



■ Financing Scale-Up Projects: *Strategic Investor Perspective*

Mark Jones

Executive External Strategy and Communications Fellow

The Dow Chemical Company



©™ Trademark of The Dow Chemical Company ("Dow") or an affiliated company of Dow

■ Unworkable Expectations

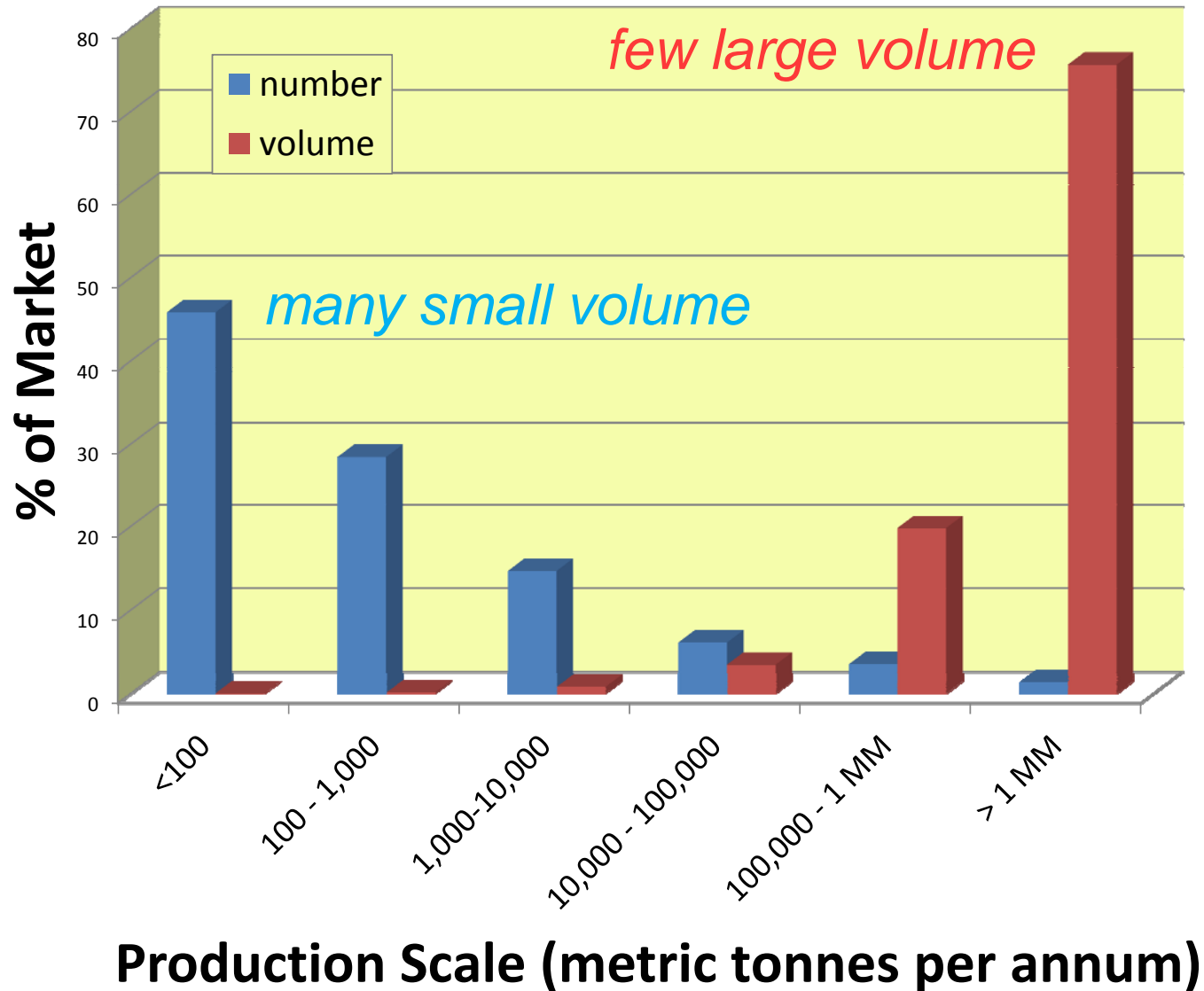
- Dow pays to do research
- Dow pays a royalty on the product
- offer same deal to other companies upon success



■ Goals of the Strategic Investor

*Create a sustainable
competitive advantage*

■ Truism 1: Scale Falls Quickly



■ Truism 2

A mixture containing a valuable chemical is not the same as a valuable mixture of chemicals.

