develop over the longer term. It all just depends on the timeframe.

John Roberts

Thank you.

Operator

And so our next question comes from Kevin McCarthy with Bank of America Merrill Lynch. You may ask your question.

Kevin McCarthy

Yes. Good morning. Bob, if we look at the industry data, looks like polyethylene resin exports surged something like 42% in March after five straight months of decline. So if you could talk about your own mix of domestic polyethylene sales versus exports and with outages overseas, would you expect the international trade component to remain strong?

Bob Patel

Kevin, our exports have increased a little. But we -- as we've mentioned in the past calls, we tend to export a little bit less than the industry average. And generally, we have longer-term sales contracts going to South America rather than Asia. So our focus is less on Asia when it comes to exports. I do think that the industry has exported a bit more, I've seen that in some of the data that's been published but for us it's not significant in terms of the increase.

Kevin McCarthy

Okay. And then as a second question, it looks as though you're propylene monomer production increased 12% in 1Q versus 4Q. Is that all explained by your metathesis unit and then did you run that unit full out in the quarter or did you crack more propane as well?

Bob Patel

It's the combination of the two, Kevin. We did run the metathesis unit most of the quarter. That contributed to most of the propylene production increase. And then some of that was a bit more [Technical Difficulty] propane.

Kevin McCarthy

Okay. Thank you very much.

Bob Patel

Mostly, metathesis.

Operator

Thank you. Our next question comes from Frank Mitsch with Wells Fargo Securities. You may ask your question.

Frank Mitsch

Yes, good morning folks. And obviously a great start to the year. Bob, I'm just curious, obviously, a big deal relative to the three. From your perspective where there any big surprises, relative to what your expectations were three weeks ago, I'm sorry three months ago or not necessarily?

Bob Patel

Good morning, Frank. For us I think what's what we've seen develop over the quarter is that the market is a lot stronger that we expected and supply demand are much more balanced, some of these outages that we didn't predict. Our sense is that we are really realizing markets where operating rates are in that 90%, 92% range and when there are outages, it causes some margin expansion. And of course, I think prices come off a bit during the period. Our share repurchases have benefited us as well. There are a lot of factors. And we ran well as we are known to do. So not necessarily surprises, but I would say just more confirmation that we have a fairly strong market environment.

Frank Mitsch

All right. Terrific. I do concur that given everybody running as hard as they are, you are bound to have more unplanned outages than what the consultants are setting out there. So knock on wood, it's not even obviously your safety. Your safety slideshows that you know how to run assets? And then if I could ask a question on the I&D segment, you were talking about the PO/SM turnaround being about a $20 million impacting Q2. If I am not mistaken, I think you were thinking that the methanol turnaround in Q1 was also going to be a $20 million impact. But I think your comments today suggested that was closer to $10 million, is that correct and if so why was it less of an impact?

Bob Patel

Yes. Actually, it's just because of the way the margins evolve in the methanol business during the quarter versus our prior estimate. And then on the PO/SM unit it's based on what we know today in terms of margins. But we've largely prepared and mitigated most of the impact of that PO/SM outage. And by the way methanol plant is running very well and at nameplate capacity. So the team at Channelview did a really nice job in conducting the maintenance, getting it back up and delivering on what they had intended.

Frank Mitsch

Terrific and thank you so much.

Bob Patel

Thank you.

Operator

Thank you. Our next question comes from Nils Wallin with CLSA. You may ask your question.

Nils Wallin

Good morning and thanks for taking my question. In terms of your own operations obviously olefins in Americans has been running at very high rates for multiple quarters. Is there a risk that do you need to either pull back on those units at some point to prevent an unplanned outage or how do you look at the higher rates over sustainable period?

Bob Patel

Yeah. Good morning Nils. No, we are not running these units at above benchmark. We are not pushing them beyond their capability. And as we've mentioned in past calls, we've been very diligent in doing our turnarounds at the prescribed cycles and so on.

So I would say that our discipline around maintenance and around how we manage our operations allows us to run at our nameplate capacity. But we're not pushing beyond that necessarily. We don't want to go beyond the capability of the plant for near-term gain, that's not our philosophy so. And we'll continue to run within the capability of each of our units.

Nils Wallin

Understood. And then with respect to polyethylene inventories, do have a sense of what level they might be down at the customer converter level? There has been some discussion that distributors are starting to get their warehouses pretty full?

Bob Patel

No, I haven't heard any significant trend there. It could be that one or two have a bit more. But going into Q2, a bit more inventory shouldn't concern anybody because generally demand is very good. So my sense is inventory is kind of at par in the value chain. I don't think it's very high or very low frankly.

Nils Wallin

Thanks very much.

Bob Patel

Thank you.

Operator

Thank you. Our next question comes from Jeff Zekauskas with J.P. Morgan. You may ask your question.

Jeff Zekauskas

Hi. Good morning.

Bob Patel

Good morning.

Jeff Zekauskas

Hi. Lyondell was always contemplating NLPs. Has it made a decision yet or positive or negative?

Bob Patel

Jeff, that's one of the topics we were going to cover at Investor Day next week. So, we'll provide our analysis and how we think about it and we'll discuss next week at Investor Day.

Jeff Zekauskas

Okay. That sounds great. And then secondly, your tax rate keeps coming down even though you make more in the United States. Can you explain why that's the case and if there's a difference between your book taxes and your cash taxes?

Karyn Ovelmen

Yeah. As far as the guidance that we gave at the beginning of the year, it's pretty much still in line that we are on 27% for an effective tax rate. And then on a cash tax basis, we are lower than that and we are in the 23% range. It's fairly consistent with prior years.

We continued our optimized -- our tax cash structure but we did see a slight, slight uptick here this quarter with larger earnings in the U.S. And you will see that as the mix of earnings for more North America based, you'll see our rates 10 and 12 depending on what jurisdictions our earnings are at.

Jeff Zekauskas

Okay. Thanks very much.

Operator

Thank you. Our next question comes from Duffy Fischer with Barclays. You may ask your question.

Duffy Fischer

Yes. Good morning, guys.

Bob Patel

Good morning.

Duffy Fischer

Questions on say just the last 12 months if we step way back 50,000 foot view, lot of volatility in oil and some of your inputs, not very much volatility in your earnings, Bob, I wonder if you could just kind of -- if you step back a year ago and we told you what would happen with energy, what surprised you and what actually played out over the last year versus what you would have thought a year ago?

Bob Patel

So, I think markets, they were a lot stronger than we thought they would be a year ago. Demand growth has been very good globally. There have been these unplanned outages recently that we discussed. Natural gas price has drifted down. So if you look at the graph that we had in our earnings report here. While crude oil price dropped and butane and propane dropped as well, ethane dropped. So we've seen our cost come off a bit.

Our share repurchase program has also helped in terms of EPS, which is the intended purpose of the share repurchase program. And we continued to push reliability and push our units hard. So, I would say if there's one thing that I could point too to that's perhaps a bit different is that supply-demand is just much stronger. And so price declines on products have not been at the same pace as the oil price might indicate.

Duffy Fischer

Okay. Thank you. And then your catalyst business gives you a pretty good insight into what people are thinking about building on the olefins, polyolefins chain. When you look into that business, how do you see the next three to five years as far as your Olefins, polyolefins business grows global build out?

Bob Patel

Yeah. So in the case of polyethylene, if you just look at IHS data, it's even beyond our catalyst business. And supply growth is going to be somewhere in the 3% to 4% range annually. Demand grows at above that same pace. So our sense is based on what's been announced and the likelihood of some of the projects being pushed a year or two based on recent announcements. Our sense is that new supply will meet incremental new demand and that we could have a period of relatively high operating rates. And we'll show that next week when we have our Investor Day, our own view and IHS' view on operating rates.

Duffy Fischer

Great. Thank you.

Operator

Thanks. Our next question comes from Bob Koort with Goldman Sachs. You may ask your question.

Bob Koort

Thank you very much. Bob, you mentioned the volumes of your plastics in Europe were really quite exceptional. I think there maybe five or six force majeures during the first quarter or so. Where did all that product go? Were you displacing your competitors that couldn't run their plants at rates, or was there some restock inventories build and I'm speaking to Europe specifically and then how do you see that normalizing through the rest of the year?

Bob Patel

Yeah. So in Europe, I think there were three factors. One was restocking. The other was just higher demand from our customers because of their export competitiveness, especially in film. Out of this film is where we see that the most.

And then, yes, we did displace some of our customer sales when they had issues. And we also had a little bit of an issue at Münchsmünster, which we resolved. So it's a combination of factors. My sense is that the European market is going to be pretty strong here in the foreseeable quarter or two. And then we'll have the typical seasonality in Q4, barring any sort of economic issue.

Bob Koort

And if I may follow up in the Americas looks like Total and Shintech have put their name to the list that's growing for U.S. new plant builds. I'm just curious do you think Lyondell will ever build a brand new plant or will continue to be the incremental adds?

And then secondly, you mentioned ethane at fuel value, but the need maybe to start sucking in some barrels from North and Northwest or Northeast, would you expect that at least you see the ethane price have to accommodate that transportation tariff down to the Gulf Coast or do you think you can still sell below fuel value plus traditional spreads out into the future?

Bob Patel

In the case of our expansion, Bob, we still have quite a bit in front of us in terms of the debottlenecks. We really evaluate as we do many other alternatives, green field type project, that completes with share repurchase program and other projects. So we'll evaluate that. I know I wouldn't say that we would never do it. It is one of the options, and so we will just continue to think through that.

In terms of ethane and maybe incremental increase because of ethane coming north to south, it's possible. But even if that increase were do occur, when you think about it on a global basis, ethane will still be advantaged compared to polyethane production in China based on naphtha.

So my sense is that the ethane advantage and the U.S position on the global cost curve will largely be what we think it is today. There will be plenty of ethane and supply of this new expansion that are planned. And in the case of Shintech and Total, the timing of those were already essentially in the middle of the 2015. So I expect there are going to be towards the end of this wave of capacity that's been announced.

Bob Koort

Okay. Thanks very much.

Bob Patel

Thank you.

Operator

Thank you. And our final question comes from Laurence Alexander with Jefferies. You may ask your question.

Laurence Alexander

Good morning. Can you aggregate your cost advantage feedstock tailwind that you had in the quarter, in Europe and the U.S. and how you think about it for the balance of the year?

And given the strength in the supply-demand balances that you're seeing, do you expect sort of bump in the number of brown field announcements before the wave of green field announcements gets done? Or do you think that that sort of capacity is tied off at this point?

Doug Pike

Laurence, this is Doug. Let me try to take that first and then maybe Bob will add some. I think when you think of the advantage feeds, let's go to Europe and look there. As we said about half of our ethylene was produced from advantage feeds. As percentage wise that where we've been running. What perhaps is different about that is this year because of the pricing of NGLs, we've been able to do it throughout the winter quarters.

Now, the advantage we said it was down about $15 million from quarter-to-quarter, so it's a little bit of that trending there. And of course, like we told you last year in our facilities, the benefit from advantage features a little lower $200 million across the year. So I'm going to give you kind of the picture of it, but I think key was the dynamic of the NGL markets even in the lower crude price allowed us to continue process enough at those rates.

In the U.S, we are pretty much -- I think the graphs that we showed you pretty well showed you how you follow through. Our mix moved a little bit as it always does. Our guys optimize almost daily and weekly. So you move your mix a little bit around. Propane was attractive for a while, but that's a penny or two versus ethane. So we've been able to hold those types of opportunities and advantages as we move forward.

Bob Patel

And Laurence to answer to your question about brown field, potential brown field expansions, I think a lot of the debottlenecks sort of opportunities have been harvested because of the advantage that existed over the last two, three years. So, well, we might find some more, other companies might find some more. I would imagine that most of what was possible has already been harvested.

Laurence Alexander

Thank you.

Operator

And at this time, I'm showing no further question.

Bob Patel

Okay. Well, then I'll offer just a couple of comments as we close out the call. Look we had a terrific quarter with strong performance across the entire company. Our focus on safety, operational reliability, commercial agility, and cost discipline, they continued to prove resilient in a volatile crude oil environment.

I'm extremely proud of what our team across the world has accomplished and their continued focus on everyday excellence. I think that's really what defines us. We look forward to seeing all of you next week at Investor Day and thanks for your continued interest in our company.

Operator

Thanks. And this does conclude today's conference. We thank you for your participation. At this time, you may disconnect your lines.

LyondellBasell (NYSE:LYB): Q1 EPS of $2.54 beats by $0.56. Revenue of $8.19B (-26.5% Y/Y) misses by $1.29B.

Comments (0)

LyondellBasell Industries NV (LYB) Bhavesh V. Patel on Q2 2015 Results - Earnings Call Transcript

Jul. 28, 2015 4:05 PM ET1 comment
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LyondellBasell Industries NV (NYSE:LYB)

Q2 2015 Earnings Call

July 28, 2015 11:00 am ET

Executives

Douglas J. Pike - Vice President, Investor Relations

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Analysts

Arun S. Viswanathan - RBC Capital Markets LLC

Robert Andrew Koort - Goldman Sachs & Co.

Vincent S. Andrews - Morgan Stanley & Co. LLC

Patrick Duffy Fischer - Barclays Capital, Inc.

Hassan I. Ahmed - Alembic Global Advisors LLC

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

David I. Begleiter - Deutsche Bank Securities, Inc.

Aleksey Yefremov - Nomura Securities International, Inc.

Frank J. Mitsch - Wells Fargo Securities LLC

John E. Roberts - UBS Securities LLC

Nils-Bertil Wallin - CLSA Americas LLC

Laurence Alexander - Jefferies LLC

Operator

Hello and welcome to the LyondellBasell Teleconference. At the request of LyondellBasell this conference is being recorded for instant replay purposes. Following today's presentation we will conduct a question-and-answer session.

I will now turn the conference over to Mr. Doug Pike, Vice President-Investor Relations. Sir, you may now begin.

Douglas J. Pike - Vice President, Investor Relations

Thank you, Mizelle. Well hello and welcome to LyondellBasell's second quarter 2015 teleconference. And I'm joined today by Bob Patel, our CEO, and Sergey Vasnetsov, our Senior Vice President of Strategic Planning & Transactions.

But before we begin the business discussion, I'd like to point out that a slide presentation accompanies today's call and is available on our website at www.lyb.com.

I'd also like for you to note that statements made in this call relating to matters that are not historical facts are forward-looking statements. And these forward-looking statements are based upon assumptions of management, which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. And actual results could differ materially from those forward-looking statements.

Now for more detailed information about the factors that could cause our actual results to differ materially, please refer to the cautionary statements in the presentation slides and our financial reports, which are available at www.lyb.com/investorrelations.

And reconciliations of non-GAAP financial measures to GAAP financial measures, together with any other applicable disclosures, including the earnings release, are currently available on our website at www.lyb.com.

Now finally, I'd like to point out that a recording of this call will be available by telephone beginning at 2 PM Eastern Time today until 11 PM Eastern Time on August 28 by calling 888-568-0061 in the United States and 203-369-3454 outside of the United States. And the passcode for both numbers is 62324.

Now during today's call we'll focus on second quarter results, the current business environment, and the near-term outlook. But before turning the call over to Bob, I' would again like to call your attention to the non-cash, lower cost or market inventory adjustment, or LCM, that we've been discussing on past calls. As previously explained this charge is somewhat unique to our 2010 company formation, when all assets and liabilities were measured at fair value, our use of LIFO accounting, and the recent volatility in prices for many of our raw materials and finished goods inventories.

Our LCM adjustments have been updated for the second quarter, which for some segments resulted in reversals of some or all of the first quarter charges. And for the second quarter a $9 million favorable lower cost of market inventory adjustment was recorded.

Our comments made on this call will be in regard to our underlying business results, excluding the impacts of LCM inventory charges.

And with that being said I now turn the call over to Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thanks, Doug. Good morning, everyone. And thank you for joining our earnings call. Let's take a look at slide 4, and review a few financial highlights.

Second quarter earnings per share was $2.79 with EBITDA of $2.2 billion. This quarterly diluted EPS figure is another new all-time high for LyondellBasell. And as represented by the orange lines in the lower left chart, our EBITDA has now averaged approximately $2 billion in each of the last five quarters.

During the second quarter we completed our second 10% share repurchase authorization and received approval from our shareholders for a third 10% authorization. We also increased our dividend by 11% during the quarter. Our commitment to return cash to shareholders remains consistent.

Turning to slide number 5 you will see that we continue to have an excellent and improving safety record. While these results demonstrate incremental improvement, we're always looking to attain our goal of zero incidents.

To this end during June all employees of LyondellBasell participated in our Fifth Annual Global Safety Day. This is a day where we refocus the entire company, our contractors, and suppliers on our commitment to operate with zero injuries and pursue the safety perfection. We continue to believe that focus on safety and reliable operations go hand-in-hand.

Before leaving the topic of safety I would like to address the fire that broke out at our Berre, France, site on July 14. We were fortunate to have no injuries and to quickly account for all personnel. The fire was limited to two remote storage tanks. And our assets at Berre continue to run.

We're in the process of revaluating the financial losses sustained. Current estimates are in the range of $20 million to $30 million. We're working closely with local authorities to ensure that residents in the area have access to available information. The French authorities have opened a criminal investigation, and we therefore are not in a position to make additional comments.

Please turn to slide 6 for our second quarter and last 12 months' EBITDA results. EBITDA in our Olefins & Polyolefins Americas segment was again near $1 billion. EBITDA in our Olefins and Polyolefins EAI segment was $492 million, a new all-time record.

Our Intermediates & Derivatives segment also achieved record results, excluding LCM impacts, with EBITDA of $483 million. We saw typical seasonal increases in our oxyfuels business with large butane cost declines, the return of methanol production at Channelview following first quarter maintenance, and strengthened styrene business.

Refining was stable quarter-on-quarter. And the Technology segment results declined by approximately $20 million.

During the last 12 months LyondellBasell has generated EBITDA of $8.4 billion, with strong, strong results across all segments. This profitability has been achieved despite a volatile crude oil price environment and is a testament to our portfolio's resilience and stability.

Please turn to slides 7 and 8, and I will discuss our cash generation and use. During the second quarter our cash and liquid investments balance increased by approximately $200 million. Cash from operations continued to be very strong, as we generated $1.5 billion from our operations during the period. Cash used for share repurchase and dividends totaled $1.1 billion during the quarter, and capital spending totaled $278 million. We anticipate capital spending of $1.5 billion for the full year.

Share repurchases during the second quarter of approximately 8 million shares were somewhat below prior quarters. The number of shares purchased was impacted by an 18% increase in share price during the quarter and by the transition between the completion of the second and the start of the third repurchase authorization.

During the past 12 months we generated $6.5 billion in cash from operations, while raising $1 billion from bond issuances and $500 million from commercial paper. Almost $6.3 billion was used for share repurchases and dividends. We invested another $1.3 billion in capital expenditures.

Please turn to slide 9, which highlights the magnitude of our free cash flow and the dollars that we have committed to dividends and share repurchases as a percentage of enterprise value as of March 31. As you can see in a little more than four years we have generated approximately 30% of our enterprise value in free cash flow. And distributed this plus an additional 5% to shareholders. On a dollar basis the corresponding free cash flow was $14.5 billion. And accumulative dividends and share repurchases totaled $17.3 billion. By any measure, absolute or relative, these metrics exceed our peers.

Please turn to slide 10, and I'll move to a deeper discussion of the underlying segment results. Olefins & Polyolefins Americas second quarter EBITDA was $993 million or $81 million lower than the first quarter. This result marks the fifth consecutive quarter with EBITDA at or near $1 billion. Olefins results declined by $105 million, as margins were adversely impacted by lower coal product prices and higher heavy liquid raw material costs. For example propylene prices declined $0.07 per pound during the quarter. The contribution from our metathesis unit declined by approximately $11 million.

During the quarter we had some minor planned and unplanned rate reductions at two Olefins plants. Overall we estimate that this downtime impacted quarterly EBITDA by $30 million. Despite these rate reductions our U.S. Olefins plants ran at approximately 95% of capacity during the quarter.

Approximately 90% of our ethylene was produced from NGLs with ethane representing approximately 70% of ethylene production during the quarter. Our propane and butane cracking was fairly consistent quarter-on-quarter. And our ability to process additional volumes was limited by logistics and in-plant processing optimization. During July we implemented logistics changes, which will enable us to increase propane cracking to the levels discussed at Investor Day in April.

