Taking Care of Our Own:

How Democrats, Republicans, Business, and Labor Saved Thousands of Jobs and Our Refineries

Patrick Kerkstra

Center on Regional Politics
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Delaware County Daily Times/Julia Wilkinson

Refinery supporters march in Marcus Hook in November 2011.

I’ve been knocking on the door that holds the throne
I’ve been looking for the map that leads me home
I’ve been stumbling on good hearts turned to stone
The road of good intentions has gone dry as a bone

We take care of our own
We take care of our own
Wherever this flag’s flown
We take care of our own

- Bruce Springsteen, “We Take Care Of Our Own”

CONTENTS

FOREWORD

"It's just astounding." Those are the final words in Patrick Kerkstra's story of how, against long odds, the oil refineries on the Schuylkill and Delaware Rivers were saved from closures that would have jeopardized the livelihoods of thousands of workers and their families, destroyed whole communities, and severely damaged the regional economy.

Temple University's Center on Regional Politics commissioned this case study to document – and, yes, dramatize -- an all-too-rare example of how political, business, and labor leaders -- and the threatened workers themselves -- "worked across the lines that so often divide the region and the nation" to avert an economic and social calamity.

And not just to avert disaster but perhaps to begin a new and hopeful chapter in our proud and almost forgotten history as a great port, distribution hub, and manufacturing center -- one that now seems poised to exploit its proximity to abundant and cheap natural gas.

Patrick highlights appropriate lessons: the importance of skilled leadership in an era of populist discontent with leaders, a willingness to compromise and change rather than cling to the past, and the vital role of trust among partisans who put aside their legitimate differences to take care of the region's own.

Elsewhere in Bruce Springsteen's anthem of protest and affirmation that inspired the title of this study, he sings, "We yelled 'help' but the cavalry stayed home." We know federal largesse is not on the way. As this is written in late December 2012, we just hope that the cavalry doesn't go off the cliff.

The reality is that it's up to cities, states, and regions like ours to make the tough decisions necessary to succeed in an increasingly competitive global economy. Most of our challenges won't have the dramatic structure of this story. The politics of public policy is more like Max Weber's description -- "a strong and slow boring of hard boards" -- than a race to the finish line. Indeed, even in this story, work remains to be done; there is no finish line.

The question is whether we have the intelligence and the will to make our taxes more competitive, our services more efficient, our schools more productive, our health and social programs more responsive, our cost of doing business lower, and our infrastructure sounder when our backs are not against the wall.

As we drill into those hard boards, it is worth remembering this story's most important lesson: We can take care of our own.

Joseph P. McLaughlin, Director
Temple University Center on Regional Politics
December 21, 2012

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Portraits by Kellie McGinn

CHAPTER ONE
The Flares Are Still Burning

On a misty late afternoon in early December, the oil refinery near the mouth of the Schuylkill River in South Philadelphia was working at full capacity, just as it has for most of the last 142 years. The facility - the largest on the East Coast - would produce about 12.5 million gallons of fuel that day, enough to fill the tanks of nearly half a million cars and to power about 5,000 there-and-back bus trips between Philadelphia and San Francisco.

From a distance, the 1,400 acre refinery looks to many regional residents like a relic of Philadelphia's industrial past, a sprawling, ugly complex occupying a Center City-sized chunk of what could be prime riverfront real estate. But up close, there is a strange beauty to the refinery. Steam rises from countless release points. The fires burning atop the line of flare stacks grow brighter as the sun begins to set. Labyrinthine piping links one massive chemical processing unit to another. The tubing within the crude unit is as dense as a rainforest, its complex workings completely opaque to all but those who work in the business.

All told, there are about 1,090 employees who owe their livings directly to the South Philadelphia refinery. Another 250 skilled tradesmen who work as contractors earn most of their cash on never-ending maintenance work at the site. And then there are the manufacturers who produce specialty parts; the truckers, dock workers and river pilots who transport the crude and the refined fuel; the retailers who sell the gas directly to consumers; the petrochemical firms that use refining byproducts to create plastics; the mom and pop diners and delis that sell most of their sandwiches to refinery workers, and so on.

Seventeen miles south on Interstate 95, the abutting refineries at Marcus Hook and Trainer have served the same role in Delaware County for generations. It was Joseph Newton Pew himself, the founder of the Sun Company and one of the nation's leading early energy entrepreneurs, who purchased the core of the Marcus Hook site back in 1901. The Trainer facility was opened by Sinclair Refining Company a quarter century later.

Taken together, these three Southeastern Pennsylvania refining facilities have formed a complex network that is one of the lesser known but nonetheless vital pillars of the regional economy. These refineries are among the Delaware Valley's biggest producers of jobs and taxes. And their production - or lack thereof - influences energy costs across the entire northeast.

And so when, in September 2011, the Sunoco and Conoco companies announced their plans to sell or close each of these plants, the implications for the region were profound. Economically, the shutdowns would have proved devastating, far more so than was immediately appreciated at the time. The price of gas and heating oil would have been subject to sharp increases. And there was worry even at the White House about the implications for homeland security.

But the obstacles to finding new buyers or new uses for the sites were enormous. Market conditions in the refining business were bleak, and the facilities themselves were old, in need both of new investment and a cheaper supply of crude oil. The unions were restless. Some of the politicians were angry. And the companies selling off the refineries appeared to many to be disengaged, more focused on getting out than finding buyers.

And yet, remarkably, one year after the closings were announced, each of the three refineries has new owners and two are operating at full capacity. The third, Marcus Hook, appears well positioned to become a regional hub for a petrochemical industry powered by Marcellus Shale natural gas. Industry experts now say that the Philadelphia area, which a year ago looked to be getting out of the energy business altogether, has an opportunity to become one of the bigger energy players on the East Coast.

The story of this exceptional turnaround features a cast that is literally thousands strong: steelworkers and tradesmen, executives and lawyers, politicians and analysts, bureaucrats and investors. Success required working in concert - most of the time at least - across the lines that so often divide the region and the nation. A Democratic White House worked hand in hand with a Republican Statehouse. Tattooed refinery workers quickly and amicably reached deals with businessmen in expensive suits. Local leaders refrained from pitting their town's interests against that of another, and worked for the region as a whole. Labor unions set aside long-simmering disputes to present a unified front to would-be buyers.

"Jobs are not a partisan issue," says Governor Tom Corbett. "Everybody had a single purpose. And that was to do whatever was in the best interest of those refineries and those communities."

CHAPTER TWO
You've Got Mail

Most refinery employees got the news that their highly-specialized skills would no longer be required upon waking up the morning of September 6, 2011. Former Sunoco CEO Lynn Elsenhans had sent out a company-wide email, written in bland corporatese. "At this level of financial performance and with industry dynamics changing rapidly," it read, "the capital program needed to make the refineries sustainable cannot be justified under Sunoco ownership." Translation: Sunoco was getting out of the refining business as fast as it could. The facilities at Marcus Hook and Philadelphia were both slated to be shut down in July 2012.

Just 22 days later, ConocoPhillips announced it too would pull the plug on refining in Southeastern Pennsylvania, a development that was greeted with a grim play on words that dominated the front page of that day's *Delaware County Daily Times*: "It's Oil Over." Conoco's Trainer facility was idled almost immediately, and scheduled to close for good by the end of 2011. For the 1,200 unionized steelworkers at the three facilities, the news was devastating. These are the rarest of jobs in a nation where manufacturing is on the decline: high-paying positions that ensure a solid middle class life for a workforce that largely did not attend college. Most of the jobs pay $40 an hour and up. With overtime, the unionized men and women at these refineries can earn over $100,000 a year. Refinery work is just as vital - and just as hard to find - for specialized members of the building trades unions. For boilermakers, steamfitters and pipefitters, refinery maintenance represents as much as five million man-hours annually, making it far and away the largest single source of work for those trade unions. Without the refineries, those locals may not have survived. "These are jobs that simply cannot be replaced," says Anthony Wigglesworth, executive of the Philadelphia Area Labor Management Committee.