■ Truism 3: Scale Always Wins



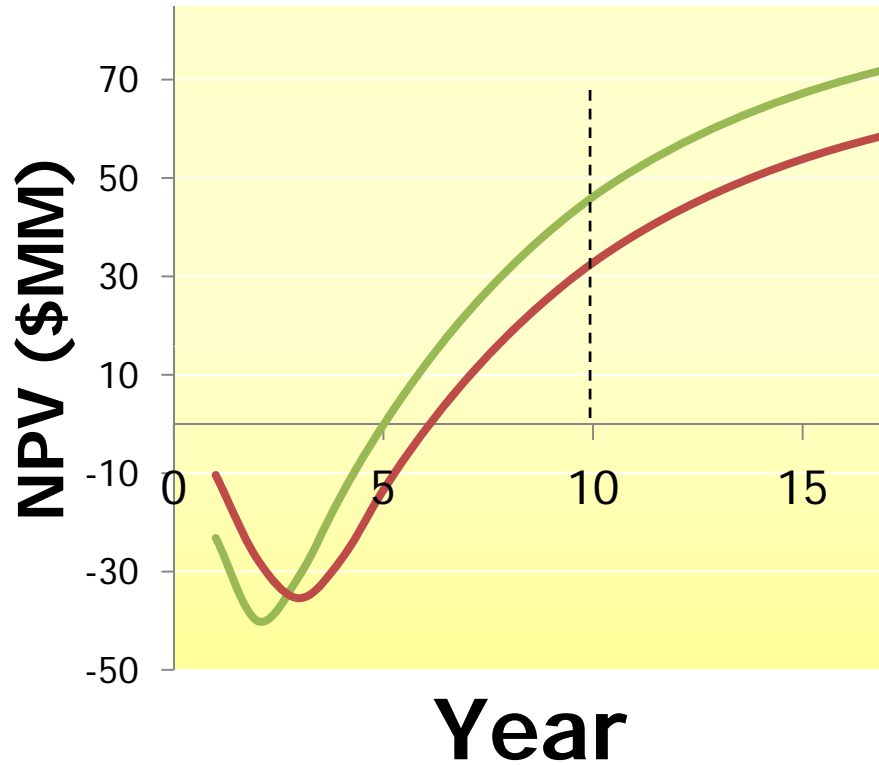
If you are moving mass around, scale reduces cost faster than experience.