While Olefins results declined sequentially, Polyolefin results improved by approximately $25 million during the quarter, primarily from increased sales volumes. Polyethylene volume increased approximately 6%, and polypropylene volumes improved 11%. During the quarter we increased polyethylene prices and ended the quarter approximately $0.04 above the

March price. Despite this increase the quarterly average price spread over ethylene was relatively constant. Thus far during the first weeks of July, sales and production volumes have been relatively consistent with the end of the second quarter. And NGL and natural gas costs remain low with abundant inventories. During mid-July we began initial production at our 250 million pound per year Channelview ethylene expansion. We don't have any significant maintenance planned during the third quarter.

Please turn to slide 11 and a review of Olefins & Polyolefins Europe, Asia, and International. Second quarter EBITDA was $492 million, a new quarterly record, and $135 million higher than the first quarter. Olefin results improved by approximately $80 million.

During the quarter industry outages were prevalent, peaking in June when nearly 15% of European capacity was unavailable. We capitalized on this, operating our assets at 97% of capacity. This tight industry supply and demand balance contributed to margin improvement from the first quarter of nearly $0.07 per pound, more than offsetting a rising cost of naphtha.

During the quarter we produced nearly 60% of our ethylene from advantaged raw materials, which added approximately $50 million to EBITDA. Combined Polyolefins EBITDA improved by approximately $65 million. Restricted monomer supply and low customer inventories helped to support margins in both our polyethylene and polypropylene businesses.

Polyethylene spreads over monomer increased by $0.06 per pound versus the first quarter, and polypropylene spreads were higher by $0.02 per pound. Volumes in polyethylene and polypropylene both declined versus very strong first quarter sales. Polypropylene compound results were lower by approximately $15 million, as margins were compressed by increased polypropylene costs. JV equity income improved $22 million with several of our polyolefin JVs reflecting similar margin improvement trends as our European businesses.

July business conditions remain favorable. However the majority of the unplanned industry outages are resolved, and this should alleviate some of the regional product shortages.

During September and October we will be taking a planned maintenance outage at our Munchsmunster olefins plant in Germany. Based on current margins we expect this to impact EBITDA by approximately $25 million, spread evenly over the third and fourth quarters.

Please turn to slides 12 and 13 for a presentation of regional ethylene industry operating rates. During our recent Investor Day we presented slide 12 with our views on the global ethylene supply/demand balance and operating rates. At the time we expressed a view that industry operating rates were in a transition zone between a balanced and tight market. Second quarter proved this and supports a view that the market may be tighter than depicted, as industry operations have experienced more downtime than the basis for the chart.

On slide 13 we're going to take a minute to take the analysis one step deeper by looking at regional operating rates. This slide represents IHS's view on capacity and operating rates in key regions.

Based on their respective cost advantages it's reasonable to assume that North American and Middle East regions have been operating at or near their full capacity. During late 2013 and into the first half of 2015 Asia also began to experience increased local margins and effective operating rates. Second quarter turnaround schedule clearly pushed Asia into a tight supply situation, as margins expanded.

As we said at our Investor Day we believe that when nameplate capacities approach 90% and effective capacities average in the mid-90% range, the industry typically begins to have pricing power.

The European chart on the right implies that Europe operated below these thresholds during 2013 and 2014. However the chart suggests that European operating rates have been increasing and reached levels that were approximately 5% below these thresholds during 2014 and pushing the thresholds during the first half of 2015. Some of this can be attributed to unplanned downtime.

If we step back and consider the pie chart of capacity together with regional rates, could paint the picture that most of the spare global capacity is in Europe. European capacity represents approximately 15% of total global capacity.

So with utilization rates in Europe approximately 5% lower than the 90% threshold, European spare capacity represents just 1% to 2% of spare global capacity. We seem to be approaching or have already reached a tipping point for product availability and margins. Industry operations and economic activity will determine how this develops over the coming quarters.

Now please turn to slide 14 for a discussion of our Intermediates & Derivatives segment. Exclusive of the LCM impacts second quarter EBITDA was a record $483 million, $102 million higher than the first quarter. Propylene oxide and derivative results were lower by approximately $20 million and volume declined by 14%.

Sales during the first quarter benefited from seasonal aircraft deicer demand and competitor outages. Q2 volumes were consistent with historic averages. Intermediate chemicals performance improved by approximately $55 million. Styrene improved approximately $20 million, as variable margins increased by approximately $0.05 per pound.

Volume was lower, as we took planned maintenance at our POSM II facility in Channelview. We estimate that this maintenance impacted second quarter results by approximately $15 million. Acetyl results improved by approximately $30 million, due to higher sales volumes following the first quarter Channelview methanol plant maintenance.

The team at our Channelview site have had a very busy and productive first half. They've completed maintenance at our methanol plant, which now runs at benchmark rates. And they also completed a very large and complex POSM turnaround with no safety incidents. We're proud to report that both were done on time and on budget. I wanted to make special mention of this outstanding performance.

Oxyfuels results increased by approximately $65 million in Q2 primarily from a typical seasonal margin uplift. Higher demand for octane, rising gasoline prices, and a lower cost of butane drove the majority of the upside. In the lower-right chart you can see the improvement in the industry MTBE raw material margins.

July business conditions have generally been similar to conditions experienced late in the second quarter. We will conduct maintenance turnarounds at our La Porte acetyls plant and our French PO/TBA plant beginning late in the quarter. This maintenance will impact the production of propylene oxide, oxyfuels, methanol, vinyl acetate monomer, and acetic acid. We estimate that the total impact of these maintenance activities will negatively impact third quarter EBITDA by approximately $30 million. The fourth quarter impact is currently estimated to be approximately $20 million.

Let's move to slide 15 for a discussion of the Refining segment. Second quarter EBTDA was $154 million. Excluding LCM impacts results are unchanged from the prior quarter. During the second quarter the Maya 2-1-1 spread averaged nearly $24 per barrel. The realized spread at our refinery was moderately higher than the Maya 2-1-1 spread.

Crude throughput averaged 255,000 barrels per day, an increase of 14,000 barrels per day. The higher throughput results – the higher throughout improved results by approximately $20 million. The volume upside was somewhat dampened by lower secondary product spreads, driven by higher crude oil pricing, RIN costs were lower by approximately $4 million versus the first quarter. Canadian crude oil and light U.S. crude oil were approximately 30% of our crude slate.

Our Technology segment generated EBITDA of $57 million during the quarter, a decrease of nearly $20 million. This was the result of lower catalyst volumes from a very strong first quarter level and reduced licensing earnings. Due to the nature and timing of delivery of services under our licensing agreements, it's not uncommon for our earnings in this segment to be variable from quarter to quarter. Q2 results are consistent with the results seen in prior years.

Please turn to slide 16. I will briefly summarize, and then I would be happy to take your questions. As I emphasized during April our portfolio has proven to be resilient and providing earnings consistent – consistent earnings despite market volatility. The strength of our results now spans five quarters with EBITDA at or near $2 billion.

Second quarter was a record, both in terms of diluted earnings per share and EBITDA. While ethylene industry conditions were favorable during the second quarter with high global supply/demand, supply is returning to market, yet oil prices have been volatile. Thus far demand and margins have been minimally impacted. Our focus remains unchanged. And differential operating performance has been our hallmark, allowing us to capture value every day and especially when markets enter periods of constrained supply. O&P EAI's second quarter performance demonstrates this capability.

Additionally natural gas and NGLs remain abundant and prices remain favorable in the U.S. Overall industry conditions remain favorable.

Lastly, our project teams continue to work on the future of LyondellBasell. We're moving forward with our expansions. And we have – we will have added more than 1 billion pounds to our ethylene capacity over the last 12 months. Additionally we will continue to progress the balance of our projects that will grow the footprint of LyondellBasell and further strengthen our position for the long term.

I would now be pleased to take your questions.

Question-and-Answer Session

Operator

Thank you. And our first question comes from the line, Mr. Arun Viswanathan of RBC. Sir, your line is now open.

Arun S. Viswanathan - RBC Capital Markets LLC

Yeah. Thanks guys. Congratulations on another good quarter. I guess I wanted to just understand your comments a little bit more. Can you describe the environment you're seeing on the demand side both in North America and in Europe and in Asia in polyethylene, as well as ethylene?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Sure. I mean at this point we still see demand as being relatively strong. Arun, as you know when we have periods of macro volatility, oil price going up or down, it does impact sentiment. And so there are many inventory cycles that we see throughout the year.

But if you step back from that demand has grown through the first half year over year in polyolefins globally in the 3% to 4% range. And the U.S. demand growth has been quite strong as has Asia. Europe I would argue has been constrained in Q2 because of less supply. So we're generally constructive on demand for the remainder of the year.

Arun S. Viswanathan - RBC Capital Markets LLC

Okay. Thanks. And then I guess similarly on the supply side I mean you have some comments that conditions are getting little bit more balanced. What do you expect for the back half of the year on the supply side? I know you guys have some turnarounds. But from what I see it looks like there's a number of planned turnarounds in other parts in some of your competitors. Do you expect supply and demand to again tighten up in the back half of the year? What are you guys looking at there? Thanks.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well we expect that markets will be balanced in the second half. And it's difficult to forecast unplanned outages by definition. So my sense is that unplanned outages would create more tightness. So our focus is – continues to be on running our plants reliably and being commercially agile. So we're constructive for the second half.

Arun S. Viswanathan - RBC Capital Markets LLC

And just as a follow-up there is a price increase in polyethylene right now. Do you have any thoughts on whether that could be implemented? And why do you feel that way?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well we continue to monitor and discuss with our customers this $0.05 increase. And we'll just see how it plays out in the coming weeks.

Arun S. Viswanathan - RBC Capital Markets LLC

Okay. Thanks.

Operator

Thank you. And our next question comes from the line, Mr. Bob Koort of Goldman Sachs. Sir, your line is now open.

Robert Andrew Koort - Goldman Sachs & Co.

Thanks very much. Bob, I was just curious. Obviously you've got an impressive track record of cash flow generation and capital return. You've got a couple more projects on the horizon. But you gave a pretty confident appraisal of the upcycle here for several more years to come.

At some point do you take advantage of some of these wounded peer commodity companies and broaden the portfolio? Are you on a perpetual 10% a year share reduction? What do you see as the path forward here if you keep earning at such high cash flow levels?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well as I had mentioned during our last call, Bob, we continue to develop our strategy and sharpen our thinking around the long-term plan for LyondellBasell. In the short term we continue to stay focused on delivering value to shareholders via our regular dividend as well as our share repurchase program. Our balance sheet is very strong. And so we'll continue to evaluate opportunities.

In the meantime we're making an acquisition every day. We're buying our shares. And it's an acquisition that we're making at market price, and it's a company we know quite well.

Robert Andrew Koort - Goldman Sachs & Co.

Fair enough. And then on your cracking opportunity you talked a little bit about propane cracking. Do you sense an ongoing shift towards greater flexibility? Or do you expect maybe NGL prices will be fairly correlated amongst each other? So there's only short term opportunities there. And then lastly is the metathesis unit running currently? Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

So in the case of the NGL prices I happen to believe over the long run that they do tend to kind of equilibrate.

In the case of propane certainly near term there's a lot of supply. Prices are depressed. We're going to increase propane cracking in the third quarter. We've implemented some pipeline improvements to be able to do that.

Longer term, as we've discussed in prior calls, propane can be exported. There will be new PDH capacity coming. So my sense is that propane and ethane values will equilibrate and will compete to be part of the cracker feed slate.

Robert Andrew Koort - Goldman Sachs & Co.

And sorry. Is your metathesis unit running now?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

It's running, but not at full rates.

Robert Andrew Koort - Goldman Sachs & Co.

Got it. Thank you very much.

Operator

Thank you. And our next question comes from the line of Mr. Vincent Andrews of Morgan Stanley. Sir, your line is now open.

Vincent S. Andrews - Morgan Stanley & Co. LLC

Thanks very much. Bob, just kind of following up on some of your comments about where the industry operating rates are and outages. You guys have had a fantastic record vis-à-vis others, who've had all the outages. And I'm just wondering what your thoughts are on sort of – do you think we're having the outages because the industry is running really hard? Or do you think we're having the outages because of the – much of the asset base is old and may have been underinvested in for a long time?

And I guess the bunch of my question is, is do you think the sort of pace of unplanned outages – and I get it by definition they're hard to predict – but do you think it's more likely that we continue at this pace going forward? Or do you think now that we've had all these outages and presumably a catch-up in maintenance work and so forth that the asset base might be more reliable over the next 12 months to 18 months? Speaking industry wide.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah, right. Thanks for the question, Vincent. When you think about Europe, the last two years, three years have been very difficult years. And it was not really a call on all of the capacity for most of the industry.

Now we've been running more differentially in terms of operating rates over there. My sense is that since reliability was not at a premium, perhaps some of the maintenance were delayed. And so as demand became stronger this year with the weaker euro and some infrastructure spending coming back in Europe, the units didn't respond to the higher call on demand.

So will that continue? Difficult to say. But my sense is that the units in Europe especially probably weren't prepared to run at very high rates. In our case – as you know I was over there for a few years, and we maintained our assets to run at full rates. And in fact we did run at full rates for the past two years.

So difficult to predict whether the industry will catch up, or how this will evolve in the next 6 months to 12 months. But I can tell you at the company here, our focus continues on reliable safe operations. And we look – we start everyday; it sounds like yesterday, but how we perform today and tomorrow.

Vincent S. Andrews - Morgan Stanley & Co. LLC

Okay. And just as a follow-up, maybe it's more of a clarification question. I thought I heard in your prepared remarks when you discussed the share repurchases in the quarter, obviously you built cash, but that you sort of – I think you're indicating that the only reason why the share repurchase has sort of slowed down sequentially was because there was a gap in time between the completion of the prior authorization and the grant of the new one. Is that the right read of what you said?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

When you think about our share repurchase program, first of all from an execution standpoint we execute on a dollar basis. And so if you go back to Q1, because the share price was lower we bought back a lot more shares on a dollar-based program, which is what we do with our 10b5 plans.

In Q2 we had the transition from the old plan to the new plan, as well as the share price was higher, so we bought back fewer shares. If you step back from the tactics, our focus and our pace has not really changed on share repurchase. It's more a just transitory and share price related.

Vincent S. Andrews - Morgan Stanley & Co. LLC

Okay. Thanks very much.

Operator

Thank you. And our next question comes from the line of Mr. Duffy Fischer of Barclays. Sir, your line is now open.

Patrick Duffy Fischer - Barclays Capital, Inc.

Yes. Good morning guys. Question on leadership. One, I was hoping you could kind of update us on the timeline for your CFO search. And then, two, with changeover in I&D and kind of missing a CFO, how confident do you feel or the management team in the near term to kind of get done what you need to do?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Duffy. In the case of the CFO we're advancing very well on this front. I can tell you it's a very high priority for the company and high priority for me personally. So we hope to report some news on that over the coming weeks or months.

And in the case of I&D we have – well look, we have a lot of talent in the company. We have a lot of people that know the business well. We've appointed someone to run the I&D business under the new EVP. This gentlemen who's running I&D has been with the company for 23 years and have a lot of institutional knowledge. So and that generally goes for all management positions. We have a lot of good institutional knowledge in the company that provides great continuity.

Patrick Duffy Fischer - Barclays Capital, Inc.

And then just another one on all the turnaround stuff activity you had going on, whether it was Channelview or the methanol (34:56). A lot of weather issues in Texas in that area. Other companies were having significant delays, some were seeing cost overruns. You talked about not seeing that. Was that just because you got lucky, and weather didn't impact your direct sites? Or were you just able to overcome that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

No. I think we were impacted by the same weather in Houston. Unfortunately we haven't found a way to build a bubble over Channelview. So I would say that it's really about execution. I think our team at Channelview planned really well for both outages, and they executed the plan. In fact I have asked them to reconstruct how they did that. And that should become the new model in the company. So I think it's great planning and great execution.

Patrick Duffy Fischer - Barclays Capital, Inc.

Terrific. Thanks guys.

Operator

Thank you. And our next question comes from the line of Mr. Hassan Ahmed of Alembic Global. Sir, your line is now open.

Hassan I. Ahmed - Alembic Global Advisors LLC

Thank you. Morning, Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning.

Hassan I. Ahmed - Alembic Global Advisors LLC

Bob, a question around volumes and inventories. As I take a look at both O&P Americas as well as O&P EAI, there seem to be fairly divergent volume moves sequentially. Right? I mean 6% polyethylene, sequential move up in O&P Americas, 11% for polypropylene. And the converse for O&P EAI, down 11% in polyethylene, down 16% in polypropylene. So just, A, if you could sort of comment on these divergent moves? And, B, just if you could tell us how much of this is restocking/destocking related?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think most of it is inventory cycle. So if you think about Europe, in Q4 of 2014 there was a very significant inventory depletion going on. And you recall at that time the oil price was dropping. Right? So there was an expectation that the price next week would be lower. And so that's a period when converters tend to deplete inventory. And European converters likely ended with very, very low inventories.

As the oil price bottomed and the expectation for price moved from decrease to increase, there was a fairly significant restocking that occurred in Q1, which probably overstated volumes in Q1. And in Q2 in Europe, because of all the unplanned outages, I think some of the demand was probably just constrained due to the lack of supply.

So that's why I said earlier, if you just step back from the inventory cycles and look at year-over-year growth, it's fairly consistent across the world. And in the case of Europe polypropylene demand is up about 5% and polyethylene is about 1% year over year.

In the case of the U.S. volume is up in Q2 just from seasonal factors. I don't think we had as much of an inventory cycle through year-end 2014 into 2015. Volumes are up as we've gone through the year in 2015 because of seasonality.

Hassan I. Ahmed - Alembic Global Advisors LLC

Very fair. Now changing gears a bit. I mean you commented a bit earlier on the M&A side of things. Obviously your strategy is very clearly laid out, i.e., the back to basics strategy, whereby if you were to grow it would be within sort of commodity chemicals, and that too I would imagine the low cost side of things.

Now in a hypothetical world that in which you were to go out and acquire someone. In terms of the product profile of that company would it have to be a product that you're already in? Or could it be a commodity chemical product, call it chlor-alkali, that you currently don't have a presence in, but you could go out and buy sort of relatively cheap, low cost of production assets? Would that be something you would consider?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well when we think about our strategy and growth going forward, our focus is on our core businesses, and so a large scale commodity integration.

But I'll tell you, Hassan, the question that I ask is, whatever it is we would consider acquiring, how is it that we would make those assets better than the current owner in addition to the strategic fit and so on? So those are some of the filters that we use. And we have a certain capability in terms of how we operate and manage our costs. And to the extent that we can apply our model and create unique value with somebody else's assets, then we would consider those things.

Hassan I. Ahmed - Alembic Global Advisors LLC

Super. Thanks so much, Bob.

Operator

Thank you. And our next question comes from the line of Mr. P.J. Juvekar with Citi. Sir, your line is now open.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Yes. Thank you. Good morning, Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, P.J.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Propane prices really collapsed during this quarter. And I understand that ships that carry propane, the deliveries have been delayed. But as those ships get delivered maybe next year, do you see propane prices moving up as we move into 2016?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

So again our view is longer term that ethane and propane will reach more parity on a cost of ethylene basis. We're positioned to take advantage of cheaper propane. But if you think about our cracking capability, we have flexibility to crack a wide range of feedstocks. And that's what we aim for.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Okay. Thank you. And then if you look at Asian naphtha crack spreads, they are down significantly from the peak, as oil prices have come down. And so you do you think Asian margins will be just a function of oil prices going forward? And then do you have any view on the recently started MTO plants in the region? Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think Asian margins, if you were asking about polyolefins, they're going to depend as much on supply/demand globally as they will on naphtha prices. And again our sense is that demand growth based on what we see in the first half of the year is solid. And it points to global balance to tight markets in Olefins & Polyolefins.

And as far as the new MTO capacity, certainly that adds a little bit more self-sufficiency in the region. But we expect Asia and specifically China to still be a very large importer of polyolefins and specifically polyethylene.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Thank you.

Operator

Thank you. And our next question comes from the line of Mr. David Begleiter of Deutsche Bank. Sir, your line is now open.

David I. Begleiter - Deutsche Bank Securities, Inc.

Thank you. Good morning, Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, David.

David I. Begleiter - Deutsche Bank Securities, Inc.

Hey, Bob, in polyethylene for the U.S. do you think the next price move is more likely up or down? And why?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well I think that depends on how demand develops here and the rate of unplanned outages and so on.

But there's a few things that I can tell you. There's not a lot of inventory in the chain. And our sense is that economic conditions are pretty good in the U.S. So the magnitude and timing just depends on how the market conditions play out.