But the full impact of three closing refineries would have been far larger than those lost jobs. "We got three kicks in the gut. This was a stunning blow to the region, and the impact was staggering when you start to look at the downstream economics," says U.S. Representative Pat Meehan, who represents the portion of Delaware County that stood to be hardest hit. The extent of the potential damage took time to register, but ultimately it sank in, thanks largely to an economic impact report by Pennsylvania's Department of Labor & Industry. In a worst case scenario, where the refineries were to close and no new uses were found, the hit to Southeastern Pennsylvania's total economic output could have reached $27.9 billion. Lost tax revenue - to the state, local governments and school districts - would have topped $560 million. Shutting down the refineries would have cut the tonnage transported on the Delaware River by as much as 65 percent, potentially threatening the prospects of the river dredging project. Indeed, the three refineries account for no less than 50 percent of the entire East Coast refining capacity. Losing all three at once was sure to send shockwaves through the entire Northeast, constricting supply and, in the short term at least, significantly raising gas prices. And then there was the psychological blow to the region. Oil refining has been a way of life for generations of Southeastern Pennsylvanians. And it stood to be utterly wiped out, all at once.

"The worry was we were going to see something similar to the loss of the steel industry, and what that did to the psyche of Pittsburgh and Southwestern Pennsylvania," says Corbett. "The same thing could have happened here."

CHAPTER THREE
Warning Signs

But Sunoco has shareholders, and they were more worried about the company's bottom line than they were about the general funds of Philadelphia and Marcus Hook, or even East Coast refining capacity. Sunoco's investors had good reason to worry. The company was losing money on its Southeastern Pennsylvania refining operations at an alarming clip. By the time Elsenhans announced Sunoco's decision to get out of refining, the company had lost $772 million on its Northeast operations in about two years' time. Those losses ultimately reached $1 billion.

For a true energy giant, such as Exxon-Mobil, the red ink could perhaps be absorbed indefinitely, in hopes that the refining market would eventually turn around. But Sunoco - though a large company by Philadelphia standards - was a piker in a world of oil giants. It simply could not afford to wait out the slump, not at the rate of $1 million a day. Two years earlier, Sunoco had closed its Eagle Point refinery in West Deptford, hoping that would cut out the slack in the company's refining operations. It didn't. "We tried a lot of things to cut costs, to make the operations better, to do things differently," says Brian MacDonald, who at the time was Sunoco's Chief Financial Officer. "But quite frankly, we just couldn't get there."

Refining is never easy. It's a capital-intensive business with low profit margins, and the potential for catastrophic loss through a sudden accident. Domestically, gasoline demand is in decline, thanks largely to more fuel-efficient vehicles. The refining business was harder still at the three Southeastern Pennsylvania refineries, for a variety of reasons. Most American refineries are capable of processing less expensive sour crude oils, but not those around Philadelphia. These aging facilities can only make fuel from light sweet crude, which is expensive. Typically, the oil is shipped in from Africa, further adding to the costs and reducing already slim margins.

European refiners make the East Coast business even dicier. On the continent, vehicles tend to run on diesel. But gasoline is a by-product of the diesel-making process, and so European producers typically dump that product at relatively low cost at nearby Eastern U.S. ports.

Sunoco's other operations, meanwhile - retail and logistics - were growing. "But we had this one business, refining, which was threatening to take down the whole company," says MacDonald. In an interview, he likened the company's refining operations to GM's North America division. "All the good parts of General Motors suffered, because the company never dealt with its bad business appropriately. Internally, I often said that we could not let refining become the GM North America of Sunoco."

Behind the scenes, the company had been signaling for some time that it could soon shut the refineries down. Elsenhans stopped by the Washington, D.C. office of U.S. Representative Bob Brady many months before the closures were announced to warn him that the company was thinking long and hard about shutting the plants down. "I knew then that it was going to happen," says Brady, who is chairman of Philadelphia's Democratic City Committee. "She just wasn't ready to tell me yet."

U.S. Representative Pat Meehan, who represents the refineries at Trainer and Marcus Hook, got a less explicit warning. The Republican congressman had begun visiting the refineries shortly after taking office in January 2011. As a candidate, he'd heard from refinery workers at both Trainer and Marcus Hook that the businesses were in trouble. That verdict was later confirmed, he said, by "upper level management in off the record conversations." Meehan's response was to start talking to stakeholders, including refinery executives, Delaware County economic development experts, members of the building trades unions, contractors and "others who had a stake in the refineries' future." The goal at that time, Meehan said, was to figure out if they could help ensure the operations stayed open.

At that, they failed. Indeed, Meehan himself was stunned by Sunoco's announcement. And his shock only deepened three weeks later when ConocoPhillips followed Sunoco's lead, citing the enormous expense required to make the aging Trainer refinery competitive. Meehan's nascent group of stakeholders would be tested much sooner than he'd anticipated.

CHAPTER FOUR
Stakeholders Coalesce

The mood was appropriately grim at the Marcus Hook Community Center on September 28, 2011.

Just one day earlier, ConocoPhillips had announced that, like Sunoco, it was getting out of refining in the Philadelphia region. With two refiners making the same, cold, business decision in the span of just a few weeks, the odds that new operators could be found seemed distant at best.

In the weeks prior, Meehan had met with Elsenhans and then-Sunoco Chief Financial Officer Brian MacDonald. Their tone, he says, "was not very encouraging." But giving up on the refineries was unthinkable. Their regional importance was too significant. And locally, particularly in Marcus Hook and Trainer, the refineries represented a century-old way of life.

And so Meehan set up the first in a series of stakeholder meetings, inviting Representatives Bob Brady and Chaka Fattah, who dually represent the South Philadelphia refinery. Also there were union representatives, economic development officials, and Michael Krancer, secretary of the Department of Environmental Protection, among others. The goal at that early stage, says Meehan, was simple. "In this moment of crisis, we realized in very short order than the first thing we needed to do was get everybody on the same page."

That sounds easy enough, but in fact it was no slam dunk. After all, the steelworkers union - which represents most full-time refinery workers - had campaigned vigorously for Meehan's Democratic opponent in 2010. And Fattah and Brady, being big wheels in Philadelphia's Democratic Party, had taken their share of shots at Meehan during his tenure as U.S. Attorney for the Eastern District of Pennsylvania, which featured high profile investigations and prosecutions of public corruption in the city. Still, those differences were quickly buried. As Meehan puts it, "we had a house to sell," and so it did nobody any good to "sit on the front lawn fighting." "We had to get together, create a united front, and show potential purchasers a willingness to work with them," says Meehan. "It was vital to show that the political system would be part of the solution and not part of the problem."

The stakeholders group did that in a few different ways. To begin with, it expanded rapidly after that first meeting, growing to include state senators and representatives, much of Pennsylvania's U.S. congressional delegation (including Senator Bob Casey, Senator Pat Toomey, and Congresswoman Allyson Schwartz) and local officials from the boroughs, towns, and school districts that stood to have their budgets socked by the refinery closings. The inclusive nature of the group opened up lines of communication, and helped to ensure that no interest was shut out, and thus tempted to raise a public fuss.

And while few members of the group believed they would be able to actually locate a buyer for the refineries, the stakeholders expected there would come a time when a potential purchaser would be looking to public officials to take quick and decisive action. A zoning matter, for instance, or an environmental permit that needed expedited review. The stakeholder group helped to ensure that officials high and low were ready to respond immediately. Which is not to say the group rolled over. Far from it, in fact.

CHAPTER FIVE
Artful Arm-Twisting

If there is such a thing as a low-profile Senate Majority Leader, Dominic Pileggi fits the bill. These are contentious political times in Pennsylvania and nationally. But Pileggi is not considered a thrower of grenades or a chaser of headlines. The Delaware County Republican is, however, thought by many insiders to be one of the most astute strategic political operators in the region.

Pileggi's strategy for finding new owners for Southeastern Pennsylvania's three abandoned refineries involved carrots, but also a judiciously-wielded stick. This approach, which was adopted by a raft of other public officials, created an environment where Sunoco and Conoco felt real pressure to find buyers, without giving those purchasers much reason to think that Southeastern Pennsylvania was a difficult place to do business.

