

Texas Putting Out Welcome Mat for LNG Projects

Projects proposed for Port Lavaca and Corpus Christi, Texas, received a warm welcome from local citizens and government officials. The state is welcoming LNG terminal operators while there is fervent opposition to onshore terminals in other areas of the country.

Both the Calhoun LNG project proposed for the Port of Port Lavaca- Point Comfort and ExxonMobil's Vista del Sol terminal in Corpus Christi, have received positive feedback from local residents as well as state officials.

For the Calhoun LNG terminal, local officials have gone as far as approving tax-exempt industrial revenue bonds in an effort to bring the industrial development to the community.

Tax Exempt Bonds Offer Low Cost Financing

The Calhoun LNG project is proposed for Calhoun County, Texas. The site is on Matagorda Bay between Houston and Corpus Christi. Calhoun LNG plans on building two 160,000-cubic-meter LNG tanks, jetty and regasification equipment. The terminal would be able to accommodate at least 160,000-cubic-meter vessels, said John Godbold, president, Calhoun LNG.

The project got a helping hand from the Calhoun County Navigation Industrial Development Authority during their Oct. 13, 2004 meeting. The authority approved \$450 million in tax-exempt industrial revenue bonds to fund the project on port property. In support of their program, Robert Van Borssum, port director for the Port of Port Lavaca-Point Comfort stated, "It [Calhoun LNG] has received numerous letters of support from city, county and state officials as well as local citizens and industrial."

The bonds would be backed solely by corporate financial guarantees of the terminal operator. The port would be the owner, but the operator would control the terminal. The bondholders would not have recourse to any county taxes or property.



This is another example of the authority's efforts to further develop the port. The authority had issued similar floating-interest-rate bonds for a BP chemical terminal at the port in 1998. One attraction is the low-interest cost. Comparable zero-coupon long-term bonds with fluctuating interest rates were recently priced by JP Morgan to yield 1.85 percent interest. A 10 or 20-year bond paying a fixed-interest rate would offer a higher interest rate. Therefore, the facility could be financed with highly leveraged, low-cost debt, and that can lead to a low terminal fee.

The project could offer the single terminal user a great deal of flexibility, in addition to the financing help. For delivering LNG, there would be a two and a half-hour transit for ships from the outer channel marker buoy to the dock. The port currently handles only 30 deep draft vessels per month. It already schedules one-way traffic through the channel, which means that other shippers will not be unduly affected by the one-way LNG vessel traffic pattern mandated by the U.S. Coast Guard.

To meet pipeline quality requirements given any incoming LNG composition, the terminal plans to include a gas-processing facility so the terminal can separate out the methane from heavier hydrocarbons and sell the natural gas liquids into the Gulf coast market.

Target Rate for Terminal Tariffs

With the anticipated project financing, Godbold thought that a terminal rate could be as low as \$0.15 to \$0.20 per million Btu, plus fuel, and would be possible assuming a sendout capacity of one billion cubic feet per day. The project still needs a credit-worthy shipper.

Vista del Sol Welcome

On Jan. 11, 2005, the Federal Energy Regulatory Commission sought public comments on ExxonMobil's proposed Vista del Sol LNG receiving terminal. A draft environmental impact statement had been released on Dec. 16, 2004, and the meeting allowed for community comments.

The terminal would be built in Ingleside, near Corpus Christi. The public meeting was held in Portland, Texas.

An *LNG Express* editor attended the public meeting. It was easy for the editor to be reminded of the energy industry's importance to the area, while driving to the meeting room and passing by a semisubmersible drilling rig on one side of the bridge to Portland and the Corpus Christi refinery complex on the other side.

Local government and Chamber of Commerce speakers from the cities, ports and San Patricio County pointed out that the region needed more jobs and more tax base. They also noted the terminal would need a conscientious and safe operator, and they expected ExxonMobil to be that kind of owner.

Happy Neighbors

Susan Van Runt, representing Dupont, which is one of the industrial neighbors at the proposed site, spoke in favor. She pointed out that competitive natural gas is a critical material to Dupont and that the LNG terminal would help her company and the region keep jobs that the county now had.

Judy Holland, a commissioner at the Port Authority of Corpus Christi, pointed out that the community understood the energy industry, which, in turn, promoted a collaborative environment.

The superintendent of Gregory-Portland School District spoke in favor of the terminal and acknowledged ExxonMobil for helping a nearby school address shelter-in-place procedures if there is a problem at the terminal when the school is in session.

Environmental Concerns Expressed

Two speakers raised concerns about the dredging arrangements and placement of the dredging spoils. One speaker hoped that FERC would carefully coordinate all of the pipeline construction that all of these approved LNG terminals would foster in an effort to minimize construction damage along the pipeline corridors.