David I. Begleiter - Deutsche Bank Securities, Inc.

Understood. And just on I&D, Bob, very strong quarter. Obviously some seasonality with oxys. But how much of this strength is sustainable you think into the back half of the year in I&D, ex the normal seasonal decline in oxyfuels?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well oxyfuels should still be pretty strong through the summer. As you know that's driven a lot by gasoline blending and gasoline season. So we've still got another month or two months. And to the extent that butanes remain as cheap as they are, that adds extra boost to oxyfuel earnings.

If you step back more broadly and look at supply/demand for octane, octane is pretty tight. And so that favors our oxyfuel business. So we think cheap butane, tight octane market favors oxyfuels over the long run.

David I. Begleiter - Deutsche Bank Securities, Inc.

And the rest of I&D?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Rest of I&D should be relatively stable. Styrene monomer has been doing pretty well. Our sense is that that strength in the near term should continue.

David, I think the styrene business in general is really a proxy for the nature of our business. It has been underinvested for so long that the demand is finally catching up with supply. And you see more balance between supply and demand in styrene. So I expect consistency in the rest of the business through the year.

David I. Begleiter - Deutsche Bank Securities, Inc.

Thank you.

Operator

Thank you. And our next question comes from the line of Mr. Alex Yefremov of Nomura. Your line is now open.

Aleksey Yefremov - Nomura Securities International, Inc.

Good morning everyone. Could you quantify the benefit of additional propane flexibility that you're planning to gain in the next quarter? Maybe in terms of percentage of ethylene produced from propane?

And also maybe longer term do you have interest in investing more heavily into propane cracking? Maybe to meaningfully increase your propane ability to benefit through the cycle?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Alex. In the case of our recent increase in propane cracking we have the ability to crack enough propane to produce 5% more of our ethylene from propane, as a result of the latest changes that we've made.

Your second question about investing heavily to crack more propane. Again our sense is that NGL values will tend to equilibrate over time. And so we're going to continue to look for inexpensive high return quick projects that allow us to crack more propane. But I don't see us structurally shifting our portfolio for feedstocks focusing only on propane. We want to focus on cracking more NGLs and have the agility to be able to move from one NGL to another depending on the economics, so that we can capture the arbitrage quickly. And that has a lot to do with logistics and having the dedicated pipelines to be able to do that.

Aleksey Yefremov - Nomura Securities International, Inc.

Got it. Thank you. And next question on ethylene derivatives, could you update us on your thinking on the tradeoffs between various derivatives, such as metathesis, polyethylene? And are there any options for you to explore the current ethylene monomer discount that's present in the U.S.?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well we continue to develop our projects on ethylene derivatives. We're very constructive on polyethylene long term. We think given the U.S. cost advantage on NGLs vis-à-vis the rest of the world, the cost of ethylene and polyethylene production should be very advantaged in the U.S. We see good demand growth.

So to that extent we're advancing a couple of polyethylene expansion projects, one of which will employ our new technology, which will have capability to produce differentiated products.

So we're advancing those projects very rapidly. We're continuing to study our – an expansion of our flex unit, which produces propylene from ethane. So all of those are still continuing. But I can tell you it's with an eye towards end markets, not just about consuming the ethylene that we're producing.

Aleksey Yefremov - Nomura Securities International, Inc.

Thank you, Bob.

Operator

Thank you. And our next question comes from the line, Mr. Frank Mitsch of Wells Fargo Securities. Sir, your line is now open.

Frank J. Mitsch - Wells Fargo Securities LLC

Yes. Good morning and impressive results as usual. Bob, I was struck by your commentary on styrene just now. I guess there had been a thought that with some of the restarts happening in Europe that it might start to cycle down. But you're not really seeing that much weakening in that? Nor are you really expecting too much weakening for the back half of the year in that area?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

So I think, Frank, on styrene it just depends on how the unplanned outages play out. Right. So if there are further unplanned outages that could have an impact – I know the one POSM unit in the Netherlands will start up here in Q3. So my sense is that I don't think that's enough to tip the global supply/demand balance on the increment. Certainly more supply is coming.

Frank J. Mitsch - Wells Fargo Securities LLC

All right. That's very helpful. And if I could come back to Refining, just to get a little more granularity. Volumes are up nicely sequentially. Your RINs costs were down sequentially. Margins seem to be up a bit, although you did reference secondary product price spreads. How significant was that? And what exactly is that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well the secondary product prices, that's what we call our capture rate. And that's essentially the value of the co-products compared to the cost of the barrel coming in. So you can imagine if co-product values are relatively stable and oil price comes down, then the value of that co-product as a percent of the oil price rises. And so our capture rate rises. And so that in a lower oil price environment helps us.

Sorry. Your second question was?

Frank J. Mitsch - Wells Fargo Securities LLC

Well no. It was just – so that was the one offset I think to some of the positives in terms of volumes, margins, and lower rates (49:10).

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Right, right. So if you – correct, correct.

Frank J. Mitsch - Wells Fargo Securities LLC

Okay. All right. Thank you so much.

Operator

Thank you. And our next question comes from the line of Mr. John Roberts of UBS. Sir, your line is now open.

John E. Roberts - UBS Securities LLC

Good morning. Given the pretty good naphtha based ethylene margins in Europe, as those plants have been down for unplanned outages are people investing in better reliability? Or are they just putting Band-Aids on the plants and restarting them?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

So it's difficult to say. But as you can imagine the pressure to restart those is pretty high, given the margin environment. So we'll just have to see how the industry operates going forward. And difficult for me to forecast that.

John E. Roberts - UBS Securities LLC

Well maybe a different question. With the relatively good margins now over there, do you think we're far away from people starting to put some real investment back into some of the facilities?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

It's possible. But you have to remember that investment in crackers takes a long time to realize, even if it is maintenance of existing crackers. Because if it's – if they have to order long lead equipment, it takes months, maybe a year to get some of the equipment in. And then they have to take a fairly substantial outage. So I suspect that if that were to happen structurally, we wouldn't see a shift until next year some time.

John E. Roberts - UBS Securities LLC

Okay. Thank you.

Operator

Thank you. And our next question comes from the line of Mr. Nils Wallin of CLSA. Sir, your line is now open.

Nils-Bertil Wallin - CLSA Americas LLC

Good morning. And thanks for taking my question. Regarding Olefins Americas, it appeared that your benchmark realizations, polyethylene and polypropylene spreads and ethylene was a little bit less than what you guys had done last quarter. Yet of course raw materials were down even more. So I was wondering if you would be able to tell us what caused a lower realization on the benchmark?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Hey good morning, Nils. It's just mix effects. I don't think there's anything specific in terms of the change from quarter to quarter. It could be product mix. It's export versus domestic sales. Those kind of things.

Douglas J. Pike - Vice President, Investor Relations

And, Nils, this is Doug. I mean you also have to remember that benchmarks are put in place when the price increase is announced and accepted. And reality, the industry always has contracts in times where it kind of comes in over a little bit more time. So what you've probably seen is the benchmark overstating things a little bit, that's all. Not uncommon at all. It's sort of the standard thing.

Nils-Bertil Wallin - CLSA Americas LLC

Sure, sure. Now with respect to sort of the high-cost producer in Asia, we obviously – Brent has come off significantly. And yet you have certainly had a fair number of outages in Asia and Europe that helped the prices stay elevated. Would you care to opine as to once this capacity comes online with this lower level of Brent, what type of price pressure you might see out in Asia?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Again I think it's – in fact, Nils, I think it's difficult to assess exactly how that will go. But it's not – first of all it's not a large amount of capacity. It may or may not start up on time. Again our sense is that global operating rates are north of 90% or around 90%. So I don't think it'll have a tremendous impact on global markets.

Nils-Bertil Wallin - CLSA Americas LLC

Great. And just one final one if I may. And we've seen kind of polypropylene margins rise both in U.S. and Europe. I know there's probably some changes in the contracts. But are we at a fundamentally different level for polypropylene margins? Or are we in a period of where they're perhaps overrunning due to outages?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Polypropylene demand has grown more than polyethylene demand this year globally. So it has been quite strong. Part of that is because polypropylene price and polyethylene price have come relatively closer together. So there could be a bit of product substitution on the incremental growth, and that occurs year over year.

In the U.S. specifically with propylene price dropping and firm polypropylene markets, they do have a bit of margin expansion in polypropylene. Will that persist? Again polypropylene here has been underinvested. So as demand rises we reach operating rate environment where operating rates are north of 90%, and propane is cheap. So as long as that continues then I would say polypropylene margins are probably in a different regime than they were in the past.

Nils-Bertil Wallin - CLSA Americas LLC

Got it. Thanks very much.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you. And our last question comes from the line of Mr. Laurence Alexander of Jefferies. Sir, your line is now open.

Laurence Alexander - Jefferies LLC

Good morning. I have two quick ones. Can you just remind us on how much of a EBITDA tailwind you had from the advantaged feedstocks in Europe?

And secondly, given the 5-year view of fairly tight operating conditions why not from – why – can you clarify why not frontloading the CapEx to bring on capacity more quickly to take advantage of that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

So on the value of the advantaged feedstocks. In Q3 there was about $50 million of tailwind. In terms of CapEx we're executing at a very high rate right now in our growth plan. So truly about prioritization, how much can we get done? And so on.

But I can tell you that we're executing at a fairly high level on capital this year. And the coming years will be very active for us. So our priority remains on U.S. expansions in cracker debottlenecks and in polyethylene.

Laurence Alexander - Jefferies LLC

Okay. Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

If we have no further questions, then I want say thank you for your questions and let me close with a few remarks.

First, we delivered record results in Q2. And we delivered our fifth consecutive quarter with EBITDA of $2 billion. Our priorities remain consistent. We're focused on safe, reliable, cost efficient operations. We aim to deliver relative outperformance in any market environment.

We're continuing to execute on our growth program. As I've mentioned we just started up our Channelview debottleneck. We have Corpus Christi next year. We have another Channelview debottleneck and polyethylene expansions coming.

From a shareholder perspective we remain committed to return value to shareholders by way of our next 10% share repurchase program. We expect to execute that over the next 10 months to 14 months. And our strategy and focus continue to prove very resilient in any market environment.

So thank you for your interest in our company. And we'll speak with you again at the next call.

Operator

Thank you. And that concludes today's conference. Thank you all for participating. You may now disconnect.

LyondellBasell (NYSE:LYB): Q2 EPS of $2.81 beats by $0.11. Revenue of $9.15B (-24.5% Y/Y) beats by $30M.

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Quite different from Dow Chemical which delivers value through 5000 new products a year. A good race between Dow, Sabic and LYB for the next few years until the shale benefit normalizes all.

29 Jul 2015, 12:28 AM

LyondellBasell looking at Texas sites for new chemical plant

Posted on August 21, 2015 | **By Jordan Blum**

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LyondellBasell expands Channelview plant

IMAGE 1 OUT OF 10

James Nielsen / Houston Chronicle

LyondellBasell CEO Bob Patel poses for a portrait at the LyondellBasell Channelview Chemical Company plant Friday, Aug. 21, 2015, in Channelview. (James Nielsen / Houston Chronicle)

While giant LyondellBasell has been expanding throughout the Houston area, CEO Bob Patel said the company is also looking to build a new polyethylene plant at one of its sites in southern Texas.

Speaking at the Houston-based company's sprawling Channelview complex where LyondellBasell will start up 250 million pounds of new ethylene capacity near the end of August, Patel said an announcement likely will come later this year on adding more production of polyethylene, the most common type of plastic.

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He said it could be a combination greenfield-brownfield project in the greater Houston region, but he noted that the region stretches as far as its sites in Matagorda and Victoria. He declined to provide further details.

Patel said LyondellBasell is planning to spend up to $4 billion in capital through 2020 along the Gulf Coast, mostly in Texas, as the company looks to take advantage of cheap natural gas that is used as feedstock for manufacturing chemicals and plastics.

By the end of the month, the company will start up its $200 million project to add large cracking furnaces that will produce 250 million more pounds of ethylene per year. Ethylene is the chemical building block of plastics.

Eventually, LyondellBasell will further expand the Channelview complex to add 550 million pounds of ethylene production capacity a year. Patel said it will likely be completed by 2018 or 2019.

“We’re just working through the project. It’s going to happen. It’s really a matter of specific timing,” Patel said.

Patel said LyondellBasell’s board will make a final decision next year on whether to move forward with the company’s biggest project ever — a plant to produce 900 million pounds of propylene oxide, 2 billion pounds of tertiary butyl alcohol and its derivatives annually. Propylene oxide is a chemical used to make everything from antifreeze to cosmetics. The tertiary butyl alcohol is a byproduct used as a solvent to make chemicals and gasoline additives.

While the plant's location is not yet announced, Patel said, “We’re working through that, but certainly Channelview is in the mix.”

Apart from the Channelview expansion, LyondellBasell is currently expanding its ethylene production capacity by 800 million pounds a year and its Corpus Christ plant. That project will be finished in mid-2016, Patel said. Last year, the company also added 800 million pounds of ethylene capacity at its La Porte plant.

The company recently completed a project in La Porte to add 800 million pounds of ethylene capacity and the same amount of capacity is being added to its Corpus Christi plant, with work slated to be done in mid-2016.

The capacity boost provided by those projects is equal to building a new ethylene plant he said. The expansions will boost LyondellBasell’s ethylene capacity to 1.85 billion pounds per year. Adding more to the Channelview plant would raise that number to 2.4 billion pounds per year.

Categories: Chemicals, Gasoline, General, Natural gas, Natural gas liquids
Tags: Bob Patel | Channelview | chemicals | gulf coast | lyondellbasell | More

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August 25, 2015 Updated 8/25/2015

Report: LyondellBasell mulls new PE plant in Texas

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By Frank Esposito

LyondellBasell Industries plans to build a polyethylene resin plant at one of its Texas locations.

The new plant could be in a region that includes the firm's existing PE sites in Matagaorda and Victoria, CEO Bob Patel said in an Aug. 21 article on the web site of the Houston Chronicle.

Patel added that the site could be a combination greenfield-brownfield project. Houston-based LyondellBasell is in the midst of massive capacity expansions for ethylene feedstock. Those expansions are the result of newfound supplies of shale-based natural gas throughout North American.

LyondellBasell is in the process of firing up two new cracking furnaces in Channelview, Texas, that will add 250 million pounds of annual ethylene capacity there. In 2014, the firm added 800 million pounds of ethylene capacity in LaPorte, Texas. Another 800 million-pound capacity expansion will be completed in Corpus Christi, Texas, by mid-2016.

Officials also are reviewing a possible 550-million-pound-per-year ethylene boost in Channelview. Company officials could not be reached for comment on the new PE plant.

LyondellBasell ranks as North America's largest polyolefins maker and as one of the largest in the world. In the first half of 2015, the firm recorded a profit of almost $2.5 billion, up almost 18 percent vs. the first half of 2014. The profit gain was realized even as sales fell 25 percent to $17.3 billion, mainly because of lower selling prices for its products.

LyondellBasell's Olefins & Polyolefins-Americas unit saw its PE sales volume in pounds grow almost 4 percent in the first half to almost 2.8 billion pounds. The unit's PP sales jumped more than 3 percent in the same comparison to more than 1.2 billion pounds.

ENERGY

Petrochemicals boom in full swing on Gulf Coast

Fueled by a bounty of natural gas, the area has become an export hub

By Jordan Blum | September 3, 2015 | Updated: September 5, 2015 11:35am

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Photo: James Nielsen, Staff

IMAGE 1 OF 14
LyondellBasell CEO Bhavesh "Bob" Patel, left, and plant manager Todd Monette pass through the olefins plant in Channelview.

Bhavesh Patel said he took a big risk in joining chemical giant LyondellBasell during the "dark days" in 2010 when the company was struggling through bankruptcy.

As a senior vice president, he soon received the task of leading widespread layoffs and plant closures around the world. Five years later, Patel is the CEO overseeing $4 billion in planned spending for a rapid succession of expansion projects along the Gulf Coast by 2020, including additions to LyondellBasell's Channelview complex.

This petrochemical boom began over the past decade, as natural gas prices fell when new technology boosted production from dense shale formations. Patel and others say projects are continuing even though falling oil prices, also related to the shale boom, are putting a drag on the Gulf Coast economy.

Natural gas is both raw material and fuel for petrochemical production, and the industry's expansions have made the Houston area the birthplace of many products exported to China and the rest of the developing world.

"Those of us who have been in this business for 30 years would never have imagined Texas and Houston to be the big export hub for petrochemicals," Exxon Mobil Chemical President Neil Chapman said, noting that there had been little petrochemical growth in the region for at least 15 years.

The American Chemistry Council counts 243 announced projects with a cumulative investment of $147 billion from 2010 to 2023. More than 60 percent comes from foreign investment, and a small majority of projects remain in the planning stage. Global chemical demand is expected to double from 2000 to 2040 but stay flat in the U.S.

Texas alone accounts for 99 of the projects with a total value of $48.2 billion, and most of those are in southern parts of Texas, including Houston, Corpus Christi and Beaumont. That means 15,800 direct new jobs in Texas - not counting construction jobs - and 67,000 nationwide, the council projects.

Patel, who goes by Bob, visited the control room for the $200 million Channelview expansion shortly before it fired up last month. It eventually will produce 250 million pounds annually of ethylene, the primary building block of most plastics.

"It's great to see the expansions and all the new shining steel," Patel, a chemical engineer, told the workers.

He's overseeing a rapid turnaround for a once-struggling company that has hired about 500 people and plans soon to bring on another 250 - mostly plant operators - in the Houston area.

MORE INFORMATION

The building blocks

Here are locations of some multibillion-dollar petrochemical plant projects underway on the Gulf Coast, what they'll produce, how much they'll cost and when they're scheduled to come online:

Exxon Mobil Chemical - Baytown, Mont Belvieu: Ethylene and polyethylene; $6 billion; 2017

Chevron Phillips - Baytown, Old Ocean: Ethylene and polyethylene; $6 billion; 2017

Dow Chemical - Freeport: Ethylene, polyethylene, propylene and plastics; $4 billion; 2017

BASF and Yara - Freeport: Propylene and ammonia; $2 billion; 2018

LyondellBasell - Channelview, La Porte, Corpus Christi: Ethylene; $1.3 billion (additional projects pending); 2016

C3 Petrochemical - Alvin: Propane dehydrogenation; $1.2 billion; 2017

Sources: American Chemistry Council, University of Houston Bauer Institute for Regional Forecasting

Patel, a native of India whose family moved to the U.S. when he was a child, knows what tough times are like, and he insists the company will not overbuild and will avoid sizable layoffs during downturns.

"We're directing the company in a way we'll have some stability in terms of job security," he said. "We're likely not to pause on the growth as a result of the low oil price."

The shale effect

All this growth is possible because the bountiful and cheap natural gas in the U.S. means companies pay less for ethane and other gas byproducts used as feedstocks to make the chemicals and plastics.

Most of the world uses a feedstock called naphtha drawn from more expensive crude oil. So it is more affordable to manufacture the chemicals and plastics in the U.S., where natural gas is abundant, and then export them.

Natural gas feedstock prices are still advantaged even with U.S. oil prices hovering just above $40 a barrel, although that price might not have unleashed the petrochemical construction the area is experiencing, said Bill Gilmer, who directs the Bauer Institute for Regional Forecasting at the University of Houston.

Exxon Mobil Chemical is investing close to $6 billion to increase the production of ethylene and polyethylene - the world's most common plastic - at its Baytown and Mont Belvieu plants. The project represents Exxon Mobil's first major U.S. chemical expansion in more than 15 years, with completion slated for 2017.

Companies including Chevron Phillips Chemical Co., Dow Chemical Co. and BASF also are investing billions in the Houston region.

"You're taking shale gas, you convert it into chemicals, and you're shipping those chemicals to this growing middle class in the developing world," Exxon Mobil Chemical's Chapman said.

As those people acquire greater wealth, they buy more plastic and rubber products, including automobiles, which contain increasing amounts of these materials, said Chapman, a native of England who moved to Houston in 1993.

About two dozen cranes are visible towering above the Baytown plant expansion, putting the new infrastructure in place. The additions include a steam cracker that will add 1.5 million tons per year of of ethylene capacity to the 2.2 million tons in place now.

Exxon Mobil also is adding 1.3 million tons in annual polyethylene capacity in Mont Belvieu, about 30 miles east of Houston.

The oil offset

Houston-area exploration and production companies and oil field services businesses shed jobs by the thousands this year as oil prices plummeted, but the petrochemical surge is serving as a temporary, partial offset to the job losses.