Pileggi saw his role principally as "maintaining the focus of the governor's office and the General Assembly on what needed to be done to help the potential purchases." Practically, that took the form of badgering Corbett (which was something of a cottage industry in the early months after the refinery closings were announced) and introducing legislation that provided for the opening of new tax-exempt areas, called Keystone Opportunity Expansion Zones in the hope that the tax-relief would lure refinery purchasers. Pileggi introduced the bill the day after Sunoco announced its intention to close the Philadelphia and Marcus Hook refineries, and it was passed by the General Assembly and signed by Corbett in February. That, obviously, was a carrot, and potentially a very lucrative one for would-be buyers.

But not long after the KOZ-expansion was made into law, Pileggi introduced another bill, SB 1431, that had an altogether different agenda. This legislation proposed levying new penalties - between $10,000 and $20,000 per day - against corporations that closed heavy industrial sites and failed to remediate those sites within a year of a state review. "It was intended to send a message that we simply couldn't have these very large sites that had supported substantial employment be abandoned and not remediated by the companies that discontinued operations," says Pileggi. When asked if it was meant to put pressure on Sunoco and Conoco to find buyers for the facilities, Pileggi replies, "Exactly." "The hope was to provide an incentive to keep them active."

The machinations of other elected officials can be seen in a similar light. Brady began looking into, at the federal level, highly tailored legislation that would have put Sunoco and Conoco in a difficult spot on remediation. The bill's prospects were probably dim, but the congressman wasn't trying to get it passed. He was trying to up the pressure on the departing oil companies.

And that was the intent behind the public letters, press conferences, and public hearings organized by a wide array of elected officials at the local, state, and federal levels between September 2011, and March 2012. Among those holding hearings were U.S. Senator Casey and Pennsylvania legislators from Delaware County, including Senator Ted Erickson and Representatives William Adolph and Steve Barrar. *The Delaware County Daily Times* reported on March 1 that Marcus Hook borough was considering a zoning amendment that would restrict storage of petroleum products at Sunoco's local facility to those only manufactured onsite.

"Most importantly, I ask that you intensify your efforts to find a buyer for these facilities," read one representative snippet of a January 2012, letter from Senator Casey to Sunoco CEO Elsenhans and Board Chairman James J. Mulva. "We need greater transparency to ensure that you are taking all possible steps to find a buyer."

Some of this activity annoyed Sunoco executives. Brian MacDonald, who succeeded Elsenhans as Sunoco's CEO in early February, says that the public pressure hindered rather than helped him to make a deal. "It's very unhelpful when politicians are grandstanding, writing public letters, calling news conferences," MacDonald says. “When you see politicians beat the crap out of a company when they have to close something, it’s not a good way to attract business to your state.”

MacDonald may have a point. But political actors had good reason to think Sunoco - which was in the midst of a massive company-wide restructuring - had placed a low priority on the refinery sales. The firm had sent relatively low-level management figures to the initial stakeholder meetings. And to this day, the consensus view of those stakeholders is that Elsenhans was disinterested in the disposition of the Philadelphia-area refineries.

The judiciously applied political pressure of elected officials was meant to change that. Eventually, that pressure had the intended effect. But only after the political class got a big - and somewhat unexpected - assist from labor.

CHAPTER SIX
Labor’s Play: Pressure & Restrain

Jim Savage looks like the boss of a Steelworkers union local should. He has deep-set, sunken eyes, a salt-and-pepper goatee, and the ability to instantly rearrange his face - from friendly to intimidating - whenever the need arises. Savage chain-smokes Marlboro menthols, and he has the phrase “nothing is impossible” tattooed on his left forearm.

Savage also has a reputation for being one of the region’s most confrontational and aggressive union leaders, no small thing given the Delaware Valley’s labor tradition. “Jim, he’s a very strong advocate, but he’s not housebroken,” says Wigglesworth, meaning it as something of a compliment. Philadelphia’s Building Trades

Council can, of course, be every bit as belligerent. But the political savvy of its leadership, namely Pat Gillespie, and of leaders like Pat Eiding, president of the Philadelphia AFL-CIO, assured all that the boilermakers and pipefitters would do what was in their own, and the region's, best interest. "If necessary, we could vilify them later," Gillespie says of Sunoco, in an interview at Philadelphia's Penrose Diner, one of many local businesses patronized heavily by refinery workers. "As much as Sunoco might deserve a good kick in the ass or a good FU, it wouldn't do the deal any good."

But Savage? People weren't so sure. Politicos feared that, in their understandable fury at Sunoco, Savage and his members would wreck everything. "He was under a lot of pressure from his members to go hammer and tongs at the employers, particularly Sunoco. 'Let's just go savage those guys and play hardball. Let's fight for everything we can get and make them pay a price for getting out,'" says Pat Meehan, accurately summarizing the mood of a lot of steelworkers in the months after the closings were announced. The trouble was, would-be buyers could be scared off by the labor strife. The Steelworkers, in their rage, could muck it up for everyone, including themselves. Or at least that was the fear.

But it didn't happen. Instead, Savage and USW Local 10-1 led a remarkably sophisticated lobbying campaign to save the refineries, their own jobs, and the regional economy. They worked in concert with the national and international leadership of the Steelworkers, including Gary Beevers, international vice president, and USW president Leo Gerard. The steelworkers were restrained when they needed to be. They applied judicious political pressure when the situation called for it. They educated staffers and elected officials up and down the East Coast on the nature of the refining business and the potential for the Philadelphia-area sites. And they did it all working with a demoralizing shutdown deadline looming over them and their families.

It was a campaign that went against every instinct Savage had. "We were pissed. We were really pissed," he says, in between drags of his menthols at the local's chaotically messy offices in the shadow of the Marcus Hook refinery. "We were in this fight for like eight or nine months, but it wasn't a fight. It was us in a room smiling at people we didn't like."

There were a few keys to the Steelworkers' campaign. First, they made peace with the Building Trades Council. Refinery employees and tradesmen have long been rivals, fighting over hours and turf. Those differences were quickly set aside in the interests of survival. Second, Savage and other Steelworker leaders signed confidentiality agreements with Sunoco, which made them a party to some of the negotiations. MacDonald, who pushed to include the unions, believes this was critical. "It allowed them to kind of come inside the tent," he says, thus becoming constructive participants instead of railing against the process from the outside with limited information. We tried to make it very open and transparent for the union, and not to create false hopes," MacDonald says. Gillespie and the building trades unions were just as involved in the negotiations. Indeed, they were willing, under the right circumstances, to sink capital from union pension funds into the venture.

But what ultimately proved most effective was the Steelworkers' exhaustive lobbying campaign. They met with anyone who would listen. The day after the closings were announced, Savage had set up appointments with the entire local congressional delegation. They got tips on strategy from a plugged-in and sympathetic staffer on the House labor committee, and immediately dispatched union leaders and volunteers. The Steelworkers would eventually meet with the staffs of almost every U.S. representative and senator from Maine to Maryland. They honed in as well on lawmakers with positions on key congressional committees, such as Energy and Homeland Security. They learned to tailor their message to the interests of those they lobbied. "If you're talking to (Representative) Peter Welch from Vermont, then your message is about home heating oil. If it's (Representative) Peter King, then you're talking homeland security," says Savage, who made dozens of trips to Washington.

The unions did the same thing in Harrisburg, stopping by the offices of every last member of the General Assembly. And they were careful not to talk solely about the impact the closures would have on them and their families. Savage says they "made it a point early on to be disciplined and talk about the impact on the community and the state." This, they thought, was more likely to sway the mind of a Republican senator from Western Pennsylvania than was the loss of union jobs in Philadelphia.

From time to time, both the Steelworkers and the Building Trades ratcheted up the public pressure. There was a 1,000-strong march in Marcus Hook early in November of 2011, and the Steelworkers and Building Trades chartered six buses to appear at a press conference and protest outside the Washington, D.C. offices of Sunoco and ConocoPhillips in February 2012. The union workers brought their family members with them, and lobbied lawmakers with their children at their side.

