



PORT ARANSAS SOUTH JETTY

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Texas



Breaking News:

Full interview with Port of Corpus Christi Commission Chairman Charlie Zahn

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Port of Corpus Christi Commission Chairman Charlie Zahn and Sarah Garza, the port's director of environmental planning and compliance, at a July 19 Port Aransas City Council meeting. Zahn sat down for an interview with South Jetty reporters on Wednesday, July 18. (Staff photo by Dan Parker, © 2018.)

THIS IS AN INTERVIEW CONDUCTED WITH CHARLIE ZAHN, CHAIRMAN OF THE PORT OF CORPUS CHRISTI COMMISSION. THE INTERVIEW WAS CONDUCTED ON WEDNESDAY, JULY 18, BY NEWS EDITOR DAN PARKER AND REPORTER ZACH PERKINS, BOTH OF THE SOUTH JETTY. TOPICS MAINLY WERE RELATED TO THE PORT'S DESIRES FOR A CRUDE OIL PORT TERMINAL TO BE ESTABLISHED ON HARBOR ISLAND.

South Jetty: Could you provide for us an overview of the Port of Corpus Christi, its importance to the region and how a project like the one planned on Harbor Island might

contribute to the port's mission?

Zahn: The Port of Corpus Christi is the No. 4 largest port in the United States by tonnage, and today, we are the No. 1 port in the United States for the export of crude and refined products. We have made a substantial contribution to the economy, not only in the Coastal Bend, but in Texas and the United States. We generate locally over 88,000 jobs. We generate, with our products moving throughout Texas, in excess of 1 million jobs. We provide \$350 million in tax revenue by industry through the Port of Corpus Christi. When you look at the United States today, when Trump was elected president, he had three precepts that he wanted to look at. He wanted to be No. 1, energy independent, and we are a huge part of that. We are doing 63 percent of all the export of oil in the United States today. He wanted infrastructure. The projects we are looking at today are infrastructure projects. Third, he wanted balance of trade, and the ports on the East Coast and the West Coast are ports that import containers, containing goods from nations throughout the world. What we do is export. Export is the only way you balance trade. I will tell someone the project that we are doing to deepen and widen our ship channel, and the immediate economic impact is \$40 million, first year. That's economic impact. That is 10 percent of the deficit that we wipe out in one project.



the way out to the Gulf of Mexico, correct?

Zahn:Right. I'll take you back to 2013, (or) when I first went on to the commission in 2012. I asked the senior staff for a long-range plan, because they didn't have one, and I insisted that they put together a long-range plan. The reason they didn't have one is because it would change so quick. Well, we adopted in December of 2013 our long-range plan, and we amended it in March 2014. When we looked at it, we went to our industry partners and said, what are your concerns as an industry? Because the port is successful only if our industry partners are successful. We generate our income through fees that we charge for products going across our docks. They said water, electricity and manpower were their three concerns. We are going to talk about the first one, water. We tried to see how we could maintain our status, not only in the United States, but in the world, as the No. 1 oil exporting port in the United States. In the adoption of that master plan, our vision was to be the port of the Americas. That was our vision. We are well on our way to being that, but in doing that, we had to take into account that, No. 1, they had just opened two years ago last month, the new Panama Canal. That provided two things. It provided for larger vessels to go through the canal, which made access to Asia a lot easier, and it allowed liquefied natural gasses to go through the canal, which had not happened before. So, we needed to put ourselves in position to take advantage of that, No. 1. No. 2, we live in the hottest bed of oil and gas area in the country, with the Eagle Ford Shale and Permian Basin. They are drilling in both of those, gas in the Eagle Ford Shale and oil in the Permian Basin. So, we needed to be in position to bring that oil to Corpus Christi. The reason we say bring it into Corpus Christi is because the pipeline that came from Canada to Houston. Once Trump approved the completion of that pipeline, the product is coming out of Canada. It will take all of the refining capacity that Houston has, so they are still sending some oil to Houston from west of us, but they don't have the refining capacity to take care of it, so that puts the Port of Corpus Christi and the Coastal Bend in an excellent position to take advantage of what is coming.

