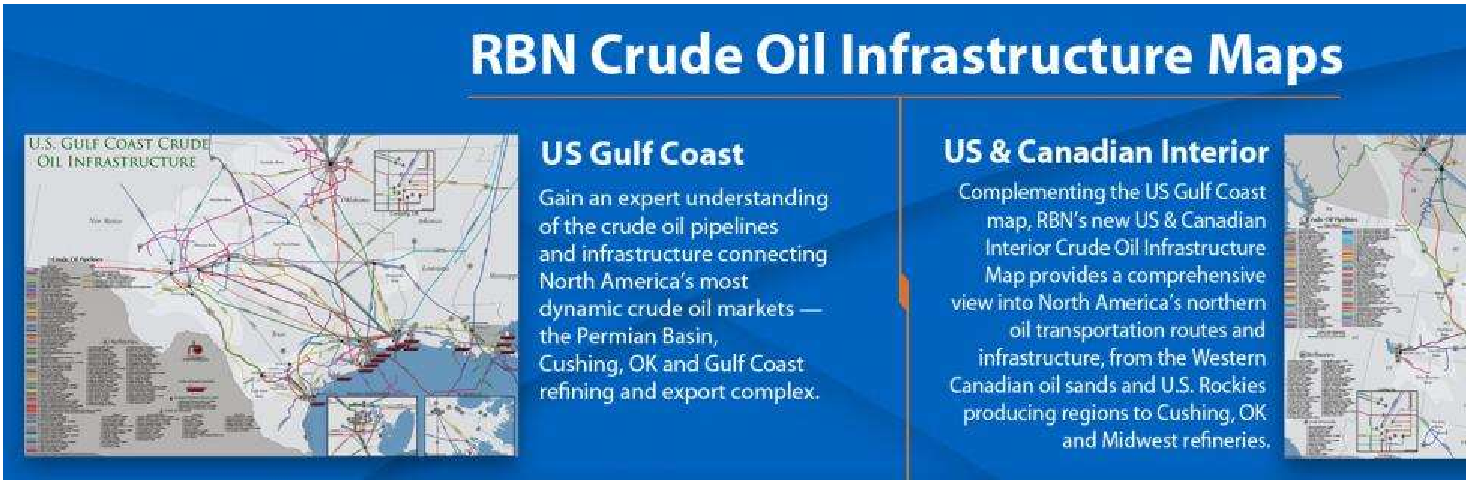
Deep Water, Part 3 - Trafigura's Plan for a Crude Oil Export Terminal Off the Coast of Corpus Christi

Wednesday, 08/15/2018Published by: Housley Carr

Since mid-July — only a few weeks ago — four proposals have been unveiled to build offshore crude export terminals along the Gulf Coast that would be capable of fully loading Very Large Crude Carriers. That's an extraordinary burst of interest in new infrastructure development, and a signal that (1) more export growth is on the horizon and (2) VLCCs will play a much bigger role in transporting that crude. A leading contender in the race to construct new offshore terminals is Trafigura, the Swiss-based logistics and physical-trading giant, which in recent years has become a major player in U.S. energy markets. Today, we continue our review of made-for-VLCCs offshore terminals with a look at Trafi's plan.

Every year, when Nobel Prizes are awarded for physics, chemistry, economics and other arts and sciences, it's become relatively common for each prize to be shared by two or three very smart people who on their own — and almost at the same time — came up with the very same idea. This phenomena, known as either "multiple discovery" or "simultaneous invention" — appears to have a corollary in the more mundane world of crude oil exports. As we said in our intro, in the space of only three weeks, four companies (Enterprise Products Partners, Oiltanking, Tallgrass Energy and Trafigura) announced specific (or at least relatively specific) plans to develop offshore crude oil export terminals. At least two others (MPLX and Magellan) noted during their second-quarter earnings calls in this same period that they were interested in crude-export opportunities that (we surmise) could involve offshore terminals, and a Texas-based start-up (JupiterMLP) announced in May (2018) that it had begun engineering for a planned VLCC-loading terminal off the coast of Brownsville.