Savage asserts that all this work "made it easier for the Bob Bradys and Pat Meehans of the world." After the Steelworkers did their job, Philadelphia-area lawmakers "didn't have to start from square one and educate people on what was going on, and why it was important."

Perhaps. But the Steelworkers' full-court press might actually have had its biggest impact at the White House. The union had strongly urged the region's congressional delegation to ask for a federal review of the impact of the closings. On November 15, Senators Casey and Toomey, as well as Meehan, Brady and Represenatives Fattah and Schwartz sent a letter to the U.S. Energy Information Administration requesting just the sort of the analysis the Steelworkers wanted. "We did that," Savage says. "That's something that nobody else can take credit for."

That letter - and the federal analysis that followed - caught the attention of the White House, a development that would later prove pivotal to the future of Philadelphia's energy business.

CHAPTER SEVEN
Calling Corbett

In November 2009, Delaware Governor Jack Markell received some very bad news. Valero Energy was closing its Delaware City refinery, a move that foreshadowed what was to come later in Southeastern Pennsylvania.

The company claimed - just like Sunoco - that it was losing $1 million a day on its Delaware refining operations. Even worse, Valero had been quietly looking for buyers long before announcing the pending closure. It found no takers. But an interesting thing happened after Valero went public. Five months later, the Delaware City refinery had a new owner - PBF Investments - and Markell had learned a few things.

So in the aftermath of the devastating announcements from Sunoco and ConocoPhillips, an organization called Select Greater Philadelphia - which is the economic development arm of the Greater Philadelphia Chamber of Commerce - arranged for a quiet tutoring session. Markell, fresh off his refinery victory, met with Meehan and a small number of state and local economic development officials to provide a few pointers on how best to save a refinery.

"He was full of very sage advice," says Thomas Morr, Select Greater Philadelphia's executive director. This was just over a month after the local refinery closings had been announced, and at the time, local leaders were still grasping at straws. Markell helped to give them direction.

Morr is reluctant to say too much about what was said at the meeting, which took place behind closed doors. But there was one point Markell kept making. "It took a great deal of personal involvement by Markell as governor to make the deal come together," says Morr. "That was something he made very clear."

Select Greater Philadelphia exists to lure new businesses to the region, and to retain existing ones. But Morr believed that the refineries were far too specialized, and too big, for his organization to be of any real help in locating buyers. After hearing out Markell, Morr was convinced that Select Greater Philadelphia could best help by "making sure the state understood the magnitude of this problem, and getting them to focus on it at the highest levels."

As it turned out, Morr's organization was hardly the only one trying to focus the Corbett administration's attention on the refineries. Anthony Wigglesworth at the Philadelphia Area Labor Management Committee reached out to Corbett's then-chief counsel Steve Aichele, and introduced a senior Department of Labor and Industry official to Building Trades leaders worried about the refineries.

And Pat Gillespie, the Building Trades general manager, had a fateful early run-in with Charlie Kopp at the Palm restaurant in Philadelphia, a favored haunt of the politically-wired. Kopp is an old GOP hand, and a former chairman of the now-defunct law firm of Wolf Block. Viewed as one of Corbett's few trusted representatives in the city, he is also the governor's appointed chairman of the Philadelphia Regional Port Authority. At the time, Gillespie was worried. "We had this calamity, and it wasn't registering on everyone's meter," he says. "So when I saw Charlie, I sat down and said, 'look, I know the governor likes his anonymity, he doesn't like the spotlight, which is interesting for a politician. But what's needed here is for the buyers to know that the executive of the state will roll out the welcome mat for them.'"

It's not entirely clear how much of this cage-rattling was really necessary. The Corbett administration is friendly to the energy industry, and the governor could not have missed the significance of losing that many jobs in a weak economy. Nonetheless, Kopp agrees that it helped to have business leaders, labor, non-profits, and local government leaders all lobbying the administration to take action. "If public opinion means anything, and it does, then it was helpful in getting the political people to pitch in and help make a deal," he says.

Whether it was the pointed reminders or an independent recognition of the refineries' importance, the Corbett administration was soon fully engaged in the campaign to rescue the facilities. "Once they came to that position," says Pileggi, "they were very active and very energetic in pursuing results."

CHAPTER EIGHT
The State Steps Up

Brian MacDonald can vouch for that.

His first real face-to-face encounter with Corbett came in December 2011, after Charlie Kopp - the trusted Corbett adviser - arranged a meeting between the two men.

At the time, Corbett was taking heat for failing to publicly scold Sunoco. There was talk in political circles of creating a public commission to search for buyers for the refineries. At that December meeting, Corbett asked MacDonald what he made of the idea. "I told him, 'if that's helpful for you politically, we'll participate and we'll be supportive. But honestly governor, we've got Credit Suisse looking for buyers. We've called 150 refinery operators. So I'm not really sure what a commission of bureaucrats from Harrisburg is going to be able to accomplish that we can't do on our own."

According to MacDonald, Corbett listened and then replied, "Well it sounds to me like a complete waste of time and taxpayer money." MacDonald told him he agreed. MacDonald says the governor told him he "wouldn't be the guy doing marches and all that sort of stuff, but I do want to help you find a buyer." What, Corbett asked, could the state do to assist? “Help close the deal,” MacDonald replied. “Let me try and get a buyer, get somebody on the hook or close to the hook. And then you guys come in and help close the deal.” That meant publicly-funded financial assistance for the buyers, in all likelihood, as well as greasing the wheels of state environmental regulations.

Corbett’s reply, according to MacDonald: “I will be there. You can represent that to the buyers. That I will be there, and I will help.” And that, in a phrase, was the core of the Corbett administration’s approach to each of the refinery deals. The governor and his team saw little point to making public pronouncements, holding press conferences or otherwise pressuring Sunoco or Conoco. The state could best help, they determined, by rolling out the welcome mat for would-be buyers. That meant keeping close tabs on negotiations, and being prepared to move quickly - not a typical strength of government at any level - when the moment was right.

If, as some suggested, the Corbett administration took a few months to realize the gravity of the situation, there was no question that the governor and his senior deputies were fully engaged by the beginning of December. Internally, the administration had assembled a taskforce, which included the secretaries and senior staff members from Environmental Protection, Community & Economic Development, Transportation, and Labor & Industry. Corbett tapped his chief of staff, Steve Aichele - the former chairman of Saul Ewing, and a man intimately familiar with Philadelphia’s leading political players - to represent the governor’s office.

“I work behind the scenes,” says Corbett. “That drives some people crazy. I don’t promise anything until I know I can get something done.”

In MacDonald’s view, the Corbett administration’s quiet approach was highly effective, and did more to ensure a deal than the press conferences and letter campaigns adopted by other politicians. “It’s very helpful when political people are working with you, communicating with you quietly,” MacDonald says.

As time wore on, Corbett took on an even more active role. When Carlyle renewed its interest, MacDonald arranged an early meeting between the governor and the equity firm's executives in a Sunoco board room at 1818 Market Street in downtown Philadelphia. Corbett repeated the same pledge he'd made to MacDonald: the state would help. And that was just the beginning. Philip Rinaldi - CEO of Philadelphia Energy Solutions, the company formed jointly by Carlyle and Sunoco to run the South Philadelphia refinery - says he had no fewer than seven or eight phone calls with Corbett before the South Philadelphia refinery deal was signed. "The governor was keenly interested," Rinaldi says.

The time had come to close the deal. And, as MacDonald had predicted, government help would prove critical.