There have been eight, nine or 10 pipelines proposed from Eagle Ford Shale and Permian Basin to Corpus, and I would say we are probably looking at four to come in here into Corpus Christi, two gas and two oil. And, they are under construction today and they are going to be completed in the first quarter of 2021. The new, higher bridge is going to allow larger vessels to come into the inner harbor in Corpus. It's going to be completed in the first quarter of 2021. When we looked at our long-range plan for the Port of Corpus Christi, our No. 1 project is to deepen and widen our ship channel and create barge shelves for safety purposes, so that we can take advantage of the oil play west of



South Jetty:How important is the proposed terminal on Harbor Island to this overall plan?

Zahn: It's a critical part of the overall plan, because we have industry today in 2018 that is spending \$50 billion, building either new facilities in the Port of Corpus Christi or upgrading existing facilities, but if we can get a facility where they can come directly to Harbor Island and offload on a vessel at Harbor Island and go directly into the Gulf of Mexico, say to the Panama Canal, it's a tremendous advantage for the industry that's producing that product. You know, our goal at the port is to provide the infrastructure so that our industry partners can be successful. That's what our goal is. So, part of that infrastructure is the deepening and widening of our ship channel because the vessels that are in the world today are larger, and it is evident by the new Panama Canal are larger vessels, so we have to accommodate those vessels. The average vessel that you see, as a resident of Port Aransas, offshore, might hold 800,000 barrels of oil. The VLCCs hold 2.2 million barrels of oil. If they can load a VLCC, for example, and send it into the Gulf of Mexico going to Europe or Asia, the average savings per trip is \$1.25 million.

South Jetty:To accommodate Harbor Island project, would there need to be a turning basin to be able to turn the ships around 180 degrees?

Zahn:No. When I read the detractors, they talk about speed, they talk about waves, they talk about turning basins, and you know, if I can get you to say one thing in a headline in the paper, it's to learn the facts before you make an opinion or express an opinion.

South Jetty:We thought Sean Strawbridge (Port of Corpus Christi CEO) said there would need to be a turning basin.



z, they are going to stop right out here with two tugs and turn them right here in the elbow, and they are going to back into the slip.

South Jetty:The elbow being right where the Lydia Ann Ship Channel meets the Corpus Christi Ship Channel?

Zahn:Yes.

South Jetty:So, would a turning basin have to be created to turn them?

Zahn:No. My people tell me that there is enough room there, because it's almost a vessel that is sitting still, with two or three tugs that can turn that vessel right there on an axis and back it into the dock.

South Jetty:Some worry that the channel will have to be a whole lot deeper to create a turning basin. Would it have to go deeper in any way or wider to accommodate the port terminal on Harbor Island?

Zahn:We are going to go to 54 feet because we are permitted to go to 54 feet today. Everybody is a little ahead of the game, talking about 75 feet, because all we have done at the Port of Corpus Christi is to hire a firm to do a feasibility study to determine whether it is feasible to go to 75 feet to Harbor Island to accommodate a larger vessel, like a VLCC. We don't know the answer to that yet, but we have hired a firm. I think the contract was almost \$5 million to do the feasibility study, and if it is feasible to do the permitting to allow us to go to 75 feet only to Harbor Island, we wouldn't do any widening there. The widening gets past here toward Ingleside, where it narrows. We are looking to go from 400 feet to 530 feet, and the other thing we are concerned about is one of our No. 1 precepts, safety. When you look at us, we look at job creation, education, we look at the environment, and we look at safety. The problems they have had in the Houston Ship Channel the last several years involved barges and tankers or



Corpus to get the barges out of the main channel. The reason for widening the channel from 400 to 530 feet is so that we can have safe passage of two vessels. You know, one of the things that hinders industry is if you have one-way traffic only or if you have daylight-only traffic, or if you have traffic that requires two pilots in order to travel through the Corpus Christi Ship Channel. That's an extra charge for industry, and that is something we are trying to alleviate by going deeper and wider.

South Jetty: Would this terminal at Harbor Island require changing either the location of the jetties on either side, or the shape of the shoreline on Harbor Island, San Jose or Mustang Island? We know the port has permits to go wider and deeper with its channels, and the way that has been described has been not cutting into the shoreline, but going into the existing channel and making it more shaped like a "U."

Zahn: That is correct.

South Jetty: Would that terminal mean changing the shape of the shoreline, digging deeper into the shoreline or moving the jetties?

