

https://www.galvnews.com/news/article_29edae92-33bd-5524-9d64-71ac319dfdd6.html

\$500 million gas liquefaction plant pitched for Pelican Island

By JOHN WAYNE FERGUSON The Daily News

Jan 28, 2020

GALVESTON

Citing an increase in the number of ships running on liquified natural gas, a company has approached the Port of Galveston about building an LNG fuel facility on Pelican Island.

The facility, which might cost as much as \$500 million to build, would fill fuel-supplying bunker ships with liquid gas, according to a proposal by Houston-based Pilot LNG.

The company approached the Wharves Board of Trustees during its regular meeting Tuesday. Officials asked the port to consider signing a memorandum of understanding setting aside a tract on the northeast part of Pelican Island, at least temporarily, as the company continues to develop its business plans.

“We can service the cruise industry and the tanker industry,” Pilot LNG CEO Jonathan Cook told wharves trustees.

The facility would be the first of its kind at a deep-water port in the Gulf of Mexico, Cook said.

The facility is smaller in size and scope than other local projects aimed at capitalizing on export demand for liquid natural gas. Woodlands-based NextDecade, for example, is building an LNG export facility in Texas City to supply American-produced gas overseas.

Pilot LNG’s proposal is to build a bunker terminal to supply LNG-powered ships coming into ports along the Houston Ship Channel and surrounding areas. The facility would transfer gas to a bunker ship, which would then travel to larger ships that need to be refueled.

To do that, the company would build a floating gas liquefaction and storage unit. The facility would store up to 16,000 cubic meters of gas, according to the company.

At such facilities, natural gas arrives via high-pressure pipelines and is supercooled to -260 F. At that temperature, natural gas liquefies and condenses to 1/600th its volume, making it easier to ship.

There is expected to be local demand for natural gas in the near future, Cook said.

Cargo and cruise companies are building more LNG-powered ships, in part because of new international standards that lowered the amount of sulfur emissions ships are allowed to release.

Many of the LNG-fueled ships are still being constructed but will come online in a few years.

It's possible that cruise lines operating from the island port would base LNG-powered ships in Galveston if fueling facilities were available, port officials have said.

The city owns about 200 acres of undeveloped land in the northeast part of Pelican Island, much of which is submerged. The land is managed by the port.

The parcel is the same area that NextDecade once cited as a potential location for its LNG export facility. That deal advanced as far as the port and company signing a lease agreement in 2014. But it ultimately evaporated because the company was unable to reach agreements with other Pelican Island landowners.

Cook on Tuesday proposed starting construction of the facility by the first quarter of 2021.

An agreement with the port would give "certainty and line of sight" for the company as it continues to raise capital for the project, he said.

The wharves board didn't vote on anything related to the LNG facility Tuesday, but Chairman Albert Shannon said he hoped to see a proposal for an agreement within the next few months.

"It's very real," Shannon said. "It's a great opportunity for us, because we'll get some income from it."

The idea fits well with the port's priorities, especially its recent emphasis on building business from lay dockage, when ships make brief stops at the port to resupply and refuel. Lay business allows the port to make money off of otherwise idle docks by charging fees to the ships that come and go.

John Wayne Ferguson: 409-683-5226; john.ferguson@galvnews.com or on Twitter @johnwferguson.

John Wayne Ferguson

Senior Reporter

(3) comments



Michelle Aycoth Jan 29, 2020 2:10am

Sounds like a great opportunity for Galveston to bring in some revenue and support the cruise industry.



Bailey Jones Jan 29, 2020 7:29am

Cleaner fuel for cruise ships does sound like a good idea.



Ron Shelby Jan 29, 2020 8:53am

Wasn't this a huge issue up for consideration about 10 years ago? I think there were significant safety concerns by the community the last time it was proposed. Maybe I'm wrong.