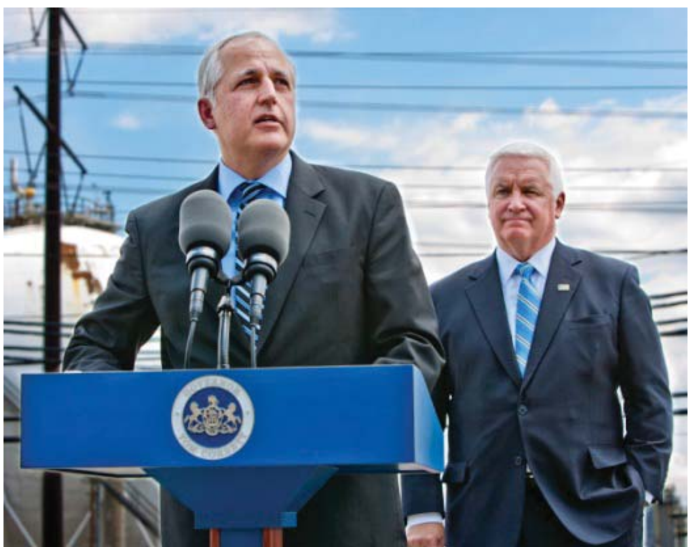
CHAPTER NINE
Trouble River

For a long time, though, positive results were frustratingly elusive. Many of the stakeholders were convinced that Sunoco, under Elsenhans, was paying scant attention to the refinery sales, focusing instead on restructuring the troubled company. Conoco was likewise in the midst of a massive internal reorganization. The fear was the companies had little time or interest in finding new buyers for the facilities they were abandoning.

In reality, the prospects for sale were even bleaker than the stakeholders feared. Brian MacDonald, who succeeded Elsenhans as Sunoco's CEO on March 1, said the company had been working diligently all along to find qualified buyers for the refineries. "We had every economic incentive to sell the refineries, and within a week of announcing the closures, we had reached out to about 250 possible buyers," says MacDonald. "We called everybody who owns

AP Photo/Marc Levy

Labor union-organized rally at the Capitol in Harrisburg


www.senatorpileggi.com

Senator Pileggi and Governor Corbett

Delaware County Daily Times/ Eric Hartline

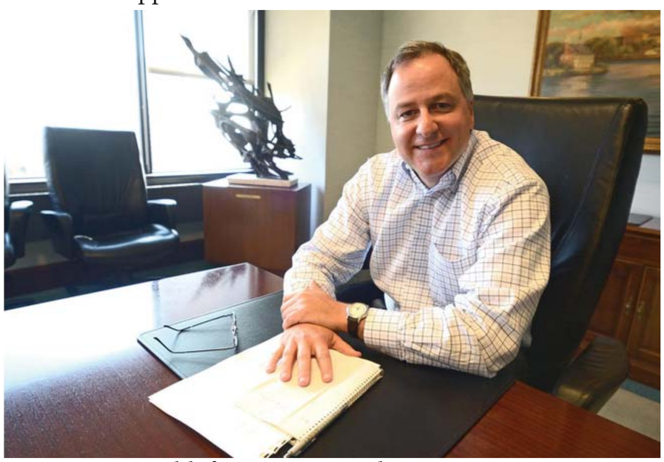
Congressman Brady and USW Local 10-1 President Jim Savage

AP Photo/ Manuel Balce Ceneta

Congressman Meehan speaks to refinery workers and supporters in Washington, D.C.

Philadelphia Inquirer/ Clem Murray

Governor Corbett and Philadelphia Regional Port Authority Chairman Charlie Kopp



Delaware County Daily Times

Brian MacDonald, former CFO and CEO at Sunoco

Philadelphia Inquirer/ Sharon Gekoski-Kimmel

Governor Corbett, Lieutenant Governor Cawley, and Phil Rinaldi, CEO of Philadelphia Energy Solutions


Philadelphia Inquirer/ Tom Gralish

David Marchick of the Carlyle Group and Mayor Nutter


chesterspirit.com/ Loretta Rodgers

Representative Barrar, Secretary Krancer, Congressman Brady, Congressman Meehan, and Congressman Fattah


Delaware County Daily Times/ Julia Wilkinson

Greater Philadelphia Building Trades General Manager Pat Gillespie and Congressman Meehan a refinery today, we called everybody who used to own a refinery, and if you ever said in a bar late at night that you might like to own a refinery, well, we called you too."

The trouble was that interest in the properties was minimal. About 30 entities asked for more information, says MacDonald. And almost all of those bowed out once they got the data.

One of the companies that appeared to pass was the Carlyle Group, a private equity firm with more than $157 billion in assets under private management. There were a series of local bidders - successful businessmen that lacked the experience and impossibly deep pockets of Carlyle - that expressed serious interest in purchasing the Philadelphia refinery. One of them was Michael O'Neill, the founder and CEO of Preferred Sands, a Radnor-based company that supplies sand used in hydraulic fracturing. The company boasts a train fleet that includes over 4,500 rail cars. According to people close to the discussions, O'Neill thought that rail could make South Philadelphia's refinery profitable again. His capital-intensive plan was to construct a new fleet of cargo cars that would transport light sweet crude from the Bakken fields of North Dakota by rail, instead of shipping it in at greater expense from Africa. O'Neill's interest briefly fired up labor leaders and other stakeholders, but Sunoco did not apparently consider the bid viable.

The situation was even worse in Marcus Hook. "We had no interest from anybody interested in buying Marcus Hook for use as a refinery. None. Zero," MacDonald says bluntly. Marcus Hook had the same structural business problems as the Philadelphia site, but only about half as much refining capacity. Worse, the facility would soon require about $200 million in capital spending to meet environmental regulations.

Meanwhile, Sunoco had moved up the closure date of the Marcus Hook facility from July 2012 to early December 2011. The next month, workers at the Conoco refinery next door started to receive their layoff notices.

But buried beneath the grim news were developments that helped to set the stage for eventual success. O'Neill's bid fizzled out, but his notion of tapping into the Bakken crude was later embraced by Carlyle. Aichele - a Southeastern Pennsylvanian deeply worried by the closings - was promoted from general counsel to Corbett's chief of staff. And MacDonald was tapped by Sunoco to replace Elsenhans, who left the company after seeing through the board's vision of an utterly remade company.

And there was a small handful of plugged-in stakeholders for whom the winter wasn't anywhere near as bleak as it appeared. They knew what few else did: a credible buyer had already emerged for one of the refineries.

CHAPTER TEN
Delta's Need-to-Know Gambit

Representative Meehan sits on the House Transportation and Infrastructure Committee and is assigned to its aviation subcommittee. So it wasn't particularly unusual when he was approached one day "in a very quiet manner" by a board member of Delta Airlines, which is the world's largest.

What was unusual was that the board member didn't want to discuss federal transportation policy. Rather, the board member (whom Meehan declines to identify) wanted to know if the congressman could meet to "talk confidentially about Delta's possible interest in the refineries." So on November 30, in his Washington office, Meehan became the first stakeholder - before even Conoco - to learn the details of Delta's unorthodox plan to acquire a refinery and use it to secure a dedicated supply of jet fuel, which constitutes an enormous expense for any airline. In Delta's case, the fuel tab totaled 36 percent of all company expenses in 2011.

In that initial meeting with Meehan, Delta was looking for a political roadmap to the region. “The advice they were looking for was, ‘who ought we be talking to, and how should we approach them,’” says Meehan.

No airline had ever attempted to acquire a refinery and produce its own jet fuel, and Delta was understandably worried about how the markets might react if word leaked prematurely. Indeed, even now Delta (and Monroe Energy, the Delta subsidiary that operates the Trainer refinery) is reticent to discuss the deal. Through a spokesman, Monroe Energy declined to make executives available to be interviewed for this case study.

But there is no doubt that Delta’s bold gambit represented the first big break in the regional refinery deal-making. And those involved in the deal were acutely aware that locking down one new owner would improve the landscape for the other refineries. “It was frustrating to a certain extent, because there was progress, we just couldn’t say anything about it,” says Patrick Killian, director of Delaware County’s Commerce Center. “But there was recognition on the part of everyone that it’s nice to grandstand, but this was a little too important.”

According to those close to the negotiations, the state played a critical role once Meehan had introduced Delta to the right players. And again Corbett got personally involved. He met with airline executives shortly before Christmas, and gave them the same assurances he’d offered to MacDonald earlier that month.

