

Corpus Christi port starts study for VLCC-loading facility on USGC island: CEO

Houston (Platts)--11 Apr 2018 107 pm EDT/1707 GMT

The Port of Corpus Christi Authority is carrying out a feasibility study to fully load VLCCs without reverse lightering from an island near the Gulf of Mexico, port CEO Sean Strawbridge said Wednesday.

* Harbor Island to load by 2020-21 * Project cost estimated at \$200 million * Cost savings for US crude exports

This would provide a major boost for US crude competitiveness in global export markets, particularly in Asia and Europe.

"Our plan is to develop the Harbor Island where we own 250 acres of land and have the right of way to build pipelines," Strawbridge told S&P Global Platts. "We have also begun initial works for the permitting process to dredge to a depth of 75 feet that will allow for full loading of VLCCs."

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Construction of an offshore buoy at the island to load VLCCs is also an option. But no final decision has been taken yet, as such an initiative would entail a detailed permitting process, he said.

Building on an offshore floating platform with a pier is not currently being considered, Strawbridge said.

The Harbor Island, located at the end of the Corpus Christi Ship Channel and at the junction of the Redfish Bay and the Gulf of Mexico, will also be developed as a site for the storage of 20 million barrels of crude and for blending of varying slates, he said.

Harbor Island would be the second port in the US - after the Louisiana Offshore Oil Port - that will have the capability to fully load VLCCs.

The feasibility study is targeted to be completed by late 2018, after which the port will seek a permit from the US Army Corps of Engineers, he said.

Dredging and construction work for the project is targeted to start in the second half of 2019, with the first VLCC being moored in late 2020/early 2021, ready to fully load its capacity of 2 million barrels, Strawbridge said.

PIPELINE CONNECTIVITY

"The Harbor Island has a water draft of at least 45 feet and there are three old docks there that will need to be demolished. Our plan also includes the construction of two pipelines each of 30-inch diameter to the island for delivery of crude for loadings," Strawbridge said.

The port authority is already in talks with midstream players, producers and traders to build the pipelines and also utilize facilities, Strawbridge said, naming Magellan Midstream Partners as one of the likely participants in the project.

Magellan is working with the Port of Corpus Christi on development opportunities to serve its customers, spokesman Bruce Heine confirmed in an email Wednesday.

Magellan's senior vice president for commercial crude oil Robb Barnes said Tuesday it is developing a facility along its 100-acre waterfront in Corpus Christi to partially load VLCCs, and eventually fully load VLCCs.

Typically a 30-inch diameter pipeline can move in excess of 700,000 b/d, depending on crude type, pump spacing and hydraulic design, said Mike Prince, CEO of Lotus Midstream, which is pursuing opportunities to build gathering systems in the Permian basin.

Prince said his company is not in talks with the port authority to participate in the project.

\$200 MILLION OR LESS

A final cost estimate for the Harbor Island project will be available after the completion of the feasibility study. However, Strawbridge does not estimate the price tag to exceed \$200 million.

"Time and cost are two critical factors for us as Permian producers are keen to push incremental volumes to global markets from the US Gulf Coast. Harbor Island development can be carried out at a lower cost compared with other crude export projects in Texas," Strawbridge said.

The Houston Ship Channel, through which crude oil is also exported to global markets, has decided against additional dredging of the waterway to accommodate VLCC as costs are estimated to be over \$1 billion, Houston Port Director Mark Vincent said late March.

The Corpus Christi port authority is also coming under pressure from traders and midstream players who are keen on increasing export volumes at a lower cost. At 75 cents/b, a VLCC loading at Harbor Island provide savings of \$15 million for a buyer, Strawbridge said.

US crude exports reached a record high 2.175 million b/d the week ending March 30, US Energy Information Administration data showed.

S&P Global Platts Analytics is projecting crude oil output in the Permian to reach 5.266 million b/d by 2020, compared with 3.657 million b/d in 2018.

CHANNEL IMPROVEMENT PROJECT

Besides developing a "special purpose" VLCC export facility on the Harbor Island, work will also start this summer on the Channel Improvement Project in the inner harbor that will focus on dredging to depths of to 54 feet from the current 45 feet, Strawbridge said.

"That project is also on and will allow for partial loading of VLCCs. The first contract of an estimated \$37 million is fully funded and we are ready to dredge the main channel through to the La Quinta Junction," Strawbridge said.

The estimated \$327 million program, which will expand the width of the channel at Ingleside and Corpus Christi to 530 feet from 500 feet and 400 feet, respectively, to allow a two-way vessel and barge traffic, is expected to receive \$13 million of federal government funding for fiscal 2019.

The USACE's share of funding is \$225 million and to ensure that the project goes ahead, the port authority now plans to raise some \$400 million in revenue bonds, Strawbridge said. (This content has been updated since last published)

--Ashok Dutta, ashok.dutta@spglobal.com

--Edited by Jeff Mower, newsdesk@spglobal.com