■ Point One

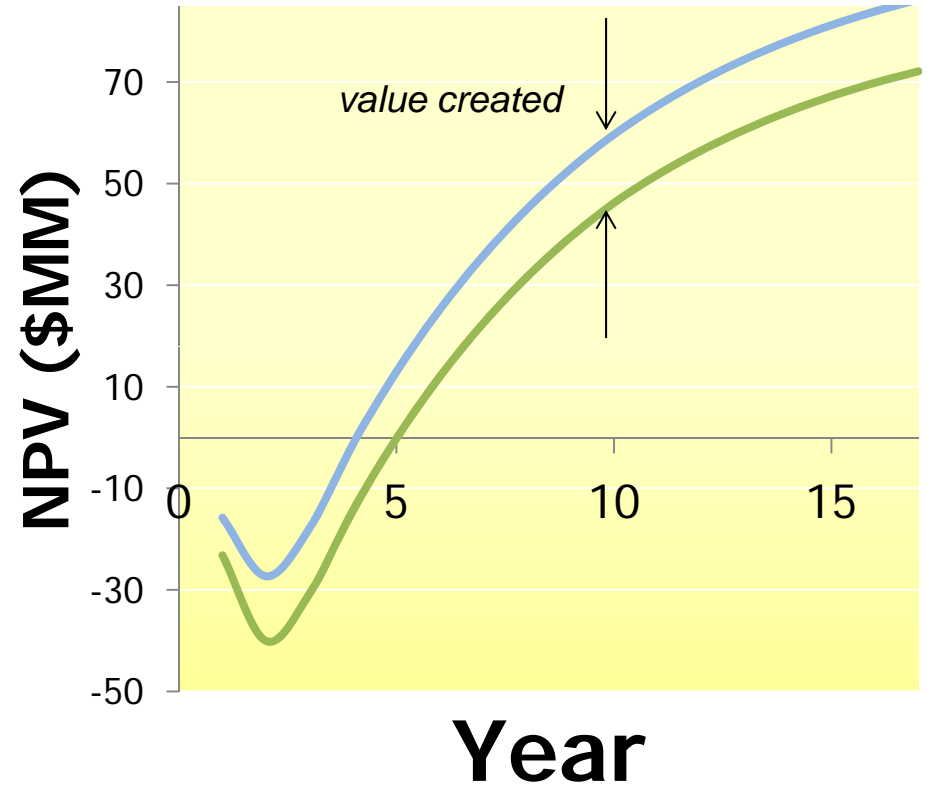
Large companies have many options



■ Analysis of Options



time is money

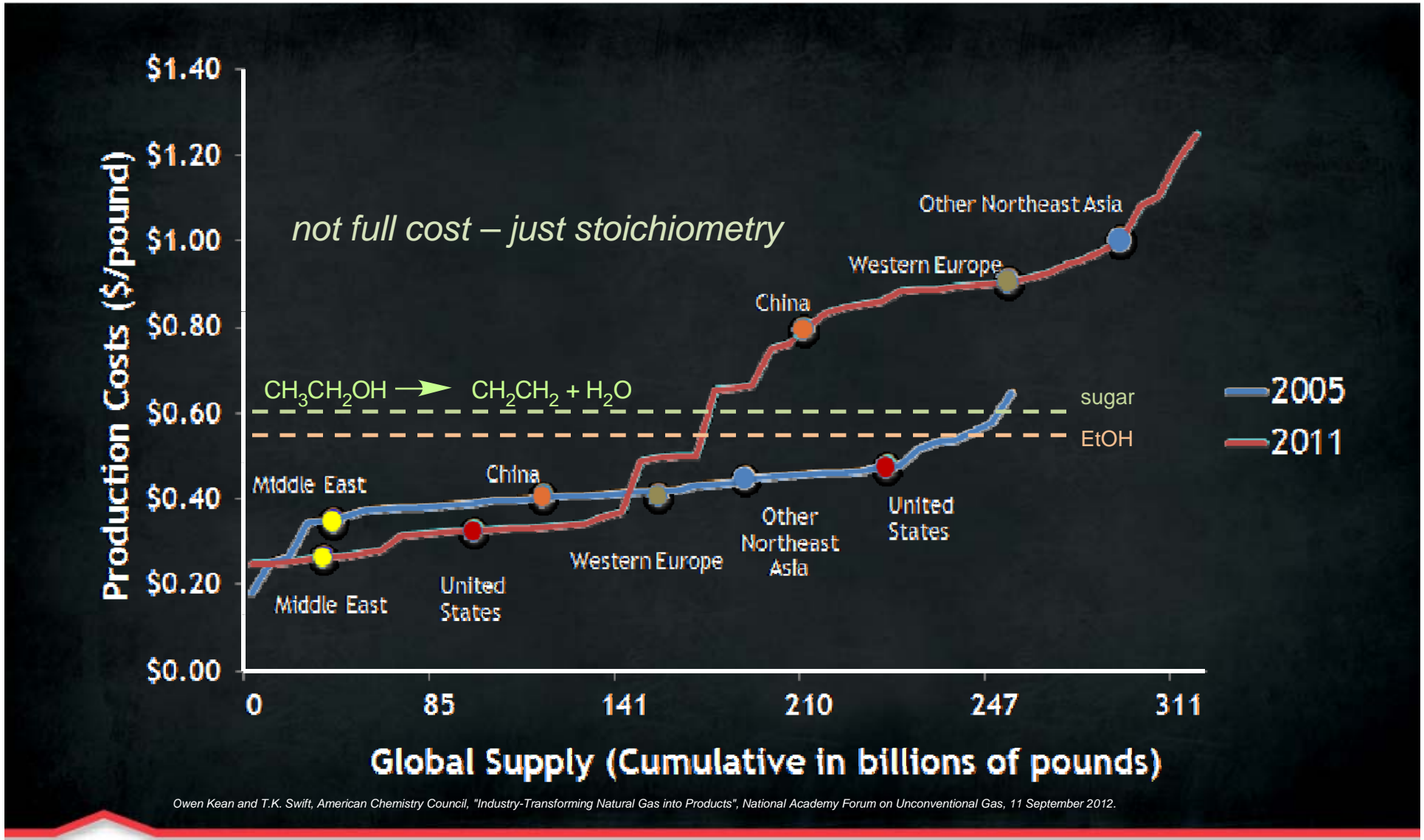


*next best option
sets value*

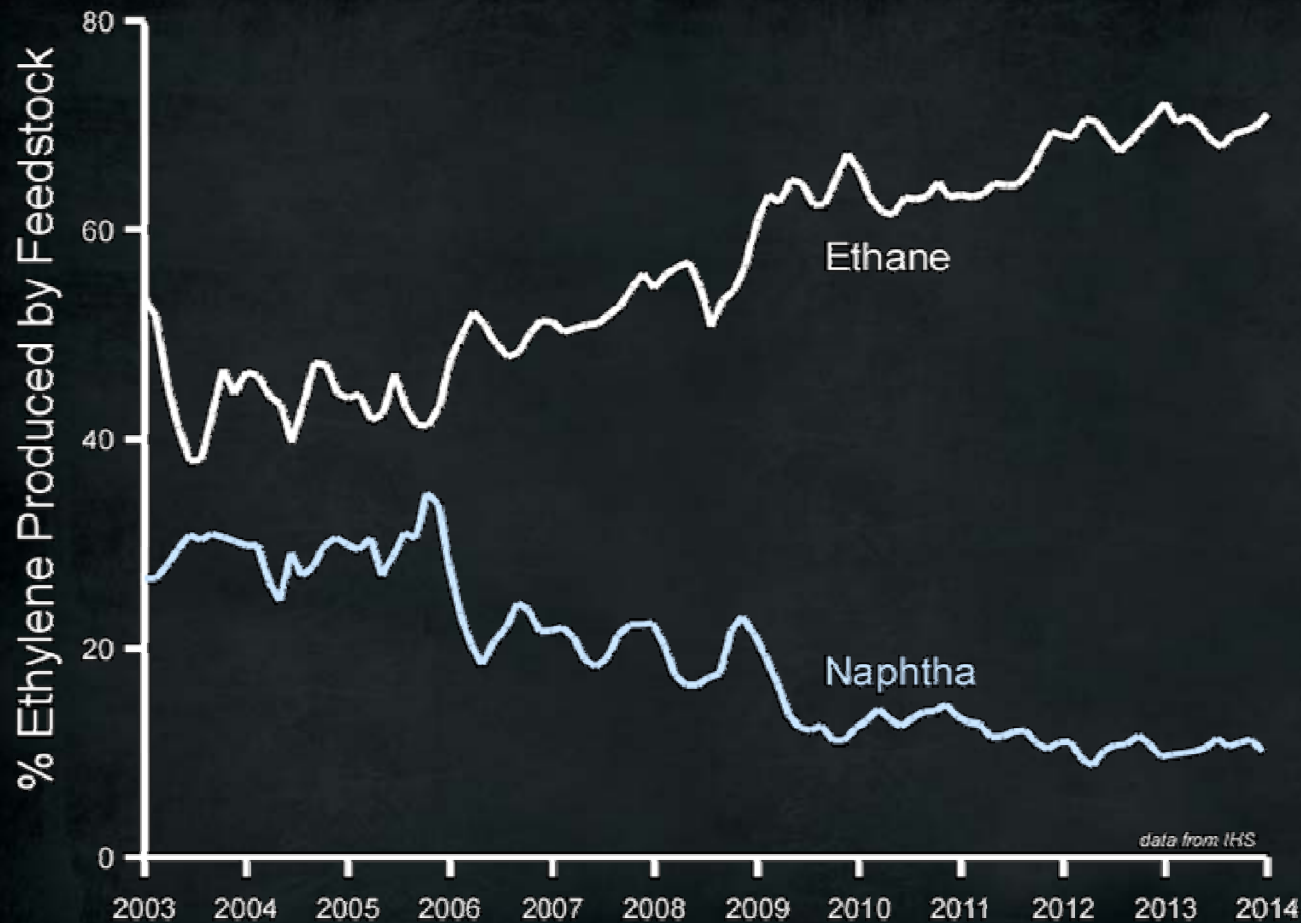
■ Point 2: Looking for Compelling Options



Fallacy 1: Bio Beats Fossil



■ US Trend



U.S. trend is toward lighter gas cracking and it is an old trend

Implications:

- less propylene
- less butadiene
- less benzene

■ Fallacy 2: Green Premiums

Chemical markets are driven by cost and premiums are difficult to sustain.

■ Fallacy 3: n^{th} Plant Economics

*Investment decisions
are made on the first
plant, not the n^{th} .*

■ Fallacy 4: Shut-down Economics

It takes decades for superior technology to displace standing assets.

■ Generating Strategic Investor Interest

*Compelling economics
Sustainable competitive
advantage for the
partnership.*