And state assistance was indeed critical. Pennsylvania’s Department of Environmental Protection arranged for expedited transfer of environmental permits from ConocoPhillips to Monroe Energy. This was, in Secretary Michael Krancer’s view, a no-brainer. From the beginning, he had sought to send an unambiguous message to ConocoPhillips, Sunoco and any would-be buyers that his department “would be tireless, constructive partners to provide assurance that - while the regulations certainly are the regulations - refiners coming into the state would be operating in an atmosphere of predictability." In Krancer's view, unpredictability is an unfortunate hallmark of environmental regulators. Too many, he says, "stand in the way and look for reasons to stop" large-scale industrial development. Krancer told refinery shoppers that DEP's permit writers and permit transfer writers would be "very motivated" to move quickly. And they did exactly that on the ConocoPhillips-Delta deal.

Probably more important was the state's commitment to contribute $30 million to Delta (Markell had ponied up $42 million to lure PBF to Delaware City, creating an expectation from buyers that Pennsylvania would at least come close). Those funds did not come without strings, however. Monroe Energy committed to investing an additional $350 million into the refinery over the next five years (creating an abundance of work for the Building Trades) and to maintaining a workforce at the site of at least 400 people.

For Delta, the deal could prove to be a spectacular investment, provided it can run the refinery effectively. By making its own jet fuel, the airline could cushion itself from spikes in energy costs. The Trainer facility - once it has been optimized for jet fuel production - will supply as much as 80 percent of the airline's domestic fuel needs. The fuel will be transported by pipeline and barge to Delta's hubs at JFK and LaGuardia airports in New York. If all goes as Delta hopes, the airline will save as much as $300 million a year on jet fuel.

The $30 million public investment is probably a sound one as well. Monroe has already offered to hire back every union worker that ConocoPhillips employed. Those employees will pay taxes, as will the legions of other businesses that rely on the refinery.

Corbett has a well-earned reputation for keeping a tight lid on state spending. But this and other public subsidies connected to the refinery rescues were, in his mind, sound investments and easy calls. "If you don't spend it on the grants, we're going to spend it on unemployment compensation. We're going to spend it on welfare.

And the intangibles of what would have been lost are probably not even measurable," Corbett says. "Once sites like these sit idle for a year or two, you don't get them reopened."

CHAPTER ELEVEN
A Combative Turning Point

But while the framework of a deal was taking shape in Trainer, the prospects for Philadelphia and Marcus Hook had not improved. And that's exactly what Brian MacDonald went to tell Congressman Brady on February 27, shortly before he formally became Sunoco's new CEO. Looking back, both men say that meeting was a pivotal moment in the future of the Philadelphia refinery.

Up until that point, Brady had been a prominent and vocal critic of Sunoco's handling of the closures. The congressman, a longtime member of the Carpenters union and ally of both the Building Trades and the Steelworkers, was convinced that Sunoco under Elsenhans was not seriously seeking out new owners for the refinery, and he frequently said so publicly. MacDonald says that was "a misperception." But there is no denying that the search for new owners took on new urgency after that fateful meeting in Brady's office.

MacDonald describes it as a "screaming and cursing match." He told Brady the prospects for finding new owners were dim, and in all likelihood the refinery would end up as little more than a terminal, employing only a handful of employees. "I didn't have any Pixie dust right? So I told him, 'look, if we can't sell it, it's going to have to close. And it's a thousand acres of industrial property, so it's not going to be condos or anything like that, and we're going to have to figure out a way to repurpose the site. And it will take a long time, and it will not be an easy road,'" says MacDonald.

Throughout those bleak months when the shutdown loomed, one of the biggest sources of tension between Sunoco and the refinery stakeholders was the company's seeming indifference to a handful of buyers - including some locals - who had expressed interest in the properties. For the refinery's employees, these potential buyers represented salvation. But Sunoco was wary of handing off the facility to any owner without deep pockets and refinery experience. "I told Brady, 'look, I'm not going to give the refinery to the local Ford dealer, OK? This is a dangerous asset, and if somebody gets it who doesn't know what they're doing and it blows up it'll take out half the city of Philadelphia.'"

Brady's recollection of that tempestuous meeting is a bit different. MacDonald was grim about the refinery's future, Brady says, but he also asked the congressman to participate in a press conference at the site - along with Gillespie - to announce some small scale and short term construction work at the site, as a way to soften the blow of the refinery's looming shutdown. "So I told him: 'you just insulted me. I will not be a part of it, and I really don't think Pat Gillespie will be a part of it. That's a disgrace, and I think that our conversation is over.'"

The very next day, MacDonald called Brady back. The congressman says that MacDonald's tone and outlook had changed dramatically, literally overnight. "He tells me, "I'm going to be 100 percent committed to trying to keep this plant open,'" Brady recollects. There was one potential buyer that just might work, MacDonald told him: The Carlyle Group. An equity firm with more than $157 billion in assets under management, Carlyle had the deep pockets necessary. They had purchased refineries before. And they already asked Philip L. Rinaldi - who had turned around a refinery in Coffeyville, Kansas and later sold it at great profit - to kick the tires of Philadelphia refineries. MacDonald thought Carlyle was the perfect fit for the South Philadelphia operation. The only problem was that Carlyle had already passed.

According to MacDonald, Brady replied: "look, maybe there could be some help from the White House. Why don't you let me talk to them." MacDonald says he figured that Brady "was kinda blowing smoke."

He wasn't.

CHAPTER TWELVE
High Level Intervention

Although the political actors might not have realized it yet, MacDonald was by then convinced he would not be able to find a capable buyer willing to buy the Philadelphia refinery in a straight-up, traditional transaction. So MacDonald began mulling over more creative approaches. The Canadian-born executive had long experience working within distressed companies. At G.M., he had helped to lead a restructuring of the company's complicated business relationship with Isuzu, the Japanese-auto manufacturer. The Philadelphia deal, MacDonald realized, was "just not going to happen in a straight-up, asset sale sort of way."

There was no blinding flash of insight, says MacDonald, just a lot of thinking and internal discussion with his management team and Sunoco's board. Eventually, though, the concept emerged of essentially giving away the refinery to a capable operator, in exchange for a share of future profits, if the venture were successful. MacDonald had received enough positive signals from state authorities to think the new owners would be able to get some publicly funded financial assistance and fast-tracked environmental approvals. And the union's responsible conduct had led him to think new operators might be able to win some contractual concessions as well. It seemed like enough to get a deal done, presuming he could find the right partner. MacDonald thought that Carlyle was the best, and perhaps only, choice.

Meanwhile, back in Washington, Brady was making full use of those White House contacts that MacDonald doubted he had. In fact, Brady had been talking about the refineries with Gene Sperling, head of the White House National Economic Council, for over a month. The Obama administration had also heard about the refinery closing threat from Meehan and Marcus Hook Mayor James "Jay" Schiliro, who reached out to Vice President Biden.

Though the White House did not respond to repeated requests for comment for this case study, it appears that executive branch interest in Southeastern Pennsylvania's refineries picked up substantially after the local congressional delegation asked the U.S. Energy Information Administration to examine the potential impact of the closings on the Northeastern petroleum market (this was the analysis the Steelworkers urged the delegation to seek). The first draft of that analysis was published in December 2011, and updated in February 2012. The agency's conclusions were dire. With the Philadelphia-area refineries closed, the Northeast would be forced to get its petroleum products from the Gulf Coast. But the pipelines linking those regions are already running at full capacity, the report said, and East Coast ports would require significant modification before they could receive the quantities of refined fuel required.

"The industry may not be able to overcome all of the logistical challenges in the Northeast for a year or more," the report proclaimed. And that would mean higher gas prices, perhaps including serious spikes in some areas.

And all during what was a presidential election year.

The situation had captured the Obama administration's attention. Steelworkers got a meeting with senior officials from the Department of Energy in January. At that point, the assumption in the room, Savage says, was that the refineries would inevitably close. "Their entire focus was: 'How are we going to get these fuels to the Northeast when these refineries aren't producing?'"