Zahn: It won't affect the jetties at all. It won't affect San Jose at all. It won't affect Mustang Island at all. It will affect Harbor Island, only in that we are going to remove the existing infrastructure that is there, that was previously there when they had an oil terminal there and build a dock at that location. Then, on the land itself, build the infrastructure to offload oil into tankers. So, it would be the same thing as if you were going to bulkhead a lot at Island Moorings, for example. You are going to shave that shoreline down and set your piles or whatever and put a cap on it. It will be the same kind of procedure.

South Jetty: Will you see any kind of change in the Aransas Shrimp Channel and the shape of it, and from there on toward the Lydia Ann Lighthouse, any kind of digging into the shoreline?



South Jetty:Has the port applied to the U.S. Army Corps of Engineers for permitting to build some sort of pier-type structure coming off of Harbor Island?

Zahn:No. Nueces County did. You know that track that they had, the last bridge when you are going into Aransas? Well, the county owned that, and we bulkheaded it, and we had a fishing pier planned there. But, that's a county thing. That wasn't us. We are looking at working with the City of Port Aransas to help them replace Charlie's Pasture pier, but the City of Port Aransas will permit that.

South Jetty:Can you describe a timeline on what must happen from here on out in order for the shipping terminal to become a reality on Harbor Island? What are some of the milestones that have to happen? Are there a number of permits, or is there just one permit? Public hearings?

Zahn:We've got our permits. The infrastructure that we are going to create on Harbor Island is upland, so other than a building permit from the City of Port Aransas for storage facilities, I am not aware of any other permits. We acquired the road, District 4 Road bed, from Aransas Pass to Harbor Island, and the terminus of the pipelines coming into Corpus Christi, one of them, at least, is coming through Taft to Aransas Pass, and it will connect to a pipeline of Harbor Island, so you will have direct access to the Permian Basin. But, we've got the permits for those. What we are looking at is pretty simple. It's awful hard to say what the timeline is. We are talking with industry partners about the possibility of a group creating an export terminal on Harbor Island. We own the land, and the business we are in is, we lease the land, and we take fees based on the product going across the bulkhead. So, we have a group of industry partners that we are in contact with. We are talking to them about it. We are talking to them about who wants to be a participant and to the extent of their participation. We are talking about someone being the operator of the terminal, and all of that are ongoing investigation today. Once we conclude those investigations, then we will put a team together to go in and build a terminal. I can't tell you if that could happen next month or next year. It's a pretty substantial investment on somebody's part, but there's a lot of interest. The worst thing that can happen to us, in this city, is to have that oil sitting in Midland, Texas, with no place to go.



Zahn:For the second part of it. What I am telling you is already in place. I've already got permits to deepen and widen. Monday, July 23, I will receive bids to start the deepening and widening project, and it will become a reality. The 75-foot feasibility study to determine whether going from 54 feet from the Gulf of Mexico to Harbor Island is a feasibility study we approved in June. That is going to take some time. It could take as long as two years.

South Jetty:The study is not studying the feasibility of whether to build the terminal? The feasibility study is to determine whether to dredge the channel to a 75-foot depth?

Zahn:Right.

South Jetty:Do you think Port Aransas residents, with this new Harbor Island facility, should have anything to fear?

Zahn:No. It was there before. One of the best things you can do is go on Google Earth, go to Harbor Island and go back to 1995 to see the old tank farm. That is exactly what we are going to build. If someone was to realistically study the port, people should have two concerns: Safety and the environment. When you look at the principles that the Port of Corpus Christi operates under, those are two of the areas that are extremely important, not only to us, but when we work with a potential industry partner that wants to come into the Coastal Bend and be a part of our industry group, we insist that anything they do is done with safety as the No. 1 concern. If you go to our meetings in Corpus, I start every meeting with a safety briefing. The other is that we require, not only of ourselves, but of our industry partners and any future industry partners that they do whatever they do in an environmentally sound manner. We are an air attainment in our part of the state of Texas. That is extremely important to industry throughout the world looking at Texas as a place to come in and build a facility. You don't have to do the credits and all the extra environmental stuff if you are an attainment. We intend to keep



South Jetty:Can you explain attainment?