Houston offers the knowledge base, the cheap natural gas, the historical infrastructure and the Houston Ship Channel access, Gilmer said.

"It's the classic cluster," Gilmer said. "We have this massive system of pipeline under east Houston. It used to be called the spaghetti bowl. And I guess we have maybe a different attitude about building a chemical plant as opposed to New York in terms of public opinion."

As such, the Houston region likely will still add nearly 20,000 jobs this year, with much of that growth from temporary construction jobs on these projects. Last year the area added about 104,000 jobs.

"The construction is temporary, though. They're going to be gone in two years," Gilmer said. "So you have to be real careful about the plus-20,000 jobs."

Exxon Mobil Chemical, for instance, will have 10,000 peak construction jobs during its expansion, but 350 permanent new jobs will last after 2017.

Chapman says the expansion will have direct and indirect economic impact of $1 billion.

Most of its product is exported, so the expansions at Mont Belvieu and Baytown will generate additional trucking, longshoreman and shipping jobs in addition to work at the plant, he said.

Because the Baytown and Mont Belvieu plants have become more efficient in recent years, they have reduced their emissions levels, and the expansion will keep the plants within their permitted levels, Chapman said.

The expansion also involves producing a thinner polyethylene that is just as strong, he said, so it becomes more environmentally sustainable by producing less material.

Looking ahead

Even with cheap oil prices now, the petrochemical projects make sense because the natural gas abundance should last for decades in the U.S., said Bobby Tudor, CEO of the Tudor Pickering Holt & Co. energy investment banking firm in Houston.

That's why LyondellBasell acted quickly to expand its capacity and get a head start on other companies building facilities that won't start up until 2017 or later. LyondellBasell also restarted a Channelview methanol plant last year that sat dormant for nearly a decade when natural gas prices were higher.

LyondellBasell, which is domiciled in the Netherlands but has its operational headquarters in Houston, added 800 million pounds of annual ethylene capacity at its La Porte plant last year and, in 2016, will finish another 800-million-pound expansion at its Corpus Christi plant. The company is planning to grow again in Channelview by tacking on 550 million pounds in annual capacity.

Patel said he is reasonably confident the company will decide next year to move forward with a plant to produce 900 million pounds of propylene oxide and 2 billion pounds of tertiary butyl alcohol annually. The substances are used to make products including antifreeze, cosmetics and solvents.

Space to expand

LyondellBasell is still just using 1,000 of its 4,000 total acres at Channelview, Patel said, so that space is a strong contender for the new plant. He also said the company is looking to build a new polyethylene plant at one of its southern Texas sites, whether in Channelview or as far out as Matagorda or Victoria. An announcement likely will come later this year.

LyondellBasell has taken advantage of shifting landscapes and, as a first-generation American, Patel said he learned to adjust on the fly long ago.

LyondellBasell CEO outlines big plant plans

01 December 2015 20:39 Source: **ICIS News**

HOUSTON (ICIS)--LyondellBasell's methanol (/chemicals/methanol/) plant in Channelview, Texas, has nearly paid for itself after resuming operations less than two years ago, CEO Bob Patel said on Tuesday.

He made his comments during the Citi Basic Materials Conference in New York.

LyondellBasell restarted (https://www.icis.com/subscriber/news/2014/01/02/9739230/lyondellbasell-restarts-texas-plant-continuing-us-methanol-boom/) the 780,000 tonne/year plant sometime near the end of 2013 or the start of 2014.

Unlike many US producers, LyondellBasell has relied mostly on increasing capacity at existing plants versus building new ones. This has allowed the company to quickly add new capacity at a relatively low cost.

The next project scheduled for completion is an expansion of the company's cracker in Corpus Christi, Texas. When completed in the third quarter of 2016, it should add 800m lb/year (360,000 tonnes/year) of capacity, Patel said.

Altogether, debottlenecking projects should give LyondellBasell the equivalent of a new cracker.

While LyondellBasell has concentrated on debottlenecking, it has not ruled out new projects. The company is building a propylene (/chemicals/propylene/) oxide/tertiary butyl alcohol (PO/TBA) plant that should to start up in 2020 in Channelview.

The plant is expected to produce (https://www.icis.com/subscriber/news/2015/11/19/9945664/lyondellbasell-moving-on-giant-po-tba-project-in-texas/) 1.0bn lb/year of PO and 2.0bn lb/year of TBA, the company said.

For LyondellBasell, TBA offers the company another way to benefit from the price gap between oil and natural gas (/energy/gas/) prices, Patel said.

"What we are doing is we are upgrading butane (/energy/butane/) that is derived from US [natural gas liquids], we're upgrading that into gasoline, which is priced on oil," Patel said.

LyondellBasell is evaluating two other new plants.

One would be a polyethylene (PE) plant (https://www.icis.com/subscriber/news/2014/07/25/9805129/lyondellbasell-specifies-size-of-new-us-pe-plant/)that would have 1bn lb/year of nameplate capacity.

According to an air permit application filed in 2013, LyondellBasell will build the plant at its complex in La Porte, Texas.

The company has not decided on a start-up date.

Also, the company is still reviewing whether it will build another metathesis unit (https://www.icis.com/subscriber/news/2015/10/23/9936362/lyondellbasell-still-mulls-us-metathesis-unit/)in Channelview, which would produce propylene from ethylene (/chemicals/ethylene/).

The following chart lists the projects that LyondellBasell has completed, is pursuing or is considering.

Project	Scope (million Lbs.)	Start-up	Cost ($ million)
Increase Ethane Capability	500	2012	~$25
Midwest Ethylene / PE	120	2012	~$25
EU Butadiene Expansion[(2)]	155	Mid 2013	~$100
Methanol Restart	250 MM Gal.	Dec. 2013	~$180
PE Debottleneck	220	Early 2014	~$20
La Porte Expansion	800	Mid 2014	~$500
Channelview Expansion (I)	250	Mid 2015	~$200
Corpus Christi Expansion	800	2016	~$600
Channelview Expansion (II)	550	2017	~$300
New PO/TBA Plant	1,000 PO 29 MBPD Oxyfuels	2020	TBD
PE / Metathesis Capacity	~1,000	TBD	TBD
Total			**~$1,950**

(Image: LyondellBasell provided this photo from facilities at its Channelview, Texas, .)

By Al Greenwood (mailto:icisnews.americas@icis.com)

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PE boom like 'python swallowing a pig'

03 December 2015 22:27 Source: **ICIS News**

HOUSTON (ICIS)--The expected boom in new North American polyethylene (/chemicals/polyethylene/) (PE) plants during the next few years will present huge infrastructure challenges for Houston, sources said at a conference here on Thursday.

"Think of the python swallowing the pig," said Gary Furneaux, supply chain manager at ExxonMobil Chemical.

Furneaux and other speakers at the Petrochemical Supply Chain & Export Logistics 2015 conference focused on a wave of new ethylene (/chemicals/ethylene/) and derivative plants expected to come online in the next three years that could increase US PE capacity by as much as 50%.

One analyst has said the expected excess capacity is equivalent to eight new PE plants.

Two of them will be in Mont Belvieu, Texas, where ExxonMobil is building two new 650,000 tonnes/year PE units.

"I can't say it's 100% for exports, but there's no railcar access," Furneaux said, drawing chuckles during his presentation.

If ExxonMobil intended the new PE to be shipped within the US, it would require more rail lines. Many PE sources now expect much, or even most, of the new capacity to be exported.

Military metaphors have become popular with speakers on the coming boom, since one speaker earlier this year predicted a coming war (https://www.icis.com/subscriber/news/2015/11/02/9938962/price-and-market-trends-polymer-share-wars-at-hand/) – the economic kind – as a result of the focus on exports that the PE expansion will bring.

Taylor Robinson, president of PLG Consulting, said the "big nut" to crack for US PE exporters will be in Asia. Europe will be a difficult PE market for the US, though Africa should present an opportunity, Robinson said.

"Asia is really going to be the battleground," Robinson added.

Such strategizing assumes, of course, that this wave of new PE plants actually gets built.

Robinson said the first wave will be seven new plants – six in the US and the startup of the Braskem Idesa unit in Mexico expected early next year – all set to come online in 2016-2018.

Most of those units have broken ground already. But Robinson acknowledged that all of the new plant announcements were made when higher oil prices prevailed.

"The decision to build these facilities was made when there was $90-$100/bbl oil," Robinson said. "Everybody had to up their volume in North America, it was a snowball effect."

The impact of the first wave of PE expansion will require producers and other companies to up their game in a number of ways, the speakers said.

ExxonMobil has arranged for packaging in Houston at its two new plants, but other producers are looking outside of the city – and outside of Texas – for that task.

Furneaux said other producers plan to move material by rail to Dallas for packaging and then by rail to ports in South Carolina and Georgia for shipment overseas.

Chevron Phillips is considering both Dallas and Mexico for packaging plants, said Dean Stinn, commercial enterprise readiness manager at Chevron Phillips Chemical.

Bagged PE is shipped in containers, which raises another issue. Furneaux said the constant lack of shipping containers has become his greatest worry. Other speakers agreed.

"Houston has a container deficit that's going to get worse before it gets any better," Stinn said.

Texas' largest city also has street and road problems that add to the traffic jams into and out of the Port of Houston, no doubt because of the rainy weather that makes potholes more of a problem here than in other large cities.

Karen Bryant, supply chain director for North America at Dow Chemical, cited a recent study that gave Houston's infrastructure barely passing grades.

"Grades like that wouldn't make me happy if my kids brought those grades home on their report card," Bryant said.

New North American PE projects

Company	Capacity	Grades	Location	Start-up
Sasol	450,000 tonnes	LLDPE	Lake Charles, Louisiana	2016
Sasol	420,000 tonnes	LDPE	Lake Charles, Louisiana	NA
Sasol/INEOS	470,000 tonnes	HDPE	La Porte, Texas	2016
Braskem	NA	UHMWPE	La Porte, Texas	H1 2016
ExxonMobil	1.3m tonnes	PE (premium)	Mont Belvieu, Texas	Late 2016
Chevron Phillips	1m tonnes	HDPE, LLDPE, other	Sweeny, Texas	
Dow Chemical	NA	PE (high-value), LDPE	Freeport, Texas	2017
Formosa Plastics	625,500 short tons	LDPE	Point Comfort, Texas	2017
Shell	1.6m tonnes	HDPE, LLDPE	Monaca, Pennsylvania	2018
LyondellBasell	454,000 tonnes	Unspec	US	Mid 2017

By Lane Kelley (mailto:icisnews.americas@icis.com)

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"It taught me to learn to be self-confident at a young age and deal with change," he said. "I can tell you my children have seen the same. We've lived all over the world, and I always tell them, 'If you see opportunity in change, then you will do well in life.' "

Seeking Alpha$^{\alpha}$

LyondellBasell Industries NV (LYB) Bhavesh V. Patel on Q4 2015 Results - Earnings Call Transcript

Feb. 2, 2016 6:51 PM ET
by: SA Transcripts

LyondellBasell Industries NV (NYSE:LYB)

Q4 2015 Earnings Call

February 02, 2016 11:00 am ET

Executives

Douglas J. Pike - Vice President, Investor Relations

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thomas Aebischer - Chief Financial Officer & Executive Vice President

Analysts

Stephen Byrne - Bank of America Merrill Lynch

Arun Viswanathan - RBC Capital Markets LLC

Brian Maguire - Goldman Sachs & Co.

David I. Begleiter - Deutsche Bank Securities, Inc.

Don Carson - Susquehanna Financial Group LLLP

John Roberts - UBS Securities LLC

Hassan I. Ahmed - Alembic Global Advisors LLC

Vincent Stephen Andrews - Morgan Stanley & Co. LLC

Duffy Fischer - Barclays Capital, Inc.

Aleksey Yefremov - Nomura Securities International, Inc.

Frank J. Mitsch - Wells Fargo Securities LLC

Jeffrey J. Zekauskas - JPMorgan Securities LLC

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Nils-Bertil Wallin - CLSA Americas LLC

Laurence Alexander - Jefferies LLC

Operator

Hello, and welcome to the LyondellBasell Teleconference. At the request of LyondellBasell, this conference is being recorded for instant replay purposes. Following today's presentation, we will conduct a question-and-answer session.

I'd now like to turn the conference over to Mr. Doug Pike, Vice President, Investor Relations. Sir, you may now begin.

Douglas J. Pike - Vice President, Investor Relations

Thanks, Tori. Welcome to LyondellBasell's Fourth Quarter 2015 Teleconference. And I'm joined today by Bob Patel, our CEO; Thomas Aebischer, our CFO; and Sergey Vasnetsov, our Senior Vice President of Strategic Planning and Transactions.

Before we begin the business discussion, I'd like to point out that a slide presentation accompanies today's call and is available on our website at www.lyb.com.

I'd also like for you to note that statements made in this call relating to matters that are not historical facts are forward-looking statements. And these forward-looking statements are based upon assumptions of management, which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. And actual results could differ materially from those forward-looking statements.

For more detailed information about the factors that could cause our actual results to differ materially, please refer to the cautionary statements in the presentation slides and our financial reports, which are available at www.lyb.com/investorrelations.

And reconciliations of non-GAAP financial measures to GAAP financial measures, together with any other applicable disclosures, including the earnings release, are currently available on our website at www.lyb.com.

And finally, I'd like to point out that a recording of this call will be available by telephone beginning at 2 PM Eastern Time today until 11 PM Eastern Time on March 2, by calling 866-465-1311 in the United States and 203-369-1427 outside of the United States. And the pass code for both numbers is 22160.

During today's call we'll focus on fourth quarter and full year 2015 performance, the current environment and the near-term outlook. Before turning the call over to Bob, I'd like to call your attention to the non-cash, lower of cost or market inventory adjustments or LCM that we've discussed on past calls.

As previously explained, these adjustments are related to our use of LIFO accounting and the recent decline in prices of our raw material and finished goods inventories.

During the fourth quarter, we recognized LCM charges totaling $284 million, and comments made on this call will be in regard to our underlying business results, excluding the impacts of these LCM inventory charges.

With that being said, now I'd like to turn the call over to Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thanks Doug. Good morning, to all of you, and thank you for joining our fourth quarter earnings call. For those of you that follow LyondellBasell you might recall that one year ago, in my first earnings call as the CEO of LyondellBasell, I had described how we built a company capable of delivering differential results for our shareholders in a variety of business climates.

I'm pleased to report that we successfully navigated the volatility of 2015 to deliver another record year for you, our shareholders.

Before we get into the numbers, I would like to introduce a new member of our team, Executive Vice President and Chief Financial Officer, Thomas Aebischer. Thomas comes to LyondellBasell with a long history of global accomplishments in the arenas of finance, information technology, accounting, tax, and procurement. I'm confident that Thomas will provide our finance and IT organizations with the experience and leadership to drive our continued success. Thomas, welcome to LyondellBasell.

Thomas Aebischer - Chief Financial Officer & Executive Vice President

Thank you very much both for your kind words and good morning to all of you. Although I have only been with LyondellBasell for a few weeks, I'm very impressed with the relentless commitment and focus for superior results that I have already seen in the company. I look forward to meeting all of you, our stakeholders and the investment community and describing how we will continue to build value with disciplined and consistent financial management.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thanks Thomas. Let's take a look at slide four and reflect on a few of the more notable financial accomplishments for 2015. Although we operate in a very capital intensive industry, LyondellBasell's record earnings in 2015 generated robust cash flow and a 34% return on our invested capital. $1.4 billion of this cash was used to fund our capital program, while over $6 billion was committed to dividends and share buybacks.

Our dividend yield placed us in the top quintile of the S&P 500 index and the purchase of our outstanding shares relative to our average enterprise value placed us in the top 3% of the S&P 500. The strength of our earnings and our disciplined use of cash helped us to again outperform the S&P 500 on total shareholder return basis.

Before we dive deeper into the financials, I would like to call your attention to slide number five. LyondellBasell culture places a strong emphasis on continuously improving our health, safety and environmental performance. I'm proud to report that our team again achieved record safety performance in 2015. This is top decile performance for our industry. We believe that outstanding safety performance is an essential foundation for reliable operations that deliver differential financial performance. While I'm pleased to see the improvement for the past year, we'll continue to be relentless in our drive for safety perfection.

Our annual results summarized on slide number six, exceeded the previous records established during 2014, with $8.1 billion of EBITDA and $10.35 of earnings per share during 2015. As seen in the quarterly results on the bottom of the slide, LyondellBasell's strong operating performance during the second quarter and third quarters enabled us to capture the benefits of tight markets, due to industry outages.

Relatively lower margins resulting from more balanced markets, seasonal trends and lower crude prices coupled with several planned and unplanned outages in our plants reduced the company's fourth quarter profitability.

Slide seven, summarizes some 2015 accomplishments and segment results. Three of the five segments Olefins and Polyolefins, Europe, Asia and International, Intermediates and Derivatives and Technology achieved a record results, over $5.8 billion of cash flow from operations enabled us to buy back 52 million shares or 11% of the shares outstanding at the beginning of 2015. Additionally, we increased our interim dividend by 11% to $0.78 per share bringing our total dividend for 2015 to $3.04 per share.

I won't mention each of the operating accomplishments shown here, but I think these items exemplify our continued operating strength in advancing growth programs. Strong operations, advantaged feeds and incremental volumes reflect a common and consistent theme from how the entire team at LyondellBasell continually finds ways to realize more productivity from our existing assets.

Let's turn to slide 8, and look at some of the metrics that drove 2015 performance. I'll highlight a few. Across the top of the page, we have plotted our key volumes. From the left, you can see the additional volume from our La Porte ethylene expansion, and the steady increase in polyethylene and polypropylene volumes largely from existing assets.

In the charts, along the bottom of the page, you see a summary of product margins and spreads. The indexed ethylene and polyolefins charts represent our internal data, while the other two represent industry benchmarks. Falling U.S. ethylene margins were partially offset by rising polyethylene and polypropylene margins, helping to maintain strong chain profitability. In Europe, both Olefins and Polyolefins margins increased. MTBE and refining industry spreads remain relatively constant with prior years.

Please turn to slide nine, which plots fourth quarter and full year segment results. As I already mentioned, this has been a record setting year for both EBITDA and operating income. I'll review these in detail during the segment discussions.

Please turn to slide 10, which provides a picture of our cash generation and use. During 2015, we generated $5.8 billion of cash from operations. We also took advantage of favorable interest rates and borrowed $1 billion at a coupon rate of 4.625%. The cash and short-term securities balance ended the year at $2.4 billion.

Turning to slide 11. You can see the $5.8 billion in cash from operations; this cash generation has allowed us great flexibility. Over the past four years we have funded $5.6 billion of capital investment and $18.7 billion towards dividends and share repurchases. Since the inception of our share repurchase program, we have repurchased approximately 142 million shares or about 25% of the total shares outstanding. At the end of 2015, we had approximately 15 million shares remaining under the existing share repurchase authorization.

Since this is the beginning of a new year, I wanted to address some of your 2016 modeling questions. Regarding capital, we're currently planning to spend approximately $1.9 billion during 2016. This spending level progresses both our base maintenance and growth programs. Approximately 40% is targeted toward our growth program. Base maintenance spending increases this year due to a heavy turnaround schedule and increased health, safety and environmental spending. The majority of the growth spending will be dedicated to the Corpus Christi ethylene expansion that should begin production during the third quarter.

Although not all plans are finalized, we expect capital spending to remain around $2 billion annually through 2020. The largest individual growth project is our PO/TBA plant, which is currently estimated to cost approximately $2.1 billion. While we have not yet finalized plans and timing for all of our polyethylene growth projects. We are currently performing design engineering for a 1 billion pound expansion that could be complete during the 2018 and 2019 timeframe.

Our net cash interest expense for 2016 is expected to be approximately $320 million. This includes interest on $7.7 billion of outstanding bonds at an average coupon rate of approximately 5.2% and $12 million of interest on short-term facilities.

At current conditions, we estimate that these expenses will be offset by approximately $100 million in benefits from interest rate and currency swaps and interest on our cash balance. 2016 annual book depreciation and amortization should be approximately $1.1 billion. We plan to make regular pension contributions that total of approximately $110 million, and we estimate a pension expense of approximately $65 million. We currently expect a 2016 effective tax rate of approximately 28%. The cash tax rate is expected to be somewhat lower.

Now let's turn to slide 12, and review segment results. As mentioned previously, my discussion of business results will be in regard to our underlying business results excluding the impacts of the LCM inventory charges.

In our Olefins and Polyolefins Americas segment, fourth quarter EBITDA was $834 million, $86 million less than third quarter. For the full year, segment EBITDA was $3.8 billion.