That assumption began to change when Brady connected MacDonald with Sperling and Deputy Energy Secretary Dan Poneman in a March 8 conference call. "So, those two guys were on the phone and myself and Brady and we just talked about the situation, about how much money we were losing," says MacDonald. "Sperling asked me if we would keep the refinery open past the election, and I said, 'no.'" When Sperling asked if there was any buyer that might make sense, MacDonald replied: "The guys across the street from you: Carlyle." Sperling and Poneman were intrigued.

The White House had done its homework. Sperling, for instance, had had several long and fairly technical conversations with Savage about the facility's state of repair and overall capabilities. So when Sperling got word that Carlyle was a viable option, he moved quickly.

The private equity giant is headquartered about six blocks east of the White House's south lawn, and Sperling had strong ties to David Marchick, a Carlyle managing director who had served with him in the Clinton administration.

After the conference call ended, MacDonald phoned his contact at Carlyle to give him a head's up that the White House might be in touch in a few days. "That was probably about 6:30 p.m. Well, the White House called Carlyle that same night," MacDonald says. "They didn't even wait until the next day."

Of course, Carlyle had already taken a good long look at the Philadelphia refineries. "We looked at Marcus Hook. We looked at taking the entirety of Sunoco private," says Philip Rinaldi, the chief executive officer of Philadelphia Energy Solutions, the company Carlyle created to run the South Philadelphia refinery. But the refining business is fraught with uncertainty. Domestic demand for oil is declining, not growing. Rinaldi says that Carlyle hadn't completely ruled out a deal, but everyone else had the impression that Carlyle had passed. And then came the call from the White House.

"That call from Gene Sperling was pivotal," Rinaldi says. "Having the focus of the White House on the deal was very important." The restructured deal that MacDonald was offering appealed as well. "Sunoco contributed the fixed assets, we brought cash, and we also solved the problem of what to do with that huge property," says Rinaldi.

CHAPTER THIRTEEN
Brass Tacks

There was another important and sensitive discussion that needed to take place before negotiations began in earnest, only this one featured Sperling and Corbett. Both the White House and the Governor's Mansion had every reason to want the deal to go through. But in a presidential election year - and with the possibility that Pennsylvania could emerge as a swing state - there was no guarantee the Republican governor and President Obama's chief economic adviser would see eye-to-eye. "The worry I had between the governor and the White House was: 'will they blame each other if this deal don't get done,'" Brady recalls. "And so what I told them both was if things fell apart, I'd tell everybody that both tried the best they could. That nobody was to blame."

A high stakes game of phone tag followed. For days, as Sunoco and Carlyle awaited word, Sperling and Corbett traded voicemails. On March 19, they finally connected, and agreed that both state and federal authorities would do everything they could to ensure a deal got done.

At the top of the list were environmental regulations and permits. Like Monroe Energy, Carlyle would need timely permit transfers. But the equity firm was also seeking relief from a 2005 consent decree Sunoco had entered into with the Environmental Protection

Agency after the agency alleged the refiner had violated the Clean Air Act. Under the terms of the consent decree - to which both Pennsylvania and the City of Philadelphia were parties - Sunoco was obligated to invest in refining infrastructure that would reduce pollution and cap emissions at is local refineries.

Carlyle wanted permission to transfer the Marcus Hook emissions credits to the South Philadelphia refinery, thus giving the company flexibility to expand its operations in the future without fear of running afoul of the consent decree. And that wouldn't happen unless the EPA, the state DEP, and the City of Philadelphia all signed off on the plan. And that's exactly what happened. Two Democratic administrations and one Republican one agreed, essentially, to permit the possibility of more air pollution in Philadelphia, in order to ensure the refinery remained open. In all likelihood, the deals will reduce emissions regionally, not increase them. But that's not guaranteed, and it's a nuance that could easily be overlooked by critics of fossil fuel refineries.

So there was some political risk - especially for Obama and Philadelphia Mayor Michael Nutter, both of whom have cultivated pro-environment records and images - in giving a green light to the possibility of more air pollutants in Philadelphia. And indeed, the Clean Air Council challenged the arrangement this fall, appealing to the Pennsylvania Environmental Hearing Board.

But even for the Green-conscious Nutter administration, approving the emission credit transfer was not a difficult call. "We talked it through with our air management folks and state and federal regulators, and we looked at how there are likely to be benefits for regional air quality, and it seemed very reasonable," says Alan Greenberger, Philadelphia's deputy mayor for economic development. "We didn't at all feel like anybody twisted our arms into this." With federal, state, and local government singing from the same regulatory hymnal, all that was left to figure out - in terms of public support, at least - was the money.

The state offered $25 million in grants. Of that, $10 million would come from PennDOT, and will be applied towards a new terminal to manage high-speed unloading of oil-laden railcars from the Bakken fields. The remaining $15 million would be funded by the Redevelopment Assistance Capital Program, and only be paid out if and when Carlyle proceeds on planned investments of its own in South Philadelphia. And in time, the refinery - or parts of it at least - are expected to qualify for tax abatements under the Keystone Opportunity Expansion Zones that Pileggi pushed through in 2012.

Then it was the Steelworkers turn. Savage was summoned to the union's headquarters in Pittsburgh for the talks with Carlyle. This was another moment when things could have turned sticky. Savage could have been unyielding, or Carlyle could have demanded back-breaking concessions. That didn't happen. The final agreement eliminated double time for steelworkers, and made changes to the pension plan that Savage and his members could live with. His members would later approve the new contract almost unanimously.

As for Sunoco and Carlyle, the final deal they struck closely resembled the novel solution that MacDonald had hit upon earlier. Carlyle would pay nothing to acquire the facility, but it committed to investing in the plant going forward. Sunoco, meanwhile, would retain a 33 percent, non-operating minority stake in the business. The new joint operation would go by the name Philadelphia Energy Solutions.

Hammering all of this out took weeks of meetings and high-stakes conference calls involving a wide cast of players from the federal government, the state, senior executives at Sunoco and Carlyle, and go-betweens such as Kopp. More often than not, Brady was there or on the line as well. "I just made sure that the people kept talking, that's all," Brady says. "Believe me, a lot of the time, I had no idea what they were talking about. But I was the guy who made sure they stayed in the room."

CHAPTER FOURTEEN
Turning the Page in Marcus Hook

Just as MacDonald was redoubling the effort to find a buyer for South Philadelphia, he had concluded there was no real chance that Marcus Hook would remain open as a refinery.

The facility was simply too old, investments had been delayed for too long, and the cost to comply with environmental regulations too high for the investment to make any sense. MacDonald had feared that would be the case all along, but the process of trying to sell the refineries had proven it. Carlyle and other potential operators had looked at Marcus Hook and passed. MacDonald even looked into merging the facility with the Trainer refinery. None of it made financial sense.

MacDonald felt Marcus Hook's stakeholders would be best served by facing that fact sooner rather than later. "I had to get people focused on the future in Marcus Hook," he says. So he arranged for a meeting, despite the urging of other Sunoco executives to keep quiet. They predicted he'd be pilloried. "It was one of those CEO moments where you tell yourself, 'I know everyone says not to do this, but I'm gonna do it anyway because my instincts say it's the right thing to do.'"

On Saturday, March 10, at the Drexelbrook corporate events center in Drexel Hill, MacDonald laid out the unwelcome news to a group that included Lieutenant Governor Jim Cawley, Meehan, Pileggi, Krancer, Delaware County Council Chairman Tom McGarrigle, and a host of economic development officials. But, MacDonald said, just because refining was almost certainly not an option did not mean the Marcus Hook facility was doomed to fall into disuse.

Attendees say that MacDonald listed the site's many strengths, which include rail access, a port, and - most critically for the site's future growth - the possibility of access to affordable Marcellus Shale natural gas. The Sunoco executive recommended a study be undertaken to explore potential new uses for the shuttered refinery. The company offered to pay for the report, but MacDonald worried it would be seen as self-serving. So, after a quick huddle, McGarrigle and Killian volunteered the Delaware County Industrial Development Authority as the report's sponsor.