Zahn:The federal government has standards that you have to meet for air quality. The area of Corpus Christi meets or exceeds those standards. Houston is not an attainment. Dallas is not an attainment. Austin is not an attainment. Houston has tried for years to try and get congressional legislation to combine their region with Corpus Christi, and we keep fighting it because we are an attainment. Our industry partners have spent, primarily the refineries, have spent hundreds of millions of dollars to make sure that we stay an attainment. The people who are concerned about whatever it is we are proposing need to know something about who we are and how we operate. ... Nobody over here knows it, but I was in Austin three weeks ago, and the governor and the Texas Commission of Environmental Quality gave me the environmental excellence award from the state of Texas for the Port of Corpus Christi. They don't give those out to just anybody. You have to have an environmentally sound operation, which we do. When we lease something like that and they build something like that, we are going to insist that they do it in an environmentally sound manner and that they comply with all state and federal regulations and that they continue to operate in that safe sound and environmentally sound manner. I have the ability in the leases that I do with customers, if they don't operate in an environmentally sound manner, I can terminate those leases.

South Jetty:One idea that has been floated is to offload oil way offshore instead of on Harbor Island. What do you think about that?

Zahn:It's not feasible.

South Jetty:Why is that?

Zahn: Well, it's not feasible because of the cost, the permitting, because you are not talking about state water. That guy at my commissioner's meeting that has Port Aransas



that. As the Port of Corpus Christi, I don't generate revenue from that. That's not my facility. The other is if you have a problem off the terminal, like the loop in Louisiana, if they have a problem, you are talking about an environmental disaster. Where if we had a leak in our pipeline, we can fix that in a very short period of time and not create the environmental disaster that an offshore section would. This guy was talking about going out 30 miles into federal waters. Well, we are not going to do that.

South Jetty: Why would it be easier to fix a pipeline like you are talking about as opposed to one that goes out into the Gulf?

Zahn: If you go out 30 miles, how many feet deep are you trying to work in? Look at what happened to the blowout they had out there trying to go down that deep to fix it. If it's onshore, 2 feet under the surface, I can get to it. You don't really have those kinds of disasters. You have them every once in a while. The one off Louisiana was manmade. It was something that man did.

South Jetty: When ships come and go from the Harbor Island terminal, will it have any effect on ferry movement?

Zahn: No, not at all. It won't even reach them. When we look at that area where we might build a second dock, we looked at building a third dock, but the third dock, in our opinion would have been too close to the ferry operation, so we did away with that.

South Jetty: Would the process of turning a ship 180 degrees require shutting down the channel at all to channel traffic for ferries or boating traffic?

Zahn: It won't affect the ferries at all. Vessels in the immediate area – you may have to go around that operation and go up into Lydia Ann or go up in the Aransas Channel. But, those vessels are not going to close the channels. You are still going to have sport fishing boats, for example, are still going to have access to all three channels.



Zahn:We are hopeful we can do a vessel a week. That is 2.2 million barrels of oil per week, but we haven't gotten that far yet.

South Jetty:Some people speak about this Harbor Island terminal as a maybe. You speak about it more like it is a certainty it will happen.

Zahn:It is going to happen.

South Jetty:So, there is no question about it?

Zahn: No question about it.

South Jetty:Do the rest of the commissioners feel the same way?

Zahn: 7-0. It's our No. 2 project. Our No. 1 project is deepening and widening the ship channel and No. 2 is creating the terminal on Harbor Island.

South Jetty: Some Port Aransas folks worry about the possibility of an oil spill. Are you concerned about that?

Zahn:No. You can have a situation where somebody mishandles what you and I would call, for lack of better terminology, the gas pump and it creates a small incident, and you clean it up. The Coast Guard, EPA and TCEQ fine them, and you go down the road. It doesn't create an environmental disaster like some of these naysayers are saying. That's



South Jetty: Do you have any idea how big that tank farm would be, or how many tanks there will be or how much they will hold?

Zahn:No. If we want to fill a large vessel off of that terminus in the future, we are not talking about today, but we are talking about one million barrels. You can build 10 (100,000-barrel) storage facilities. If you did VLCC, there would be 22 of them, and you need to have enough product there to load in a timely manner the vessel that is coming to the dock.

(Editor’s note: With the interview wrapping up, Zahn concluded with the following remarks:)

We want people to know the facts. We don’t have any information that we aren’t going to provide. I had the guy from Port Aransas Conservancy at my (commissioners) meeting demanding that there be public hearings that he can participate in, and I told him that we are going to follow the law. If we have to have a public hearing, we will do it. The Port of Corpus Christi is a governmental agency, and we are required to follow the law just like anyone else is, and we are going to do that.

This is big stuff. I will tell you something that is really interesting. Our annual revenue is about \$100 million. Our anticipated revenue in the first year off that facility on Harbor Island is \$22 million.

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