We discussed Oiltanking's plan (in partnership with Enbridge and Kinder Morgan) for a deepwater terminal 30-miles off the coast of Freeport, TX (yellow diamond in Figure 1) in **Part 1** of this blog series and Jupiter's planned terminal (light blue diamond) in **Part 2**. In both blogs, we noted that U.S. crude oil exports have been rising steadily since the 40-year ban on most exports was lifted in December 2015, averaging 590 Mb/d in 2016, 1.1 MMb/d in 2017, and more than 1.8 MMb/d so far in 2018. While the 2-MMbbl VLCCs are by far the most cost-efficient way to haul crude to Asia, their gargantuan physical dimensions restrict the number of land-based terminals they can use. And even those that can accommodate VLCCs can only load these supertankers part-way — "reverse lightering" out in deeper, open waters is required to fill the supertanker to the brim. As we said in **Rock the Boat**, there's still only one terminal on the Gulf Coast that can fully load a VLCC: the Louisiana Offshore Oil Port (LOOP; green diamond), which is located in 110-foot-deep waters 18 miles off Port Fourchon, LA. And while LOOP benefits from the 72-MMbbl crude storage, blending and distribution hub in nearby Clovelly, LA (red dot), pipeline connections to Clovelly from key Texas and Oklahoma plays to LOOP are limited (see **Part 1** and **Clovelly Calling?** for more on that).

Today, we turn our attention to Trafigura's plan for an offshore crude-export terminal off Corpus Christi. First, a little about Trafi, as the logistics and trading firm is generally known. Established 25 years ago, the privately held company — owned by a few hundred of its top executives and staffers — initially focused on oil, minerals and metals in Latin America, Eastern Europe and Africa, but it has since expanded into other commodities and markets. Most important for our discussion, Trafi in recent years has become a significant player in Texas, where it holds 150 Mb/d of existing crude pipeline capacity out of the Permian and 300 Mb/d of planned capacity. Until recently, the company also held a 20% ownership interest in the Buckeye Texas Hub along the ship channel at the Port of Corpus Christi — it still retains the exclusive rights to use the hub. (More on all this in a moment.)

Figure 1. Source: RBN (Click to Enlarge)

In an August 6 announcement, Trafi's Texas Gulf Terminals unit said that it has submitted permit applications to federal regulators (the U.S. Maritime Administration, or MARAD, and the U.S. Army Corps of Engineers) for a planned offshore crude export terminal with the capacity to load up to 500 Mb/d of crude oil onto a VLCC and send out up to eight fully loaded supertankers per month. The terminal (violet diamond in

Figure 1 and Figure 2) would be located about 15 miles off the coast of Corpus Christi in waters more than 90 feet deep. The Texas Gulf Terminals Project, as Trafi refers to the plan, has several elements, including a 150-acre onshore storage terminal in Nueces County (green box in Figure 2) that will be connected to the offshore loading terminal by two parallel, 30-inch-diameter pipelines. The side-by-side pipelines (dashed red-and-black line in Figure 2) would run about 12 miles from the storage terminal to the Gulf side of North Padre Island (through parts of Nueces and Kleberg counties and under Laguna Madre), and about 15 miles under the Gulf to the deepwater terminal, which would employ a single-point mooring buoy system to dock and load VLCCs.

Figure 2. Source: RBN (Click to Enlarge)

Trafi did not specify when the offshore terminal would be completed, but in its MARAD application, it indicated a 2019-20 construction period. The company also has yet to say which pipelines would flow into the new project's Nueces County storage terminal. A good bet is that the terminal will be linked in some way to Plains All American's planned Cactus II crude pipeline (dashed yellow-and-black line in Figure 1), which will transport up to 585 Mb/d from West Texas's Orla, Wink South, Midland, Crane and McCamey points down to the Corpus Christi/Ingleside area. Partial operation of Cactus II is expected to begin in the third quarter of 2019, with full operation targeted for April 2020. Trafi has committed to 300 Mb/d of space on the pipeline. It also holds 150 Mb/d on Plains' existing 390-Mb/d Cactus Pipeline (red line in Figure 1), which runs from McCamey to Gardendale, TX (in the Eagle Ford in South Texas). From Gardendale, crude flows into Plains and Enterprise's jointly owned Eagle Ford JV pipeline (green line), which runs to Corpus Christi.