Relative to the third quarter ethylene margin decreased by $0.06 per pound, this decline was driven by prices that were lower by $0.04 per pound and higher cost due to lower coal product prices. Our operating rates remained strong during the quarter averaging 95%. 72% of our ethylene production was from ethane and approximately 90% came from NGLs.

In Polyolefins our polyethylene spread was relatively unchanged, while the polypropylene spread was up approximately $0.04 per pound. Polyethylene volumes were relatively unchanged, polypropylene experienced sales volume decline of approximately 8% due to operating issues at our Bayport plant.

For the full year results decreased by $369 million with higher Polyolefin results offsetting more than half of the decline in Olefins. Polyolefins results provided approximately $570 million of improvement over the prior year due to margin improvement and increased polyethylene volumes from our 2014 Matagorda debottleneck.

Overall 2015 was a year of transition with lower crude prices moving margin from Olefins into Polyolefins. Industry operating rates for Olefins improved and our crackers operated reliably. We completed our Channelview expansion during the third quarter and captured the additional capacity from our 2014 La Porte olefins expansion and Matagorda polyethylene debottleneck. Our growth program for ethylene and polyethylene continues to add value.

In January, spot ethylene prices have continued to decline as the market follows lower oil prices. We continue to see margins holding for polyethylene and additional upside for polypropylene margins in a very tight North American market. A heavy turnaround season is planned for U.S. crackers in 2016, with the schedule particularly heavy during the second quarter where IHS estimates that 10% of North American capacity will be offline. Our Corpus Christi ethylene turnaround and expansion will begin during the second quarter with completion planned during the third quarter.

Let's turn to slide 13, and review performance in the Olefins and Polyolefins, Europe, Asia and international segment. During the fourth quarter, underlying EBITDA was $451 million or $104 million lower than the third quarter. For the full year, underlying EBITDA was a record of nearly $1.9 billion, a $445 million increase versus 2014. Olefin results decreased versus the third quarter by approximately $130 million due to lower margins.

Polyolefin results improved and the sales volume increased by 6% and 5% for polyethylene, and polypropylene respectively. Polyethylene margin remained strong, but we're relatively unchanged, while polypropylene margins had a modest improvement. Our polypropylene compounding business improved modestly on higher sales volumes. Equity income decreased by $11 million due to reduced margins at our Saudi Arabian joint ventures.

Olefin results for the full year increased by approximately $25 million over 2014. This increase is largely the result of a lower cost of naphtha that outpaced the declines in ethylene pricing. Excluding the impact of our Münchsmünster cracker turnaround, we operated our crackers in Europe at 95%. Our Polyolefins results increased approximately $420 million year-on-year reflecting improved spreads and higher volumes for both polyethylene and polypropylene. Polypropylene compounding and Polybutene-1 results were relatively unchanged versus 2014.

Equity income from our joint ventures increased by $54 million due to strong margins at our joint ventures in Poland and South Korea. During January, industry conditions were generally consistent with the fourth quarter. During March, we'll start to turnaround on our Berre, France olefins cracker that is expected to impact first quarter results by approximately $20 million.

Joint venture equity earnings are anticipated to decline modestly in part due to lower Polyolefin prices and the Southeast feedstock price increases that took effect in late December.

Now please turn to slide 14 for a discussion of our Intermediates and Derivatives segment. Fourth quarter EBITDA was $286 million, a decline of $220 million from the third quarter. For the full year, the segment generated record EBITDA of nearly $1.7 billion, $104 million more than 2014.

The fourth quarter decline was attributable to typical seasonal demand declines combined with planned outages and uncharacteristically high unplanned outages in our plants. The segments fourth quarter results were impacted by planned maintenance totaling approximately $20 million and unplanned downtime impacted results by approximately $50 million. Propylene oxide and derivatives results decreased by approximately $10 million with slightly lower margins due to sales mix.

In our Intermediate chemicals business, EBITDA declined by approximately $160 million as styrene margins declined by $0.07 per pound. Included in the Intermediate chemicals results, acetyls results declined by approximately $30 million due to lower volumes from an extended turnaround, and a $0.17 per gallon decrease in methanol pricing.

Oxyfuels results were lower by approximately $60 million in line with typical, seasonal trends. During most of 2015, LyondellBasell's propylene oxide and derivatives and styrene business captured opportunities while the industry experienced operating problems that tightened the markets for those products.

Intermediate chemical results improved by approximately $120 million due to improved styrene margins that were partially offset by lower methanol and vinyl acetate margins. Oxyfuels results decreased by approximately $60 million versus 2014, which benefited from unseasonably strong fourth quarter margins one year ago.

The New Year has started with stable demand in the propylene oxide market. Oxyfuel margins remain near typical winter levels, methanol prices have come under pressure with additional capacity entering the market and lower crude oil prices. In contrast to the fourth quarter, we do not have any significant planned maintenance scheduled during the first quarter.

Let's move to slide 15 for a discussion of the Refining segment. Fourth quarter EBITDA was $68 million, a decline of $75 million from the prior quarter. For the full year, the segment generated $519 million of EBITDA, an increase of $110 million versus 2014. During the fourth quarter, the Maya 2-1-1 spread averaged $18.55 per barrel and crude throughput averaged 206,000 barrels per day.

Rates were impacted by planned and unplanned maintenance. The total impact is estimated to be approximately $50 million, the lower Maya spread was primarily driven by seasonally weaker gasoline crack spreads. The cost of RINs increased by approximately $10 million related to the EPA ethanol requirements.

2015 full year Refining results improved over 2014, despite challenges from a labor strike in the first quarter and fourth quarter operating issues. Crude throughput averaged 238,000 barrels per day down 21,000 barrels per day from 2014. The Maya 2-1-1 benchmark decreased by approximately $2 per barrel to average $22 per barrel for the year. The refineries capture rate of this margin improved during 2015 with improved secondary product margins and higher utilization rates – higher utilization of discounted Canadian crude oil volumes. The cost of RINs were relatively unchanged.

We're currently performing planned maintenance on a crude unit and a coker that is expected to impact first quarter results by approximately $40 million. First quarter crude oil throughout is expected to be similar to the fourth quarter of 2015.

Turning to slide 16. Let's step back and consider the changes that are occurring in our core Olefins and Polyolefins markets. As crude prices have fallen over the past 15 months, there has been some compression in North America and monomer margins, but they remained quite good. This is illustrated by the grey bars it the chart on the top left. The chart in the upper right demonstrate that polyethylene and polypropylene demand growth improved in 2015, relative to the prior four years to approach the long-term growth averages we have seen over the past 25 years. This strong growth supports the balanced to tight conditions that are likely to persist into 2016. These healthy markets have resulted in the strong Polyolefin margins in both Europe and the U.S., as you can see from the blue bars on the left.

Finally, the table on the lower right, highlights LyondellBasell's leverage to be strong integrated chain margins. Global supply and demand balances, regional feedstock advantages and industry operating rates continue to support our positive outlook for our industry and our business.

Let me conclude with slide 17, the fourth quarter was a period, where the ethylene industry returned to a balanced market, as industry operating problems subsided. Polyolefin margins expansions offset much of the decline in monomer margins. At LyondellBasell planned maintenance activities across our assets negatively impacted our results by approximately $55 million, while unplanned events increased the negative impact by $105 million.

The fourth quarter was also impacted by seasonal factors, primarily in our fuel related-products, which negatively impacted the core group by approximately $100 million. This is generally comparable to the seasonal impact over the last few years. During 2016, oil price volatility and concerns about the global economy will undoubtedly foster uncertainty in financial markets. Despite such uncertainty, we believe that we continue to benefit from abundant supplies of low priced feedstocks and from solid underlying demand for our products.

Additionally, we anticipate that the heavy industry outage schedule for the first half of 2016 will continue to be constructive for the markets we serve. Before we open the line for your questions, I want to make you aware of our upcoming investor reception to be held here in Houston in conjunction with the IHS World Petrochemical Conference. As in the past, we will be hosting the reception with members of our executive leadership team at the end of the first day of the conference near the venue. Please watch your email for invitations or contact Doug for further details.

We're now pleased to take your questions.

Question-and-Answer Session

Operator

Thank you, sir. We will now begin our question-and-answer session. Our first question is from the line of Stephen Byrne of Bank of America Merrill Lynch. Your line is now open.

Stephen Byrne - Bank of America Merrill Lynch

Yes, thank you. You mentioned your ethylene operating rates at 95%. What would you estimate global cracker operating rates to be? And where do you think they could be over the next couple of quarters, in light of the pickup in turnarounds that you mentioned?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Stephen. Global operating rates, you know our sense is that they've been averaging in the high 80%s to about 90%, excluding some of the unplanned outages. So, last year in the second quarter they probably drifted a little lower. I think in 2016, markets are going to be relatively balanced. In 2015 demand growth for ethylene nearly matched supply growth for ethylene. So market conditions look very similar. I think the thing we're going to have watch is the level of unplanned outages that created the tight markets in second quarter.

Stephen Byrne - Bank of America Merrill Lynch

And what feedbacks are you getting from your customers with respect to their inventory levels, as oil fell during the fourth quarter?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well if you think about it, throughout last year, as oil price declined and there was uncertainty about global economic growth, we saw our customers depleting inventory especially downstream of our polyolefins business. By the end of the year, our sense was, they were buying only what they needed and they were buying kind of one week at a time. So anecdotally, I would say that inventories are very low and we see even in the last week of January, when we saw oil prices move up a little bit, we had a certain sudden rush in terms of demand, both in Asia and in Europe. So my sense is inventory is very low.

Stephen Byrne - Bank of America Merrill Lynch

Thank you.

Operator

Thank you, speaker. Our next question is from the line of Arun Viswanathan with RBC Capital Markets. Your line is now open.

Arun Viswanathan - RBC Capital Markets LLC

Thank you. Good morning. Just wanted to get a – I guess some thoughts on this demand situation. It looks like demand is flowing through slightly better on polyolefins. Is that – would you attribute any of that to inventory building ahead of this large turnaround schedule that's coming in North America? And then secondly, do you think that there is any kind of flow through from lower energy prices on demand?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yes, good morning, Arun. First of all, in terms of inventory build in polyolefins, we haven't really seen that. And typically, with turnarounds, my sense is that the industry doesn't tend to build polyolefin inventory, especially here in the U.S. where we're able to supplement ethylene production through purchases and so on. So, I think inventories are probably at average levels in our industry and I would say downstream they're on the low side.

In terms of demand benefiting from lower energy, difficult to say. I think the more important theme is that in 2015, we saw very good strong growth in polyethylene and polypropylene globally, including in Europe where we saw demand growth. And I think this is a testament to the fact that both of those product areas and about two-thirds of our total output from the company goes into non-durable applications, which tend to grow generally irrespective of economic conditions. And so, again, I see next year 2016 being very similar, that demand growth and supply growth will likely match, and we'll have pretty balanced markets. And again, if there is inventory replenishment downstream then that should add to demand in 2016.

Arun Viswanathan - RBC Capital Markets LLC

Great, and just as a follow-up, just want to get your thoughts on capacity growth in general, there is obviously a lot of crackers set to come online in 2017 through 2019. Do you see all of that coming through, and how does that affect your own decisions to expand polyethylene capacity?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

There are – I think there are something like eight crackers that are planned here in the U.S. between 2017 and 2020. As evidenced by prior start-ups, not all of those will start-up on time. Our sense is most of those will go; timing could vary based on what's been announced.

Our approach has been, in the past, and will continue to be in the future, that we want to be largely integrated in the ethylene and derivative chain. But we do have some merchant – we do have a merchant position, I expect us to have one in the future. And as I mentioned during my prepared remarks, so far we're advancing a 1 billion pound expansion and we have a few others that we're working. So, those others, it will be more a matter of timing and phasing.

Arun Viswanathan - RBC Capital Markets LLC

Thank you.

Operator

Thank you, speakers. Our next question is from Bob Koort with Goldman Sachs. Your line is now open.

Brian Maguire - Goldman Sachs & Co.

Hey, good morning, it's Brian Maguire on for Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Hi, Brian.

Brian Maguire - Goldman Sachs & Co.

I was hoping you could share your thoughts on any potential impacts on the lifting of the crude export ban in the U.S.? And I guess, particularly and refining operations, any expected impact from that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Brian, I don't see much impact, in terms of crude supply. We've been diversifying our crude supply over the past three years or four years and we have a good mix of Canadian, Mexican and other sources. So, I don't expect much of an impact.

Brian Maguire - Goldman Sachs & Co.

Okay. And one follow-up, I know, you mentioned couple times, how strong polypropylene margins have been recently. I guess, just kind of what are you seeing in January and how do you expect that to play out through the rest of 2016? Is it a case kind of like with polyethylene, where the polymer margin can – is tight enough that you can sustainably hold on to that? Or do you expect to have to pass some of the lower monomer through, as 2016 goes on?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well, in the case of polypropylene, we see a very, very tight market, there is really not any new supply coming here in the U.S. So, I would expect that to continue. We've had years of fairly modest margins. And as you know, our company has significant leverage to polypropylene. We're the largest polypropylene producer in the world. And so we're very constructive about polypropylene.

Polyethylene, I think is very balanced. We get these inventory cycles that come through, but again as I mentioned in the prior question, small increases in crude price have caused spurts of buying which tells me that, there is not a lot of inventory downstream. And I think, as we go into the seasonally strong period in March, April, May, we should see markets be very firm.

Brian Maguire - Goldman Sachs & Co.

Great. Thanks very much.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you, speakers. Our next question is from David Begleiter with Deutsche Bank. Your line is now open.

David I. Begleiter - Deutsche Bank Securities, Inc.

Thank you. Good morning.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning.

David I. Begleiter - Deutsche Bank Securities, Inc.

Bob, on styrene, you've been positive, constructive for the last number of quarters, what's your view now on styrene heading into 2016, post the little bit weakness you saw in Q4?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

David, I'm still constructive, I mean, I think if you step back and look at supply – new supply, there isn't much that's coming. There is – anticipated restart or already restarted POSM unit in Europe that was down, there're some others that are down in Asia right now. But again styrene, a lot like polypropylene has gone through even more so I would say, styrene has gone through years of under investment and demand has finally caught up. And we see styrene market being much more balanced over the coming years. And we think, now that the shift in polystyrene demand has happened. Demand should grow reasonably well year-over-year.

David I. Begleiter - Deutsche Bank Securities, Inc.

Very good. And last Bob, there's been some M&A activity pick up this week, what's your view on M&A for Lyondell, maybe over the next two years, three years, four years? How will that play into your growth plans?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think as I've mentioned David in prior calls, our priority thus far has been on share repurchase, and when we think about deploying our free cash flow. But as all good companies do, we study various different ideas, and we know the lane that we want to play in, we know our strengths, and so we continue to monitor the market. And we're always weighing share buyback versus other options.

David I. Begleiter - Deutsche Bank Securities, Inc.

Thank you very much.

Operator

Thank you. Our next question is from Don Carson with Susquehanna. Your line is now open.

Don Carson - Susquehanna Financial Group LLLP

Yes. Thank you. Bob, just I thought you might outline in more detail some of your derivative expansion plans in this call. Just wondering when can we expect more of an outline? And is it primarily polyethylene that you remain interested in, do you have that capacity to increase your polypropylene plants?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah. So far I've defined for you the 1 billion pound expansion that we're thinking we'd bring online in 2018 and 2019. We'll develop further plans as the year progresses. So you can imagine, I don't want to get out in front of my board in terms of the kind of growth plans that we envision. But if you just step back and think about our strategy and our approach, we aim to be largely integrated in ethylene and derivatives. And I think that will stay true as time goes on.

In terms of polypropylene, we're actively studying debottleneck ideas, and we'll consider greenfield as well. Still early, we've seen this improvement in polypropylene very quickly in 2015. So, we'll be very thoughtful and methodical as we've been in the past, but to the extent possible debottlenecks have served us well in the past and that's an area, we'll explore in the future first.

Don Carson - Susquehanna Financial Group LLLP

And just on the polypropylene outlook, as you showed in the slide 16, polyethylene demands recover to its long term trend, polypropylene hasn't. Do you think that as propylene is come down to a more normal ratio relative to ethylene that you could still see further demand expansion in polypropylene?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Absolutely, I think, polypropylene demand will likely accelerate more as propylene is much more competitive, especially here in the U.S.

Don Carson - Susquehanna Financial Group LLLP

Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you, speakers. Our next question is from John Roberts with UBS. Your line is now open.

John Roberts - UBS Securities LLC

Thank you. I'm surprised you thought that customers' inventories of polyethylene are low going into all this outage activity that we going to have in North America. Why do you think, they are not preparing for that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think, their sense is that the product is very available. That's usually been the trend. The only time John that I have seen customers build inventory is when we had a couple of bad hurricanes come through Houston, I think that spooked people. And so prior to hurricane season they build for a year or two. But generally they don't do that, we haven't seen that.

John Roberts - UBS Securities LLC

Okay. And then, I'd imagine by now you've repositioned your ethylene that gets displaced by the new oxy cracker. Could you just confirm that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yes. We've been actively contracting ethylene, as you know, with our Corpus Christi startup in the third quarter. We're well ahead of our planning on all of that and we had a fairly, matured merchant portfolio in terms of customers for ethylene and so we were planning for that very well.

John Roberts - UBS Securities LLC

Okay. Thank you.

Operator

Thank you. Our next question is from Hassan Ahmed with Alembic Global Advisors. Your line is now open.

Hassan I. Ahmed - Alembic Global Advisors LLC

Good morning, Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Hassan.

Hassan I. Ahmed - Alembic Global Advisors LLC

You touched in your prepared remarks, you touched on a bit of a hit to your Saudi joint ventures. Now we all know obviously that the Saudi's escalated cost towards the end of the year, in terms of natural gas cost, ethane cost and the like. So what sort of – if we were to sort of freeze product pricing at current levels and oil prices and the like. What sort of a year-on-year hit should we expect from that feedback cost escalation in Saudi?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah, Hassan for us it's very modest. As you know, our joint venture, equity ownership is about 25% in the biggest ethane cracker investment over there for us. I would estimate that to be in the $10 million to $15 million range annually. So it's not significant, frankly.

Hassan I. Ahmed - Alembic Global Advisors LLC

Super. And as a follow up, on the acetyl side of things, bit of an interesting year last year, where you had like a series of industry outages in 2015, then you had initially higher methanol prices then a precipitous decline in methanol prices. So how should we be thinking about, the acetyl business on a year-over-year basis, particularly in light of – some of this capacity coming back on line and continue downward pressure on methanol prices?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well I think, in terms of methanol Hassan, certainly more capacity has come on line and you can see the impact of that. I think, it's going to be a more competitive market in 2016. In terms of further downstream into acetyls, we're going to have to watch how Asia demand develops and how well global capacity runs. But likely, a little bit more competitive market in 2016 than there was in 2015.

Hassan I. Ahmed - Alembic Global Advisors LLC

Super. Thanks so much Bob.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you. Our next question is from Vincent Andrews with Morgan Stanley. Your line is now open.

Vincent Stephen Andrews - Morgan Stanley & Co. LLC

Thanks very much. Good morning everyone. Can we talk a bit about feedstocks, in particular ethane and propane, I'm just looking at natural gas, is at $1.99 and propane has become the preferred crack again. So, I guess two questions within this, one is how low do you think ethane is actually going to be able to go with the natural gas price and we passed the point where propane can't drag it lower either, and then I have a follow-up.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Sure. Well, first of all, we talked about this last time that as ethane price moves up and down, it doesn't track exactly with its cost floor day-to-day. But over time our sense is that there is – ethane is still very well supplied, and it should sell closer to its cost floor. The fact that propane is more in favor today in terms of economics, I think that will ebb and flow as we crack more propane then ethane could come back in and the key for us at the company is to focus on flexibility. And then, so I think we have a very flexible cracker fleet that can crack all the way up to naphtha still and then that's what we are aiming to do, Vincent is to make sure that we retain that flexibility and incrementally build on that.

Vincent Stephen Andrews - Morgan Stanley & Co. LLC

Yeah, I guess that gets into my follow-up question, which is the new oil price stack and futures curve. Are you changing your thoughts on flexibility and what you want to be more flexible for, is that shifting away from ethane at all as we move into the latter half of the decade where there is going to be a lot more ethane demand and maybe not as much production?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think – again I think flexibility is going to be the key and so we are investing incrementally to increase our flexibility to crack more propane, a few other feedstocks. And so, that's what we want to retain longer-term. It is difficult to call two years, three years from now whether it will be ethane or propane. We want to make sure that we can crack meaningful amounts of the big feedstocks.