Just three months later, the study - performed by IHS Global - was finished. It identified no fewer than seven promising potential uses for Marcus Hook, ranging from low employment options (such as serving solely as a terminal), to high-intensity uses (such as polyethylene production or a gas-to-liquid plant) that could lead to significant job-creation.

This isn't just wishful thinking, as the recent expansion of Braskem America at the site demonstrates. Braskem, a giant multinational corporation headquartered in Brazil, opened up its U.S. headquarters in Philadelphia in 2010, after acquiring the thermoplastic plant at Sunoco's Marcus Hook refinery. Under the terms of that $351 million deal, Sunoco was obligated to supply Braskem with the raw material - propylene - that the company needed to produce polypropylene, a common plastic used in countless applications.

But that arrangement - and indeed Braskem's entire regional operation - was upended by the announced refinery closings. "We were basically going to be forced out of business in Marcus Hook, and with very little notice. Actually, with no notice," says Bruce Rubin, a senior vice president of external affairs at Braskem North America. "So to say the least, we weren't too happy." The seemingly-imminent shuttering of both the South Philadelphia and Trainer refineries only made matters worse. Braskem would have had to transport propylene to Marcus Hook from distant refineries, cutting into profits. Or so it seemed at the time.

And without its Marcus Hook site in operation, it made little sense for Braskem to keep its continental headquarters in Philadelphia. The company's other U.S. production facilities are in Virginia and Texas. Which meant that Philadelphia - a city with too few anchor companies in its Center City office buildings already - stood to lose another corporate headquarters as collateral damage to the refinery closures.

But instead of immediately making plans to relocate, Braskem reached out to regional political leaders. Initially, that meant Meehan, Fattah, and Pileggi. Then Thomas Morr at Select Greater Philadelphia set up a meeting between Braskem and Aichele. Once Braskem got connected to Corbett through Aichele, the state became extremely helpful, says Rubin, who highlighted Lieutenant Governor Jim Cawley as particularly supportive. "The state understood the fact that we were a significant player in Brazil," says Rubin, who worked for years at Sunoco before joining Braskem. "They were very, very interested in helping us stay."

With government assistance - and the brightening prospects at two of the three local refineries - Braskem was able not only to stay, but to grow by acquiring the propylene splitter at Sunoco's Marcus Hook facility.

And Braskem was just the beginning. In September, Sunoco's pipeline subsidiary announced a partnership with MarkWest Energy to convert the Marcus Hook refinery into a processing and distribution plant for natural gas from the Marcellus Shale. The massive project - dubbed Mariner East - stands to create 450 construction jobs, as skilled laborers build the facilities needed to chill, process, store, and ship propane and ethane that has traveled to the region by pipeline from Western Pennsylvania. The facility will employ about 100 full-time workers once it is up and running, but there is vast potential for further growth.

The availability of low-cost ethane and propane, and the abundance of developable industrial land at the refinery, could, in time, turn Marcus Hook into a significant petrochemical hub. Indeed, Secretary Krancer often likens the link that will connect Marcus Hook to the Marcellus Shale to the golden spike driven in at Promontory Point that completed the first transcontinental railroad. "That's how dramatic I'm convinced this is," Krancer says. The loss of the oil refinery cost the tiny borough about 600 jobs. And local businesses that fed and quenched the thirst of steelworkers at the plant will undoubtedly struggle, at least for a time. The end of refining at Marcus Hook has created real pain and will have real economic consequences. And yet, for all that, there is a sense of real possibility at the site, and an energized coalition of stakeholders anxious to see that potential realized. "There's a lot of hope," says Marcus Hook Mayor Schiliro, "Give it time, and I think we can actually come out ahead in all this."

Marcus Hook is beginning to turn the page.

CHAPTER FIFTEEN
Lessons

Thomas Morr of Select Greater Philadelphia believes that the rescue of the Trainer and Philadelphia refineries - and the new future being charted for the Marcus Hook facility - represent "the biggest economic development news in the Northeast United States in 2012, if not the entire country."

If that is true, and Morr makes a convincing case that it is, then the refinery rescues also represent one of the most heartening examples of regional cooperation in many years. As Carlyle Managing Director David M. Marchick put it, "federal, state and local officials, Republicans and Democrats, business and labor -- everybody had skin in the game, and everybody worked hard to make this happen." Looking at how the deals came together, a few key lessons emerge.

- When the stakes are this high, high-level engagement is vital. The Carlyle-Sunoco deal was a non-starter until the White

House stirred the pot. And Corbett's hands-on dealings with Monroe, Braskem, Sunoco, and Carlyle were crucial. (Rinaldi estimates that he spoke with the governor directly no fewer than eight times as the deal was being hammered out.)

- Persistence is rewarded. There were many days when refinery stakeholders could have been forgiven for giving up. Savage recalls getting on the train at Union Station after a particularly discouraging trip to Washington convinced that "it was over, that we had done it all for nothing." But by the time the train reached Wilmington, he'd resolved to ignore the doubters. "I ain't listening. We're just gonna keep fighting this thing."

- In crises, relationships matter. The old boys' network has its flaws, but it shines when trust among parties is required. "If this had been the first time we'd talked to each other, I don't think we would have been successful," says Pileggi.

- Partisan differences have their place, but on many regional matters, they are not particularly relevant. Brady is chairman of Philadelphia's Democratic party, and a stalwart liberal vote in Congress. But that political identity hasn't prevented him from working across the aisle on countless matters where ideology was a secondary concern. That history enabled all sides to consider him an honest broker.

- Enlightened private sector leadership is enormously important. Sunoco was almost certainly doing its due diligence on the refinery sales before MacDonald was named CEO. But the difference in the company's tone - and urgency - after he ascended was pronounced. MacDonald's intense focus on the refinery sales was all the more remarkable considering MacDonald was concurrently negotiating a $4.9 billion sale of the entire company to Dallas-based Energy Transfer Partners LP.

CHAPTER SIXTEEN
"It's Just Astounding"

In October 2011, the conventional wisdom was that Southeastern Pennsylvania's long-suffering energy industry was on its deathbed. Today - just 14 months later - there is wide speculation and good reason to hope that the region can become a leading energy hub. The Philadelphia region now has the product (from the refineries and the Marcellus Shale), the infrastructure and the access to nearby markets that it needs to reassert its old role as one of the leading energy centers on the East Coast.

And that could be just the beginning. The Marcellus Shale, the abundance of ready-to-develop industrial land and the newly welcoming political environment may well lure a new wave of manufacturers to the region. Not content with saving the refineries, Meehan convened another iteration of his stakeholder meetings in November, this one pairing executives from companies with interests in the region's energy future and a familiar cast of politicians and bureaucrats. The goal, Meehan says, is "to figure out what government can do to help turn these hopes into reality."

After Philadelphia Energy Solutions was formed, and the news spread that the refinery would remain open, Congressman Bob Brady took a trip out to a Steelworker bar in Marcus Hook. The refinery workers were celebrating, and putting down more than a few, and Brady was shaking hands every which way.

As he got up to leave, a couple approached him. The wife thanked him for saving her husband's job, and Brady replied, "Yeah, jobs are important."

"No, you don't understand," she said. "You didn't save my husband's job, you saved our life. You see this bar we're in? He'd be here anyway, with a job or not. Only he'd be coming home to me hollering at him about the mortgage not being paid, hollering about gas, hollering about electric, hollering about how he's out there drinking."

Brady said "thank you," and made his way out to his car in the dark parking lot. He sat there for a while. "I thought to myself, 'holy shit,'" Brady says. "It was a good feeling man. I got a little impacted by that, you know. And then I started thinking about it. They're gonna be able to hire more people at that refinery now. And the trucks are gonna flow. The Teamsters are gonna be there. And the economy, and the people spending money." Here, Brady pauses for a second. He raises a big thumb to his eyes and wipes away a few tears that had formed as he told the story.

"Christ," he says. "It's just astounding."

Portraits by Kellie McGinn