Buckeye Texas Hub. Source: Buckeye Partners (Click to Enlarge)

Trafi already has access to a number of significant crude-related assets in the Corpus Christi area. Most importantly, it holds the exclusive throughput rights to the Buckeye Texas Hub (see photo above), a marine terminal on the ship channel with 6.7 MMbbl of storage capacity and five berths, three of them deepwater, as well as 50 Mb/d of condensate splitter capacity. (Trafi initiated the development of the marine terminal, and later sold an 80% stake in the facility to Buckeye Partners; in April 2018, Buckeye acquired the remaining 20%. Again, Trafi retains exclusive throughput rights.) Trafi and Buckeye also announced in April that, thanks to recently completed modifications, the terminal can now dock and load Suezmax-class tankers; previously, it had been limited to handling nothing larger than Aframax tankers. Further, Trafi has exclusive use of another 50 Mb/d of splitter capacity owned by Magellan

Midstream Partners, also in Corpus Christi.

The combination of Trafi's access to existing Texas assets — the pipeline capacity from the Permian, the rights to storage and docks at the Buckeye Texas Hub, and the splitters — give it a lot of what it needs to make the proposed Texas Gulf Terminals project a "go," even in the face of strong competition from Oiltanking and others planning new offshore crude export terminals. Its ace in the hole, though, may be the savviness of its trading operations. In the next episode in this series, we'll consider Tallgrass Energy's proposal to develop an offshore terminal near the mouth of the Mississippi River, not far from LOOP.

"Deep Water" is a track off country singer George Strait's 1986 album, *7*. "Deep Water" was written by Fred Rose and was first recorded and released by Bob Wills and his Texas Playboys in 1948. George Strait's *7* LP — his seventh album — reached #1 on the Billboard Top Country Albums chart, and #27 on the Billboard Top 200 Albums chart. It produced two #1 hit singles, "Nobody in His Right Mind Would've Left Her" and "It Ain't Cool to be Crazy About You." Personnel on the LP were: George Strait (lead vocals and acoustic guitar), Curtis Young (background vocals), Eddie Bayers (drums), David Hungate (bass), Billy Joe Walker (guitar), Reggie Young (guitar), Richard Bennett (guitar), John Jarvis (piano), Johnny Gimble (fiddle and mandolin) and Paul Franklin (steel guitar).

George Strait is a Texas country music singer, songwriter, actor, and music producer. He has released 29 albums on the MCA label, and has had 61 #1 songs on the country charts, more than any other artist in any genre. He has sold more than 68 million records in the U.S. alone, and has 13 multi-platinum, 33 platinum and 38 gold albums. He holds the record for the most CMA and ACM Awards. He is still recording and on tour through the end of 2018.

Related Content

- **Deep Water, Part 5- More Plans for Offshore Crude Oil Export Terminals Along The Gulf Coast**
- **Deep Water, Part 2- Contenders in the Race to Build Crude Oil Export Terminals Off the Texas Coast**
- **Deep Water, Part 4- Tallgrass's Plan for a Crude Oil Export-Import Terminal Off the Louisiana Coast**
- **Deep Water- Contenders in the Race to Build Crude Oil Export Terminals Off the Texas Coast**
- **Corpus Christi Bay- An Update on the South Texas Port City's Crude Oil Export Infrastructure**

- **Working on a Dream- Plans Afoot to Load Crude onto VLCCs at More Gulf Coast Ports**
- **Condensate City – Eagle Ford Crude Infrastructure – Part 4 – Harvest, Martin, Trafigura and Buckeye**
- **Take It to the Limit- More Crude Projects in Corpus, and a Look at Big Ship Access to the Port**
- **Walk This Way—Crude/Condensate Export Pipelines to Corpus and the Refineries They Feed**
- **Take It to the Limit- New Infrastructure to Help Corpus Keep Pace with Permian Growth**