Vincent Stephen Andrews - Morgan Stanley & Co. LLC

Thank you.

Operator

Thank you. Our next question is from Duffy Fischer with Barclays. Your line is now open.

Duffy Fischer - Barclays Capital, Inc.

Yeah. Good morning, fellas.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Duffy.

Duffy Fischer - Barclays Capital, Inc.

Question just on the split between ethylene and ethylene derivatives. When we get through with the – your debottlenecks that are going on this spring for you and for others. It looks like ethylene capacity is going to increase, until you bring on your potential polyethylene. Should it be fair to think about things sliding for the ethylene side and moving more towards the derivatives over the back half of 2016 and 2017?

Douglas J. Pike - Vice President, Investor Relations

Well, Duffy this is Doug. We've long had a very solid merchant position with the key supplier base there. And obviously, as we increase the ethylene when we bring up the capacity at Corpus Christi, we'll add that probably in the third quarter you'll see that come into the market. That's contracted, but you'll see that as merchant sales. I think (44:45) remember its merchant sales, is where it's going to, so it's contracted merchant.

Then, as we move down the road, what we'll do is we'll bring the polyethylene capacity up, and that will sort of rebalance across that. And as Bob said, he's looking at other polyethylene options, and other derivative options for it within the company. So, yeah, you will see our merchant position for a while step up in a contracted manner.

Duffy Fischer - Barclays Capital, Inc.

Okay. And then, just the lower oil price environment, how does that affect the economics of the PO/TBA plant you guys are contemplating in Texas?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah. I think, Duffy on that one, the key is first of all having a view on octane and we think octane is going to be very tight because a lot of the new engines are high compression engines, who require high octane. The other thing that's important to remember about PO/TBA is that the TBA benefits from butane selling below oil price. So, we see butane discounts relative to oil sustaining at the kind of levels that they've been – 50%, 60%. If you think about the gas barrel, or associated gas that gets developed, wet gas will be preferred because it has co-products that have good economics. So, we think that still looks solid, and remember the startup on that is mid-2020 or early 2020. So likely by then, I would think oil prices are higher than where we are today.

Duffy Fischer - Barclays Capital, Inc.

Terrific. Thank you, guys.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you, speakers. Our next question is from Aleksey Yefremov of Nomura Securities. Your line is now open.

Aleksey Yefremov - Nomura Securities International, Inc.

Good morning. Thank you. If I remember correctly, you were initially thinking about 1 billion to 2 billion pounds expansion for your polyethylene plant, and it seems like you have decided on the low end of this range. Could you just give us some thoughts on why? Why did you come down at a 1 billion versus 2 billion?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah. I think, Aleksey, this is really more about phasing. So we're advancing the first project in a more focused way, and then as the year progresses, we'll be in a position to talk a little bit more about the phasing of the next project. So, it's not an absolute, this one is the only one we'll do. We have several ideas; I just want to make sure that we do them in a paced kind of phased manner.

Aleksey Yefremov - Nomura Securities International, Inc.

Great. Thank you. And as a follow up, in the medium-term, it appears that your cash flow does not support both dividend and the share buybacks at the current pace; you would need to keep borrowing incrementally to sustain this pace of buybacks. Is your medium-term plan to keep doing that, to increase the leverage, or perhaps the level of buybacks could be impacted?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well, if think about our cadence, what we have done up to this point is we've been on this pace of 10% share buyback. I think you should expect that we're going to be relatively consistent with that. We'll be issuing our proxy in early March and so you can read the detail there. But given where share price is today, given what our earnings outlook is, I think we should be able to support a reasonable share buyback program. We've shown in the past that we've been willing to take on incrementally a bit more debt to support the share buyback program. I think we're prepared to do that; if you look at our leverage we're quite low. So, we'll continue to evaluate that as the year goes, but I would expect that our pace in the past is what should occur in the future.

Aleksey Yefremov - Nomura Securities International, Inc.

Thank you.

Operator

Thank you. Our next question is from Frank Mitsch with Wells Fargo. Your line is now open.

Frank J. Mitsch - Wells Fargo Securities LLC

Hey good morning, gentlemen. Hey Bob, you outlined a – coming back on polyethylene, you outlined a case that you're not really seeing margin compression here in January relative to Q4. And your expectation is you're going to see demand improve seasonally and there is a lot of industry turnaround. So, I'm guessing you're thinking things are going to stay relatively stable through the middle of the year. And then, when things start to pick back up, operations start to pick back up, what do you say to investors that might be expecting to see some more margin compression in the back half of this year?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah good morning Frank. Absolutely, in the first half of the year we think that markets are going to be fairly tight. In the back half of the year, we are going to have to see how demand develops in China, here in the U.S. and there is certainly new capacity coming online. So I think, that it will probably more of a balanced market in the second half, as opposed to the first half that has the potential to be a very tight market.

Frank J. Mitsch - Wells Fargo Securities LLC

And staying with that demand theme globally, obviously you will see how China develops. How are you thinking about that region right now and for that matter, how are you thinking about European demand as well. Obviously the stock market is telling us one thing; what are you seeing on the ground?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

In terms of polyethylene demand?

Frank J. Mitsch - Wells Fargo Securities LLC

Sure, yes.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah, well I think demand is still – is developing quite nicely. Again as I mentioned earlier in one of the questions, we're seeing buying activity pick up as we move towards the second half of January. And I would expect that this year we ought to see similar growth to last year. And frankly, if I'm right about lower inventories downstream, the higher – as the oil price incrementally stabilizes or moves up, we should see inventory replenishment downstream, which will add to demand growth year-over-year. So frankly, I'm pretty constructive about polyethylene growth here going into 2016. Frank, downstream, our customers don't have a lot of inventory globally.

Frank J. Mitsch - Wells Fargo Securities LLC

That's very helpful. Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Thank you.

Operator

Thank you. Our next question is from Jeff Zekauskas with JPMorgan. Your line is now open.

Jeffrey J. Zekauskas - JPMorgan Securities LLC

Hi, thanks very much. There's been an enormous curtailment of oil drilling in the United States, and presumably that curtailment will continue. Do you think that that will affect ethane supply over the next couple of years?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Jeff, so far we don't see an impact. It's certainly something we watch, and if we look at what industry consultants have been talking about and our own intel, our sense is that ethane should be very well supplied. There is enough ethane to supply the expansions that are upcoming. Our sense also is that, if you think about gas drilling, likely the wet barrels could develop first because ethane and propane and butane incrementally provide value to the economics of gas.

So, we're pretty constructive and again for us, we continue to focus on our ability to also crack more propane and butane and so on. And I think the industry will swing from ethane to propane and propane becomes more favored and that'll naturally balance the three NGLs, I think. So, more and more we need to consider the NGL pool as a total rather than the individuals, I think.

Jeffrey J. Zekauskas - JPMorgan Securities LLC

And then, for my follow-up, you talked about stability in polyethylene margins. And I mean, no one exactly knows where polyethylene prices are going to go, but isn't that sort of the general drift of things, that maybe in the next couple of months they'll come off, I don't know, a nickel a pound, something like that? So, do you have a different view, or do you think that your margin compression in polyethylene will come in the second quarter?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

I think, you said it well Jeff, it is difficult to predict the price where it's going to go. But, one thing that I think about is the balance between supply and demand, whether it's regionally or globally and my sense is that we still have fairly balanced markets. While coming into a March, April, May timeframe, it will bring a seasonal uptick in demand, likely inventory restocking. I would imagine at some point oil price will reach some kind of a bottom and if that happens it will bring buyers back.

We've had – if you think about 2015, we had a year where not only there was lack of confidence on oil price, but also there were questions about economic growth in the U.S., and in China, and we are destocking, despite that polyethylene demand grew more than 4%. So that's what makes me constructive. In the near-term, I don't where polyethylene prices are going to go, but I think markets are pretty balanced.

Jeffrey J. Zekauskas - JPMorgan Securities LLC

Okay, great. Thank you so much.

Operator

Thank you, speakers. Our next question is from P.J. Juvekar with Citi. Your line is now open.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Yes. Hi. Good morning.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, P.J.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Bob, if the first wave of crackers start up in the U.S., at least four or five crackers, and if we need to get Marcellus ethane down to – of course to feed those crackers, do you see a port pressure on ethane if it has to be brought in from Marcellus?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah, I think if it has to be then certainly there is a tariff that they have to pay to get the ethane down. But I would say that as the first wave of crackers come online, there are closer supplies of ethane that will come to market. If ethane price were to rise enough for propane and butane to become much more economic, I think you'll see those who can shift to those other feedstocks, we'll do it. So – so that will all bring things in balance. And our sense is that the industry is still rejecting somewhere 400,000 to 500,000 barrels a day of ethane. And albeit some of that is up further away, but there's certainly enough nearby that I don't see ethane price rising dramatically above its fuel value. But it's something we'll continue to monitor of course.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Thank you. And you have a great balance sheet today, and given that if we do get into a cyclical downturn, how do you think your capital allocation strategy could change, and how can LyondellBasell take advantage of that situation? Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well, in past investor meetings that we've had and when we did Investor Day last year, we showed you our cash deployment hierarchy. And I would say we're still very consistent with what we've shown you. Our first and highest priority is to making our assets very well. So we're going to spend money on maintenance capital and health, safety and environmental capital. We'll pay our dividends, we'll service our debt, and – when you think about our dividend, it's about 30% of our EPS. So, there are a lot of capacity certainly in our balance sheet as you rightfully mentioned, is very flexible. So, I thing we want to maintain this kind of strength and flexibility as we work through the back part of this decade and I think we'll find opportunities based on these strengths.

P.J. Juvekar - Citigroup Global Markets, Inc. (Broker)

Thank you.

Operator

Thank you speakers. Our next question is from Nils Wallin with CLSA. Your line is now open.

Nils-Bertil Wallin - CLSA Americas LLC

Yes. good morning, and thanks for taking my questions. What is your view on the ethylene price in the U.S. relative to the rest of the world? It seems significantly lower than Asia, certainly, and Europe. Is it going to sustain itself at this discount, or do you think that there's any sort of arbitrage opportunity?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Good morning, Nils. Well, first of all, when you think about the ethylene price, let's go back to Q4 and think about what developed during Q4. Production of ethylene in the U.S. was at a record level in Q4, where we had the highest production. At a time, when we also had a largely merchant supplier of ethylene had logistic issues where they had to move ethylene out of a cavern because they were going to do some maintenance on it. Also we had a very weak PVC market.

So I think all of those things led to a decline in ethylene price in Q4 and that's kind of where we are today. As we work through Q1 and Q2 and we've talked about some of these large unplanned – sorry planned outages that are in Q2 that will likely tighten the market. I would expect PVC to improve. This specific logistics issue I described, and I think that will run its course by the end of Q1. So we'll have to see, but it seems to me that ethylene price ought to drift somewhat higher and the forward curve indicates that for ethylene.

The other thing that's important here in the U.S. is to also look at polyethylene price, and look at polyethylene price in the U.S. relative to the rest of the world. And I think that starts to make a lot more sense. So, our ethylene is priced more locally and polyethylene is priced globally. And it's important to remember that distinction as we move through the year.

Nils-Bertil Wallin - CLSA Americas LLC

Got it. Understood. Now, certainly, polypropylene has seeing a significant jump in its margin through 2015, it seems like 2016 even in January, there was some margin expansion there too. Is there to – it's a kind of a two part question. At what point, will this encourage additional investment in the U.S., you think to build more capacity? And then, is there a chance that polypropylene is getting to expenses relative to say high-density polyethylene and it might encourage some inter-polymer substitution.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Well, I think in terms of expansion, first of all you have remember that from the time somebody decides they're going to expand it to takes two to three years to that polypropylene capacity. So, I think meaningful expansions as we sit here today likely not until back half of the 2018 and maybe 2019, something like that, if someone were to decide today.

In the near-term, polypropylene expansions have to come in concert with some thought about the source of propylene, and as we have more flexible crackers and propylene output varies, those who are going to expand have to take a view on where propylene prices are going and where the supply is going to come from.

So, my sense is that this year, people will probably take a look at that and see where we go. In the near-term, I don't think higher polypropylene prices will impact demand or substitution from polyethylene, we've seen these periods in the past. I think polypropylene is very competitively priced.

Nils-Bertil Wallin - CLSA Americas LLC

Got it. Thanks very much.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

All right. Thanks, guys.

Douglas J. Pike - Vice President, Investor Relations

Okay. I think we're about out of time. So, I think we'll have one more question, please. I apologize to anyone that we haven't been able to take their questions.

Operator

Thank you, speakers. Our last question is next from Alexander Laurence with Jefferies. Your line is now open.

Laurence Alexander - Jefferies LLC

Good morning. Just a quick one. As you look at the cadence of investment over the next four or five years, to what extent is that being regulated by engineering bandwidth? And is there a need to sort of improve the bandwidth or increase engineering capabilities into the next cycle? So, can you just give us a little bit of longer-term context on that?

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

Yeah. I think certainly, that has been the most challenging part of this construction cycle is the frontend engineering and so the industry or the EPC companies have added some of that capability. And if you think about our projects like the PO/TBA project and our polyethylene project, those are kind of on the backend of construction of the big crackers and so on.

So I think those projects will benefit from some slackening in demand, but not only engineering capability, but also for construction and commissioning and so on. So, I think, we're well placed and if you think about future cycles, the industry has certainly added capacity to be able to execute projects.

Laurence Alexander - Jefferies LLC

Thank you.

Bhavesh V. Patel - Chief Executive Officer & Chairman, Management Board

All right. Well thank you for all your thoughtful questions as always. Let me close with a few comments. First of all 2015 was a very challenging year, we had significant oil price decline, feedstock price volatility and uncertain outlook for global economic growth. Despite all of these headwinds, our portfolio continues to prove its resiliency and we delivered record results.

I think our focus on safety, operational reliability and cost efficiency continue to serve us very well and position us to outperform in a verity of market conditions. This focus has enabled robust free cash flow generation, which has been deployed in a very shareholder-friendly way through low cost, high value growth projects, strong regular dividend, and large stock buybacks. Going forward, our focus and priorities remain very consistent.

Thanks for your continued interest in our company.

Operator

Thank you, speakers. And that concludes today's conference. Thank you all for joining. You may now disconnect.

LyondellBasell (NYSE:LYB): Q4 EPS of $2.20 beats by $0.06.

Revenue of $7.07B (-31.3% Y/Y) misses by $530M.

Press Release

Comments (0)

LyondellBasell Reports Record 2015 Earnings

Feb 2, 2016

HOUSTON and LONDON, Feb. 2, 2016 /PRNewswire/ --

2015 Full Year Highlights

- **Record Earnings**
  - Income from continuing operations: $4.5 billion ($4.8 billion excluding LCM[1])
  - Diluted earnings per share: $9.60 per share ($10.35 per share excluding LCM)
  - EBITDA: $7.5 billion ($8.1 billion excluding LCM)
- **Advanced the Growth Program**
  - Completed a 250 million pound ethylene expansion at Channelview, Texas, the third in a series of planned expansions targeted to increase our U.S. ethylene capacity by approximately 25%
  - Added over 120 million pounds of polypropylene compounds capacity
- **Strong Cash Flow and Share Repurchases**
  - Full year cash generation from operations totaled $5.8 billion
  - Share repurchases and dividends totaled $6.1 billion
  - Repurchased 52 million shares or approximately 11% of the shares outstanding on January 1, 2015

Fourth Quarter 2015 Highlights

- Income from continuing operations: $797 million ($982 million excluding LCM)
- Diluted Earnings per share: $1.78 per share ($2.20 per share excluding LCM)
- EBITDA: $1.4 billion ($1.7 billion excluding LCM)
- Share repurchases and dividends totaled $1.6 billion; repurchased 12.7 million shares during the fourth quarter or approximately 3% of the shares outstanding on October 1, 2015

Comparisons with the prior quarter, fourth quarter 2014 and full year 2014 are available in the following table:

Table 1 - Earnings Summary

Millions of U.S. dollars (except share data)	**Three Months Ended**			**Year Ended**	
	December 31, 2015	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Sales and other operating revenues	$7,071	$8,334	$10,290	$32,735	$45,608
Net income(a)	795	1,186	791	4,474	4,168
Income from continuing operations(b)	797	1,189	796	4,479	4,172
Diluted earnings per share (U.S. dollars):					
Net income(c)	1.78	2.54	1.54	9.59	7.99
Income from continuing operations(b)	1.78	2.55	1.57	9.60	8.00
Diluted share count (millions)	446	463	499	466	521
EBITDA(d)	1,394	2,001	1,406	7,533	7,050
Excluding LCM Impact:					
LCM charges, pre-tax	284	181	715	548	760
Income from continuing operations	982	1,303	1,251	4,830	4,655
Diluted earnings per share (U.S. dollars):					
Income from continuing operations	2.20	2.80	2.48	10.35	8.92
EBITDA	1,678	2,182	2,121	8,081	7,810

(a) Includes net loss attributable to non-controlling interests and income (loss) from discontinued operations, net of tax. See Table 10.
(b) See Table 11 for charges and benefits to income from continuing operations.
(c) Includes diluted earnings per share attributable to discontinued operations.
(d) See the end of this release for an explanation of the Company's use of EBITDA and Table 8 for reconciliations of EBITDA to net income and income from continuing operations.

1 LCM stands for "lower of cost or market." An explanation of LCM and why we have excluded it from our financial information in this press release can be found at the end of this press release under "Information Related to Financial Measures."

LyondellBasell Industries (NYSE: LYB) today announced earnings from continuing operations for the fourth quarter 2015 of $797 million, or $1.78 per share. Fourth quarter 2014 EBITDA was $1.4 billion. The quarter included a $284 million non-cash, pre-tax charge for the impact of a lower of cost or market (LCM) inventory adjustment ($185 million after-tax). Excluding the LCM adjustment, earnings from continuing operations during the fourth quarter totaled $982 million, or $2.20 per share and EBITDA was $1.7 billion. Full year 2015 income from continuing operations was $4.5 billion, or $9.60 per share, and EBITDA was $7.5 billion. The full year included a non-cash, pre-tax LCM inventory adjustment of $548 million ($351 million after tax). Excluding the LCM adjustment, earnings from continuing operations for the full year totaled $4.8 billion, or $10.35 per share, and EBITDA was $8.1 billion.

"During 2015, LyondellBasell generated record earnings, advanced our growth program, and continued returning cash to shareholders at an industry-leading rate. Our company posted strong results, with record performance from our Olefins and Polyolefins - Europe, Asia and International, Intermediates and Derivatives, and Technology segments. Despite the challenging oil and gas environment, LyondellBasell's performance remained focused and steady. We continue to prove that we are capable of delivering strong results under a wide range of market conditions," said Bob Patel, LyondellBasell chief executive officer.

"During 2015 we continued to implement and expand our strategic programs. We completed a 250 million pound per year ethylene expansion and increased our polypropylene compounds capacity by 120 million pounds. We also advanced additional value-enhancing projects including a propylene oxide and tertiary butyl alcohol facility, an ethylene expansion at our Corpus Christi plant and U.S. polyethylene capacity," continued Patel.

"Our cash generation continued to be very strong in 2015 and we returned cash to shareholders through share repurchases and dividends totaling approximately $6.1 billion. Since initiating our dividend and share repurchases, we have paid approximately $9.2 billion in dividends and acquired approximately 25% of the then outstanding shares," Patel said.

OUTLOOK

"We are confident that our industry position and our continued focus on cost and operating discipline will serve us well under a variety of market conditions. While near-term industry performance will partially hinge on the direction of raw material costs and subsequent price responses, our growth positions remain advantaged, product demand continues to be good and our expansions are generating incremental earnings. During 2016 we plan to complete an 800 million pound ethylene expansion project, complete engineering for our one billion pound propylene oxide plant and finalize our polyethylene expansion plans. LyondellBasell will continue to prudently pursue value-creating expansions while maintaining focus on operational performance, earnings growth and shareholder value," Patel said.

LYONDELLBASELL BUSINESS RESULTS DISCUSSION BY REPORTING SEGMENT

LyondellBasell manages operations through five operating segments: 1) Olefins and Polyolefins – Americas; 2) Olefins and Polyolefins – Europe, Asia and International (EAI); 3) Intermediates and Derivatives; 4) Refining; and 5) Technology.

Comments and analysis represent underlying business activity and are exclusive of LCM inventory adjustments.

Olefins and Polyolefins - Americas (O&P-Americas) – The primary products of this segment include ethylene and its co-products (propylene, butadiene and benzene), polyethylene, polypropylene and *Catalloy* process resins.

Table 2 - O&P–Americas Financial Overview

	Three Months Ended			Year Ended	
Millions of U.S. dollars	**December 31, 2015**	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Operating income	$662	$740	$950	$3,256	$3,572
EBITDA	775	841	1,040	3,661	3,911
LCM charges, pre-tax	59	79	234	160	279
EBITDA excluding LCM adjustments	834	920	1,274	3,821	4,190

Three months ended December 31, 2015 versus three months ended September 30, 2015 –EBITDA decreased $86 million for the fourth quarter 2015 versus the third quarter 2015, excluding a favorable $20 million quarter to quarter variance as a result of LCM inventory adjustments. Compared to the prior period, underlying olefins results decreased approximately $130 million. This decrease was driven by lower ethylene and coproduct prices. Lower feedstock costs resulted in ethylene margins that were approximately 6 cents per pound lower than the third quarter 2015. Our ethylene plants operated at 95% of capacity. Combined polyolefin results increased by approximately $40 million. Polyethylene volumes remained strong while spreads were relatively unchanged. Polypropylene volumes declined due to operating issues while spreads over monomer improved by approximately 4 cents per pound. Joint venture equity income improved by $3 million.

Three months ended December 31, 2015 versus three months ended December 31, 2014 – EBITDA decreased $440 million versus the fourth quarter 2014, excluding a favorable $175 million quarter to quarter variance as a result of the LCM inventory adjustments. Olefin results accounted for the majority of the decline as quarterly EBITDA decreased approximately $660 million versus the prior year. Ethylene margins declined by approximately 28 cents per pound. Combined polyolefin results increased approximately $210 million versus the prior year period. Polyethylene volume improved by approximately 9 percent and spreads improved by approximately 6 cents per pound. Polypropylene spreads improved by approximately 12 cents per pound. Joint venture equity income improved by $10 million.

Full year ended December 31, 2015 versus full year ended December 31, 2014 – Segment EBITDA decreased $369 million versus 2014, excluding a favorable $119 million year to year variance as a result of the LCM inventory adjustments. Olefin results declined by approximately $970 million from the prior year. Ethylene margins declined by approximately 17 cents per pound versus 2014. Lower ethylene sales prices in 2015 were partially offset by lower feedstock costs. Production volume was approximately 14% higher as a result of the 2014 La Porte expansion and the absence of the 2014 La Porte turnaround. Combined polyolefin results increased approximately $570 million versus the prior year. Polyethylene spreads over ethylene improved approximately 5 cents per pound and volume increased approximately 5 percent following the 2014 Matagorda expansion. Polypropylene spreads improved by approximately 8 cents per pound. Equity income improved by $21 million versus the prior year due to stronger volumes and margins at our joint venture in Mexico.

Olefins and Polyolefins - Europe, Asia, International (O&P-EAI) – The primary products of this segment include ethylene and its co-products (propylene and butadiene), polyethylene, polypropylene, global polypropylene compounds, *Catalloy* process resins and Polybutene-1 resins.

Table 3 - O&P–EAI Financial Overview

	Three Months Ended			Year Ended	
Millions of U.S. dollars	**December 31, 2015**	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**

Operating income	$302	$412	$246	$1,309	$884
EBITDA	427	549	348	1,825	1,366
LCM charges, pre-tax	24	6	44	30	44
EBITDA excluding LCM adjustments	451	555	392	1,855	1,410

Three months ended December 31, 2015 versus three months ended September 30, 2015 – EBITDA decreased $104 million versus the record third quarter 2015, excluding an unfavorable $18 million quarter to quarter variance as a result of LCM inventory adjustments. Olefin results decreased approximately $130 million due to lower margins while ethylene volumes improved by approximately 4 percent. Combined polyolefin results improved by approximately $15 million and largely continued to maintain high spreads. Polypropylene compounds and polybutene-1 results improved by approximately $20 million. Equity income from joint ventures declined by $11 million.

Three months ended December 31, 2015 versus three months ended December 31, 2014 – EBITDA increased by $59 million versus the fourth quarter 2014, excluding a favorable $20 million quarter to quarter variance as a result of LCM inventory adjustments. Olefin results decreased by approximately $120 million primarily as a result of lower margins. Ethylene volume decreased by approximately 8 percent due to the turnaround at our Münchsmünster cracker in 2015. Combined polyolefin results increased approximately $150 million due to improved margins and higher volumes for both polyethylene and polypropylene. Polypropylene compounds and polybutene-1 results improved by approximately $20 million. Equity income from joint ventures increased by $12 million.

Full year ended December 31, 2015 versus full year ended December 31, 2014 – The segment achieved record EBITDA for the year. EBITDA increased $445 million versus 2014, excluding a favorable $14 million year to year variance as a result of LCM inventory adjustments. 2014 benefited from a $52 million environmental settlement that was recognized in the first quarter of 2014. Underlying olefin results increased approximately $25 million, as average feedstock price declines outweighed lower average product prices. Combined polyolefin results increased approximately $420 million compared to the prior year driven by strong demand leading to 7% higher volume and improving margins. Polypropylene compounds and polybutene-1 were relatively unchanged. Equity income from joint ventures increased by $54 million, driven by strong results from joint ventures in Poland and South Korea.

Intermediates and Derivatives (I&D) – The primary products of this segment include propylene oxide (PO) and its co-products (styrene monomer, tertiary butyl alcohol (TBA), isobutylene and tertiary butyl hydroperoxide), and derivatives (propylene glycol, propylene glycol ethers and butanediol); acetyls (including methanol), ethylene oxide and its derivatives, and oxyfuels.

Table 4 - I&D Financial Overview

	Three Months Ended			Year Ended	
Millions of U.S. dollars	**December 31, 2015**	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Operating income	$145	$403	$208	$1,224	$1,220
EBITDA	212	460	271	1,475	1,459
LCM charges, pre-tax	74	46	93	181	93
EBITDA excluding LCM adjustments	286	506	364	1,656	1,552

Three months ended December 31, 2015 versus three months ended September 30, 2015 – EBITDA decreased $220 million versus the record third quarter 2015, excluding an unfavorable $28 million quarter to quarter variance as a result of LCM inventory adjustments. Results for PO and PO derivatives decreased approximately $10 million. Intermediate chemicals results decreased by approximately $160 million, primarily due to declines in styrene and methanol margins and decreased acetyl volumes due to our extended La Porte turnaround. Oxyfuels results decreased approximately $60 million with typical seasonal margin declines. Equity income from joint ventures improved by $2 million.

Three months ended December 31, 2015 versus three months ended December 31, 2014 – EBITDA decreased $78 million versus the fourth quarter 2014, excluding a favorable $19 million quarter to quarter variance as a result of LCM inventory adjustments. Results for PO and PO derivatives improved by approximately $35 million. Intermediate chemicals results decreased by approximately $60 million driven by lower acetyls results from lower methanol margins and lower acetyl volumes as a result of our 2015 La Porte turnaround. Oxyfuels decreased approximately $55 million primarily as a result of unseasonably high margins during the fourth quarter of 2014. Equity income from joint ventures increased by $1 million.

Full year ended December 31, 2015 versus full year ended December 31, 2014 – The segment achieved record EBITDA for 2015. EBITDA increased $104 million versus 2014, excluding an unfavorable $88 million year to year variance as a result of LCM inventory adjustments. PO and PO derivatives results increased approximately $40 million due to slightly higher volumes. Intermediate chemicals results improved by approximately $120 million due to improved styrene margins that were partially offset by lower methanol and vinyl acetate margins. Oxyfuels results declined by approximately $60 million compared to the prior year as strong octane spreads over butane and 15% higher volumes partially offset a decline in gasoline prices. Equity income from joint ventures increased by $7 million.

Refining – The primary products of this segment include gasoline, diesel fuel, heating oil, jet fuel, and petrochemical raw materials.

Table 5 - Refining Financial Overview

	Three Months Ended			Year Ended	
Millions of U.S. dollars	**December 31, 2015**	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Operating income (loss)	($101)	$52	($354)	$144	($106)
EBITDA	(59)	93	(311)	342	65
LCM charges, pre-tax	127	50	344	177	344
EBITDA excluding LCM adjustments	68	143	33	519	409

Three months ended December 31, 2015 versus three months ended September 30, 2015 – EBITDA decreased $75 million versus the third quarter 2014, excluding an unfavorable $77 million quarter to quarter variance as a result of LCM inventory adjustments. The Houston refinery operated at 206,000 barrels per day, down 43,000 barrels per day from the prior quarter due to unplanned repairs on several major units. The Maya 2-1-1 industry benchmark crack spread decreased by $4.22 per barrel, averaging $18.55 per barrel. The cost of Renewable Identification Numbers (RINs) to meet U.S. renewable fuel standards increased by approximately $10 million versus the third quarter 2015.

Three months ended December 31, 2015 versus three months ended December 31, 2014 – EBITDA increased $35 million versus the fourth quarter 2014, excluding a favorable $217 million quarter to quarter variance as a result of LCM inventory adjustments. Fourth quarter 2015 throughput was down by 60,000 barrels per day from the prior year period. The Maya 2-1-1 industry benchmark crack spread increased by $0.83 per barrel, averaging $18.55 per barrel. Compared to the 2014 period, refinery margins decreased. The cost of RINs was relatively unchanged relative to the fourth quarter 2014.

Full year ended December 31, 2015 versus full year ended December 31, 2014 – EBITDA increased $110 million versus 2014, excluding a favorable $167 million year to year variance as a result of LCM inventory adjustments. Throughput at the Houston Refinery averaged 238,000 barrels per day, down 21,000 barrels per day. The Maya 2-1-1 industry benchmark crack spread decreased by $2.13 per barrel, averaging $22.30 per barrel. The refinery benefited from improved secondary product margins and higher Canadian crude volumes. The cost of RINs was relatively unchanged in 2015 relative to 2014.

Technology Segment – The principal products of the Technology segment include polyolefin catalysts and production process technology licenses and related services.

Table 6 - Technology Financial Overview

	Three Months Ended			Year Ended	
Millions of U.S. dollars	**December 31, 2015**	**September 30, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Operating income	$54	$34	$29	$197	$171
EBITDA	65	45	44	243	232

Three months ended December 31, 2015 versus three months ended September 30, 2015 – EBITDA increased by $20 million driven by the timing of licensing revenue in the fourth quarter and favorable catalyst volumes.

Three months ended December 31, 2015 versus three months ended December 31, 2014 – EBITDA increased by $21 million due to higher catalyst volumes.

Full year ended December 31, 2015 versus full year ended December 31, 2014 – EBITDA exceeded 2014 by $11 million, improving to a record level.

Capital Spending and Cash Balances

Capital expenditures, including growth projects, maintenance turnarounds, catalyst and information technology-related expenditures, were $483 million during the fourth quarter 2015 and $1.4 billion for the full year 2015. Our cash and liquid investment balance was $2.4 billion at December 31, 2015. We repurchased 12.7 million ordinary shares during the fourth quarter 2015 and 51.8 million shares during 2015. There were 440 million common shares outstanding as of December 31, 2015. The company paid dividends of $1.4 billion during 2015.

CONFERENCE CALL

LyondellBasell will host a conference call February 2 at 11 a.m. ET. Participants on the call will include Chief Executive Officer Bob Patel, Executive Vice President and Chief Financial Officer Thomas Aebischer, Senior Vice President - Strategic Planning and Transactions Sergey Vasnetsov, and Vice President of Investor Relations Doug Pike.

The toll-free dial-in number in the U.S. is 888-677-1826. A complete listing of toll-free numbers by country is available at www.lyb.com/teleconference for international callers. The pass code for all numbers is 4843334.

The slides and webcast that accompany the call will be available at http://www.lyb.com/earnings.

A replay of the call will be available from 2 p.m. ET February 2 until March 2 at 11:59 p.m. ET. The replay dial-in numbers are 866-465-1311 (U.S.) and +1 203-369-1427 (international). The pass code for each is 22160.

ABOUT LYONDELLBASELL

LyondellBasell (NYSE: LYB) is one of the world's largest plastics, chemical and refining companies and a member of the S&P 500. LyondellBasell (www.lyb.com) manufactures products at 56 sites in 19 countries. LyondellBasell products and technologies are used to make items that improve the quality of life for people around the world including packaging, electronics, automotive parts, home furnishings, construction materials and biofuels.

FORWARD-LOOKING STATEMENTS

The statements in this release and the related teleconference relating to matters that are not historical facts are forward-looking statements. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual results could differ materially based on factors including, but not limited to, the business cyclicality of the chemical, polymers and refining industries; the availability, cost and price volatility of raw materials and utilities, particularly the cost of oil, natural gas, and associated natural gas liquids; competitive product and pricing pressures; labor conditions; our ability to attract and retain key personnel; operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, supplier disruptions, labor shortages, strikes, work stoppages or other labor difficulties, transportation interruptions, spills and releases and other environmental risks); the supply/demand balances for our and our joint ventures' products, and the related effects of industry production capacities and operating rates; our ability to achieve expected cost savings and other synergies; our ability to successfully execute projects and growth strategies; legal and environmental proceedings; tax rulings, consequences or proceedings; technological developments, and our ability to develop new products and process technologies; potential governmental regulatory actions; political unrest and terrorist acts; risks and uncertainties posed by international operations, including foreign currency fluctuations; and our ability to comply with debt covenants and service our debt. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the "Risk Factors" section of our Form 10-K for the year ended December 31, 2014, which can be found at www.lyb.com on the Investor Relations page and on the Securities and Exchange Commission's website at www.sec.gov.

INFORMATION RELATED TO FINANCIAL MEASURES

This release makes reference to certain "non-GAAP" financial measures as defined in Regulation G of the U.S. Securities Exchange Act of 1934, as amended. The non-GAAP measures we have presented include income from continuing operations excluding LCM, diluted earnings per share excluding LCM, EBITDA and EBITDA excluding LCM. LCM stands for "lower of cost or market," which is an accounting rule consistent with GAAP related to the valuation of inventory. Our inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out ("LIFO") inventory valuation methodology, which means that the most recently incurred costs are charged to cost of sales and inventories are valued at the earliest acquisition costs. Market is determined based on an assessment of the current estimated replacement cost and selling price of the inventory. In periods where the market price of our inventory declines substantially, cost values of inventory may be higher than the market value, which results in us writing down the value of inventory to market value in accordance with the LCM rule, consistent with GAAP. This adjustment is related to our use of LIFO accounting and the recent decline in pricing for many of our raw material and finished goods inventories. We report our financial results in accordance with U.S. generally accepted accounting principles, but believe that certain non-GAAP financial measures, such as EBITDA and earnings and EBITDA excluding LCM, provide useful supplemental information to investors regarding the underlying business trends and performance of the company's ongoing operations and are useful for period-over-period comparisons of such operations. Non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the financial measures prepared in accordance with GAAP.

EBITDA, as presented herein, may not be comparable to a similarly titled measure reported by other companies due to differences in the way the measure is calculated. We calculate EBITDA as income from continuing operations plus interest expense (net), provision for (benefit from) income taxes, and depreciation & amortization. EBITDA should not be considered an alternative to profit or operating profit for any period as an indicator of our performance, or as an alternative to operating cash flows as a measure of our liquidity. We have also presented financial information herein exclusive of adjustments for LCM.

Quantitative reconciliations of EBITDA to net income, the most comparable GAAP measure, are provided in Table 8 at the end of this release.

OTHER FINANCIAL MEASURE PRESENTATION NOTES

This release contains time sensitive information that is accurate only as of the time hereof. Information contained in this release is unaudited and subject to change. LyondellBasell undertakes no obligation to update the information presented herein except to the extent required by law.

Table 7 - Reconciliation of Segment Information to Consolidated Financial Information [(a)]

	2014					2015				
(Millions of U.S. dollars)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	YTD
Sales and other operating revenues:										
Olefins & Polyolefins - Americas	$ 3,357	$ 3,462	$ 3,750	$ 3,379	$ 13,948	$ 2,551	$ 2,679	$ 2,516	$ 2,218	$ 9,964
Olefins & Polyolefins - EAI	3,778	4,069	3,995	3,361	15,203	2,911	3,061	2,932	2,672	11,576
Intermediates & Derivatives	2,429	2,706	2,691	2,304	10,130	1,918	2,159	2,039	1,656	7,772
Refining	2,756	3,250	3,146	2,558	11,710	1,607	2,102	1,693	1,155	6,557
Technology	136	144	107	110	497	136	107	100	122	465
Other/elims	(1,321)	(1,514)	(1,623)	(1,422)	(5,880)	(938)	(963)	(946)	(752)	(3,599)
Continuing Operations	$ 11,135	$ 12,117	$ 12,066	$ 10,290	$ 45,608	$ 8,185	$ 9,145	$ 8,334	$ 7,071	$ 32,735
Operating income (loss):										
Olefins & Polyolefins - Americas	$ 656	$ 898	$ 1,068	$ 950	$ 3,572	$ 934	$ 920	$ 740	$ 662	$ 3,256
Olefins & Polyolefins - EAI	225	190	223	246	884	236	359	412	302	1,309
Intermediates & Derivatives	316	375	321	208	1,220	271	405	403	145	1,224
Refining	86	95	67	(354)	(106)	74	119	52	(101)	144
Technology	60	56	26	29	171	64	45	34	54	197
Other	(3)	(1)	1	(2)	(5)	(4)	(3)	9	(10)	(8)
Continuing Operations	$ 1,340	$ 1,613	$ 1,706	$ 1,077	$ 5,736	$ 1,575	$ 1,845	$ 1,650	$ 1,052	$ 6,122
Depreciation and amortization:										
Olefins & Polyolefins - Americas	$ 73	$ 74	$ 84	$ 85	$ 316	$ 86	$ 85	$ 87	$ 95	$ 353
Olefins & Polyolefins - EAI	70	67	65	46	248	55	54	54	56	219
Intermediates & Derivatives	55	56	55	59	225	60	56	55	62	233
Refining	42	42	42	43	169	74	40	41	41	196
Technology	16	15	16	14	61	12	12	11	11	46
Continuing Operations	$ 256	$ 254	$ 262	$ 247	$ 1,019	$ 287	$ 247	$ 248	$ 265	$ 1,047
EBITDA: [(b)]										
Olefins & Polyolefins - Americas	$ 736	$ 978	$ 1,157	$ 1,040	$ 3,911	$ 1,031	$ 1,014	$ 841	$ 775	$ 3,661
Olefins & Polyolefins - EAI	356	319	343	348	1,366	357	492	549	427	1,825
Intermediates & Derivatives	375	430	383	271	1,459	337	466	460	212	1,475
Refining	129	137	110	(311)	65	149	159	93	(59)	342
Technology	76	71	41	44	232	76	57	45	65	243
Other	(4)	6	1	14	17	2	(2)	13	(26)	(13)

	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 Total	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2015 YTD
Continuing Operations	$ 1,668	$ 1,941	$ 2,035	$ 1,406	$ 7,050	$ 1,952	$ 2,186	$ 2,001	$ 1,394	$ 7,533
Capital, turnarounds and IT deferred spending:										
Olefins & Polyolefins - Americas	$ 231	$ 306	$ 208	$ 167	$ 912	$ 149	$ 140	$ 159	$ 220	$ 668
Olefins & Polyolefins - EAI	33	27	45	86	191	38	27	49	72	186
Intermediates & Derivatives	45	52	50	94	241	76	76	135	154	441
Refining	32	20	27	44	123	33	28	23	24	108
Technology	2	6	6	11	25	6	3	7	8	24
Other	- -	4	2	1	7	4	4	- -	5	13
Continuing Operations	$ 343	$ 415	$ 338	$ 403	$ 1,499	$ 306	$ 278	$ 373	$ 483	$ 1,440

(a) EBITDA as presented herein includes the impacts of pre-tax LCM charges of $45 million and $715 million in the third and fourth quarters of 2014, respectively. EBITDA includes pre-tax LCM charges of $92 million, $181 million and $284 million for the first, third and fourth quarters of 2015, respectively. EBITDA for the second quarter of 2015 includes a pre-tax LCM benefit of $9 million for the partial reversal of the first quarter 2015 LCM adjustment. See Tables 2 through 6 for LCM adjustments recorded for each segment.

(b) See Table 8 for EBITDA calculation.

Table 8 - EBITDA Calculation

	2014					2015				
(Millions of U.S. dollars)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	YTD
Net income [(a)]	$ 944	$ 1,176	$ 1,257	$ 791	$ 4,168	$ 1,164	$ 1,329	$ 1,186	$ 795	$ 4,474
(Income) loss from discontinued operations, net of tax	(1)	(3)	3	5	4	3	(3)	3	2	5
Income from continuing operations[(a)]	**943**	**1,173**	**1,260**	**796**	**4,172**	**1,167**	**1,326**	**1,189**	**797**	**4,479**
Provision for income taxes	383	425	434	298	1,540	440	541	487	262	1,730
Depreciation and amortization	256	254	262	247	1,019	287	247	248	265	1,047
Interest expense, net	86	89	79	65	319	58	72	77	70	277
EBITDA[(b)]	**$ 1,668**	**$ 1,941**	**$ 2,035**	**$ 1,406**	**$ 7,050**	**$ 1,952**	**$ 2,186**	**$ 2,001**	**$ 1,394**	**$ 7,533**

(a) Amounts presented herein include after-tax LCM charges of $28 million and $455 million in the third and fourth quarters of 2014, respectively. The impacts of after-tax LCM charges were $58 million, $114 million and $185 million in the first, third and fourth quarters of 2015, respectively. The second quarter of 2015 includes an after-tax benefit of $6 million for the partial reversal of the first quarter 2015 LCM adjustment resulting from price recoveries during the period.

(b) EBITDA as presented herein includes the impacts of pre-tax LCM charges of $45 million and $715 million in the third and fourth quarters of 2014, respectively. EBITDA includes impacts of pre-tax LCM charges of $92 million, $181 million and $284 million in the first, third and fourth quarters of 2015, respectively. The second quarter of 2015 includes a pre-tax LCM benefit of $9 million for the partial reversal of the first quarter 2015 LCM adjustment.

Table 9 - Selected Segment Operating Information

	2014					2015				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	YTD
Olefins and Polyolefins - Americas										
Volumes (million pounds)										
Ethylene produced	1,979	1,721	2,301	2,458	8,459	2,364	2,415	2,514	2,391	9,684
Propylene produced	611	648	559	719	2,537	805	740	697	798	3,040
Polyethylene sold	1,517	1,363	1,603	1,451	5,934	1,473	1,575	1,577	1,578	6,203
Polypropylene sold	627	605	681	592	2,505	627	698	662	606	2,593
Benchmark Market Prices										
West Texas Intermediate crude oil (USD per barrel)	98.61	102.99	97.25	73.20	92.91	48.57	57.95	45.36	42.16	48.71
Light Louisiana Sweet ("LLS") crude oil (USD per barrel)	104.36	105.55	101.03	76.58	96.92	52.84	62.93	50.20	43.53	52.36
Natural gas (USD per million BTUs)	5.01	4.74	4.19	4.09	4.51	2.76	2.76	2.72	2.11	2.57
U.S. weighted average cost of ethylene production (cents/pound)	20.0	17.1	14.5	10.5	15.4	10.2	9.7	9.6	10.9	10.1
U.S. ethylene (cents/pound)	48.3	47.2	51.8	44.8	48.0	34.8	34.2	30.3	27.5	31.7
U.S. polyethylene [high density] (cents/pound)	76.3	77.0	78.0	76.7	77.0	65.7	67.3	64.3	57.0	63.6
U.S. propylene (cents/pound)	73.3	69.7	70.8	69.8	70.9	49.7	41.7	33.2	31.3	39.0
U.S. polypropylene [homopolymer] (cents/pound)	88.3	84.7	86.3	85.8	86.3	67.7	61.7	59.3	62.7	62.8

Olefins and Polyolefins - Europe, Asia, International

Volumes (million pounds)

Ethylene produced	989	1,024	1,039	1,059	4,111	1,007	1,047	944	978	3,976
Propylene produced	582	617	629	618	2,446	600	632	575	575	2,382
Polyethylene sold	1,275	1,363	1,284	1,254	5,176	1,533	1,360	1,304	1,379	5,576
Polypropylene sold	1,509	1,707	1,633	1,561	6,410	1,817	1,529	1,673	1,757	6,776
Benchmark Market Prices (€0.01 per pound)										
Western Europe weighted average cost of ethylene production	32.9	34.3	31.5	18.2	29.2	22.9	23.2	14.4	22.5	20.8
Western Europe ethylene	54.7	52.8	54.1	48.7	52.6	39.3	47.1	46.6	41.4	43.6
Western Europe polyethylene [high density]	56.1	54.8	55.4	51.5	54.5	45.2	60.6	61.2	56.9	56.0
Western Europe propylene	51.3	52.2	51.9	46.5	50.5	37.1	44.4	41.7	31.0	38.5
Western Europe polypropylene [homopolymer]	59.9	61.3	61.4	57.0	59.9	49.8	62.5	59.3	47.4	54.7
Intermediates and Derivatives										
Volumes (million pounds)										
Propylene oxide and derivatives	772	726	768	781	3,047	870	751	697	682	3,000
Ethylene oxide and derivatives	262	319	211	226	1,018	268	312	282	237	1,099
Styrene monomer	683	870	933	870	3,356	903	735	904	889	3,431
Acetyls	683	592	613	619	2,507	547	810	733	623	2,713
TBA Intermediates	416	391	461	384	1,652	433	321	421	371	1,546
Volumes (million gallons)										
MTBE/ETBE	188	266	245	216	915	229	299	268	258	1,054
Benchmark Market Margins (cents per gallon)										
MTBE - Northwest Europe	63.4	90.7	111.8	109.1	94.0	64.0	106.0	119.0	49.8	85.1
Refining										
Volumes (thousands of barrels per day)										
Heavy crude oil processing rate	247	257	264	266	259	241	255	249	206	238
Benchmark Market Margins										
Light crude oil - 2-1-1	13.18	17.29	14.20	8.50	13.32	15.02	16.42	15.29	9.44	14.04
Light crude oil - Maya differential	15.08	9.72	10.15	9.22	11.11	8.72	7.56	7.48	9.11	8.26

Source: LYB and third party consultants

Note: Benchmark market prices for U.S. and Western Europe polyethylene and polypropylene reflect discounted prices. Volumes presented represent third party sales of selected key products.

Table 10 - Unaudited Income Statement Information

	2014					2015				
(Millions of U.S. dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**YTD**
Sales and other operating revenues	$ 11,135	$ 12,117	$ 12,066	$ 10,290	$ 45,608	$ 8,185	$ 9,145	$ 8,334	$ 7,071	$ 32,735
Cost of sales[(a)]	9,577	10,255	10,118	8,989	38,939	6,379	7,047	6,465	5,792	25,683
Selling, general and administrative expenses	186	215	211	194	806	205	228	194	201	828
Research and development expenses	32	34	31	30	127	26	25	25	26	102
Operating income[(a)]	1,340	1,613	1,706	1,077	5,736	1,575	1,845	1,650	1,052	6,122
Income from equity investments	61	68	64	64	257	69	90	93	87	339
Interest expense, net	(86)	(89)	(79)	(65)	(319)	(58)	(72)	(77)	(70)	(277)
Other income, net	11	6	3	18	38	21	4	10	(10)	25
Income from continuing operations before income taxes[(a)]	1,326	1,598	1,694	1,094	5,712	1,607	1,867	1,676	1,059	6,209
Provision for income taxes	383	425	434	298	1,540	440	541	487	262	1,730
Income from continuing operations[(b)]	943	1,173	1,260	796	4,172	1,167	1,326	1,189	797	4,479
Income (loss) from discontinued operations, net of tax	1	3	(3)	(5)	(4)	(3)	3	(3)	(2)	(5)
Net income[(b)]	944	1,176	1,257	791	4,168	1,164	1,329	1,186	795	4,474
Net (income) loss attributable to non-controlling interests	1	2	1	2	6	2	1	(1)	- -	2
Net income attributable to the Company shareholders[(b)]	$ 945	$ 1,178	$ 1,258	$ 793	$ 4,174	$ 1,166	$ 1,330	$ 1,185	$ 795	$ 4,476

(a) Amounts presented herein include pre-tax LCM charges of $45 million and $715 million in the third and fourth quarters of 2014, respectively. The impacts of pre-tax LCM charges were $92 million, $181 million and $284 million in the first, third and fourth quarters of 2015, respectively. The second quarter of 2015 includes a pre-tax benefit of $9 million for the partial reversal of the first quarter 2015 LCM adjustment resulting from price recoveries during the period.

(b) Amounts presented herein include after tax LCM charges of $28 million and $455 million in the third and fourth quarters of 2014, respectively. The impacts of after tax LCM were $58 million, $114 million and $185 million in the first, third and fourth quarters of 2015, respectively. The second quarter of 2015 includes an after tax benefit of $6 million for the partial reversal of the first quarter 2015 LCM adjustment discussed above.

Table 11 - Charges (Benefits) Included in Income from Continuing Operations

	2014					2015				
Millions of U.S. dollars (except share data)	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**YTD**
Pretax charges (benefits):										
Settlement of environmental indemnification agreement	$ (52)	$ - -	$ - -	$ - -	$ (52)	$ - -	$ - -	$ - -	$ - -	$ - -
Lower of cost or market inventory adjustment	- -	- -	45	715	760	92	(9)	181	284	548
Emission allowance credits, amortization	- -	- -	- -	- -	- -	35	- -	- -	- -	35
Total pretax charges (benefits)	(52)	- -	45	715	708	127	(9)	181	284	583
Provision for (benefit from) income tax related to these items	- -	- -	(17)	(260)	(277)	(47)	3	(67)	(99)	(210)
After-tax effect of net charges (benefits)	$ (52)	$ - -	$ 28	$ 455	$ 431	$ 80	$ (6)	$ 114	$ 185	$ 373
Effect on diluted earnings per share	$ 0.09	$ - -	$ (0.05)	$ (0.91)	$ (0.82)	$ (0.17)	$ 0.02	$ (0.25)	$ (0.42)	$ (0.80)

Table 12 - Unaudited Cash Flow Information

	2014					2015				
(Millions of U.S. dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**YTD**
Net cash provided by operating activities	$ 801	$ 1,797	$ 1,434	$ 2,016	$ 6,048	$ 1,468	$ 1,446	$ 1,768	$ 1,160	$ 5,842
Net cash provided by (used in) investing activities	(2,011)	(246)	(638)	(636)	(3,531)	(443)	(727)	67	52	(1,051)
Net cash used in financing activities	(550)	(2,217)	(1,621)	(1,519)	(5,907)	(401)	(1,021)	(1,684)	(1,744)	(4,850)

Table 13 - Unaudited Balance Sheet Information

(Millions of U.S. dollars)	**March 31, 2014**	**June 30, 2014**	**September 30, 2014**	**December 31, 2014**	**March 31, 2015**	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**
Cash and cash equivalents	$ 2,702	$ 2,030	$ 1,185	$ 1,031	$ 1,616	$ 1,325	$ 1,474	$ 924
Restricted cash	3	2	- -	2	2	3	1	7
Short-term investments	1,402	1,299	1,544	1,593	1,478	1,989	1,602	1,064
Accounts receivable, net	4,141	4,264	4,105	3,448	3,089	3,373	2,924	2,517
Inventories	5,589	5,326	5,359	4,517	4,267	4,179	4,138	4,051
Prepaid expenses and other current assets[(a)]	1,156	784	739	1,054	1,195	1,121	1,059	1,226
Total current assets	14,993	13,705	12,932	11,645	11,647	11,990	11,198	9,789
Property, plant and equipment, net	8,556	8,740	8,600	8,758	8,430	8,636	8,793	8,991
Investments and long-term receivables:								
Investment in PO joint ventures	424	418	397	384	373	357	357	397
Equity investments	1,693	1,702	1,690	1,636	1,581	1,612	1,602	1,608
Other investments and long-term receivables	62	58	54	44	38	126	125	122
Goodwill	605	602	576	566	533	543	543	536
Intangible assets, net	870	838	799	769	695	671	644	640
Other assets [(a)(b)]	556	528	520	419	637	600	605	674
Total assets	$ 27,759	$ 26,591	$ 25,568	$ 24,221	$ 23,934	$ 24,535	$ 23,867	$ 22,757
Current maturities of long-term debt	$ 3	$ 3	$ 2	$ 4	$ 4	$ 3	$ 3	$ 4
Short-term debt	58	55	56	346	514	582	573	353
Accounts payable	3,642	3,690	3,431	3,064	2,631	2,755	2,450	2,182
Accrued liabilities	1,477	1,310	1,460	1,554	1,482	1,455	1,784	1,810
Deferred income taxes[(a)]	540	570	685	469	429	434	383	- -
Total current liabilities	5,720	5,628	5,634	5,437	5,060	5,229	5,193	4,349
Long-term debt [(b)]	6,698	6,701	6,690	6,695	7,677	7,658	7,674	7,671
Other liabilities	1,838	1,851	1,795	2,122	2,038	2,063	2,044	2,036
Deferred income taxes[(a)]	1,677	1,623	1,574	1,623	1,653	1,635	1,604	2,127
Stockholders' equity	11,791	10,753	9,843	8,314	7,478	7,927	7,328	6,550

Non-controlling interests	35	35	32	30	28	23	24	24
Total liabilities and stockholders' equity	$ 27,759	$ 26,591	$ 25,568	$ 24,221	$ 23,934	$ 24,535	$ 23,867	$ 22,757

(a) Our prospective adoption of ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, in December 2015 resulted in the classification of our deferred taxes as of December 2015 as noncurrent.

(b) In December 2015, we adopted ASU 2015-03, *Interest–Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires the presentation of deferred issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. In December 2015, we also adopted, ASU 2015-15, *Interest–Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, which allows the classification of debt issuance costs related to line-of-credit arrangements as an asset to be amortized over the term of the agreement. Accordingly, we have revised our presentation of long term debt for each period presented.

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LyondellBasell CEO predicts tight PE market in 1H '16

02 February 2016 19:45 Source: **ICIS News**

HOUSTON (ICIS)--LyondellBasell's chief executive on Tuesday predicted a tight polyethylene (/chemicals/polyethylene/) (PE) market in the first half this year but backed off from saying how it would affect pricing of the most popular polymer.

In an earnings conference call, chief executive Bob Patel was asked if he thought PE prices in the US would drop 5 cents/lb in coming months.

Patel said he expected the US PE market to be fairly tight in the first half this year because of a heavy turnaround schedule in the second quarter.

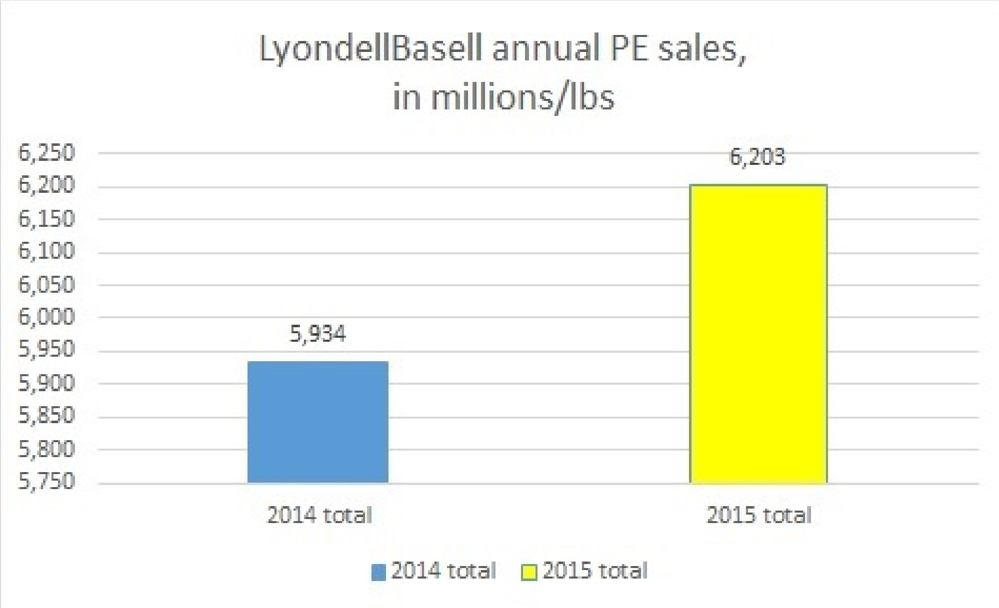
"I don't know where PE prices are going to go, but I think markets are fairly balanced," Patel said.

PE monthly contract prices fell 3 cents/lb in January (https://www.icis.com/subscriber/news/2016/01/28/9965024/us-pe-jan-drops-3-cents-lb-on-too-much-supply/). Lower prices have spurred LyondellBasell's PE sales, which increased 4.5% during 2015, according to company data released this week.

Market sources expect PE prices to drop again soon, and probably throughout the year, because of new capacity coming online from a number of ethylene (/chemicals/ethylene/) cracker projects that also have PE plants attached.

LyondellBasell also has plans for new PE capacity. Patel said the company is planning a 1bn lb (453,600 tonne) PE expansion, though he would not give the location. He did say LyondellBasell is actively studying debottleneck and expansion ideas.

"That's an area we'll expand in the future first," Patel said.



According to a 2013 air permit application (https://www.icis.com/subscriber/news/2015/12/01/9949501/lyondellbasell-ceo-outlines-big-plant-plans/), LyondellBasell said it would build a PE plant with 1bn lb/year of nameplate capacity at its complex in La Porte, Texas. Patel said the PE project would be running by late 2018-19.

By **Lane Kelley (mailto:icisnews.americas@icis.com)**

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08 February 2016 23:12 US PE inventory down in Dec, final months of 2015 (/resources/news/2016/02/08/9967939/us-pe-inventory-down-in-dec-final-months-of-2015/)

TAB 7

Description of Qualified Investment

Equistar Chemicals, LP proposes to construct a new polyethylene unit at its La Porte manufacturing facility located at 1515 Miller Cut-Off in La Porte, Texas. The project includes the design and construction of a 1 billion pound per year polyethylene unit along with related infrastructure and logistics. The plant will manufacture polyethylene resin which is used in products such as plastic pipe, merchandise bags, milk jugs, food and beverage containers, household chemical and detergent bottles, pails and drums.

Construction is proposed to commence in 1Q 2017 with completion estimated in 2Q 2019. The proposed improvements for which the tax limitation is sought will include one (1) polyethylene unit along with all process infrastructure and auxiliary equipment, including but not limited to, compressors, drums, vessels, heat exchangers, pumps, filters, reactors, packaged systems, blowers and fans, dryers, dust collection units, mixers, feeders, extruder, rotary valves, scales, trolleys and hoists, utility service lines, storage tanks, blending silos, electrical switchgear, transformers, substations, instrumentation, equipment and structural foundations including supports, control equipment and facilities, warehouses, raw material and utility distribution improvements, flare, cooling towers, inter-plant piping and utilities, tie-ins, upgrades and revamps to existing facilities, road improvements, control building, fire prevention and safety equipment, railroad tracks, railroad switches, rail car loading equipment, rail car washing buildings and equipment, any other tangible personal property utilized in the process, storage, quality control, shipping, waste management and general operation of the polyethylene unit and any other infrastructure additions, upgrades and modifications related to the polyethylene unit.

TAB 8

Description of Qualified Property

Equistar Chemicals, LP proposes to construct a new polyethylene unit at its La Porte manufacturing facility located at 1515 Miller Cut-Off in La Porte, Texas. The project includes the design and construction of a 1 billion pound per year polyethylene unit along with related infrastructure and logistics. The plant will manufacture polyethylene resin which is used in products such as plastic pipe, merchandise bags, milk jugs, food and beverage containers, household chemical and detergent bottles, pails and drums.

Construction is proposed to commence in 1Q 2017 with completion estimated in 2Q 2019. The proposed improvements for which the tax limitation is sought will include one (1) polyethylene unit along with all process infrastructure and auxiliary equipment, including but not limited to, compressors, drums, vessels, heat exchangers, pumps, filters, reactors, packaged systems, blowers and fans, dryers, dust collection units, mixers, feeders, extruder, rotary valves, scales, trolleys and hoists, utility service lines, storage tanks, blending silos, electrical switchgear, transformers, substations, instrumentation, equipment and structural foundations including supports, control equipment and facilities, warehouses, raw material and utility distribution improvements, flare, cooling towers, inter-plant piping and utilities, tie-ins, upgrades and revamps to existing facilities, road improvements, control building, fire prevention and safety equipment, railroad tracks, railroad switches, rail car loading equipment, rail car washing buildings and equipment, any other tangible personal property utilized in the process, storage, quality control, shipping, waste management and general operation of the polyethylene unit and any other infrastructure additions, upgrades and modifications related to the polyethylene unit.