THE PORT OF CORPUS CHRISTI GAMBLERS ON COAL EXPORT DEVELOPMENT
I. INTRODUCTION

In a recent survey commissioned by the city’s Regional Economic Development Board, more than 1,900 respondents made it clear that the surf and sand must be protected and leveraged to bring new growth to Corpus Christi. Their favorite things about the city are the water, beach and family. The City needs, among other things, a better way to connect with its natural environment.

The city is clearly taking strides in that direction, having recently begun discussions, for example, about the Corpus Christi Integrated Community Sustainability Plan, which focuses on new renewable growth, revitalization of commercial buildings, and a renewed commitment to protecting the city’s most important assets—the surf and the sand. Yet the city and the Port of Corpus Christi may be going in a completely contrary direction, and jeopardizing the very things—water, beach, and family—that make Corpus Christi an attractive place to live.

Indeed, while the city is looking to gain momentum by bringing in new economic activity focused around sustainability and quality of life improvements, the Port of Corpus Christi is instead looking to add new customers that lock Corpus to volatile markets and dirty coal.

This report will discuss the plans for increased coal exports at the Port of Corpus Christi, how the coal export rush in the U.S. influenced this decision, how unstable international coal markets should put this project in doubt, and the dangers of coal export facilities to local communities. In light of these concerns, the paper will also ask whether locking the Port of Corpus Christi into coal export development now makes sense.

The City of Corpus Christi is at an economic and public health crossroads. City leaders and the Port Authority will need to consider the impacts of new coal export proposals on job creation, air quality, quality of life issues, impacts to the beach and Gulf, and the impacts of increased rail traffic on rail-side communities and emergency responders. Answering the tough questions and making the right decisions are critical in building Corpus Christi’s future.

II. GRAND AMBITIONS FOR COAL EXPORT AT THE PORT OF CORPUS CHRISTI

In 2011, the Port of Corpus Christi was approached by two mining companies who sought to use the Port’s bulk terminals to export coal mined in the Western United States. New Elk Mining Company, a subsidiary of Cline Mining, began exporting coal out of the port last year, and will export approximately three million tons of coal this year.

In 2012, Australian mining giant Ambre Energy will also begin exporting upwards of two million tons of coal out of Corpus Christi. Based on these two contracts—totaling 5-6 million tons of coal annually—the existing bulk terminals at the port will reach capacity this year. The companies’ executives are considering joining forces to propose a new bulk terminal that will solely export coal. If the proposal is approved, the terminal will be capable of handling upwards of 20 million tons of coal annually starting in 2017. At the same time that these private entities are proposing a massive new coal export terminal, the Port is internally considering a separate plan that incorporates a bulk coal export facility into the proposed La Quinta Trade Gateway—a fundamental shift from what was originally proposed to the community.

According to the Port’s website, La Quinta was envisioned as a “state-of-the-art multi-purpose dock and container facility” designed to handle a wide variety of general cargo including containers, military cargo, wind turbines, steel pipes, and more. To support this project, the Port is funding a large dredging project to deepen the La Quinta Ship Channel. While this original vision is still exclusively featured on the Port’s website, documents recently acquired from the Port as part of a public information request indicate that the Port is considering two amendments to the proposal:
developing the entire site as a coal export bulk terminal and scrapping all plans for a multi-use dock or (2) devoting part of La Quinta to a coal export terminal, and scaling down the portions of the property that would be devoted to containers, general cargo, or other bulk materials.5

III. COAL EXPORT RUSH

These proposals are part of a larger coal export rush that started in the Pacific Northwest. This expansion is fueled by a drive to feed new and emerging markets the dirty fossil fuels coal companies believe they require for the markets continued economic growth. International coal export is also seen as a way to mitigate a flagging national appetite for coal fired power. The domestic demand for coal has been steadily decreasing in recent years, due to competition from natural gas, an economic slowdown, stricter environmental protections against toxic emissions, and growing investment in clean energy sources. Investment in new coal-fired power plants has plummeted, and utilities are making the decision to retire a good number of existing plants. “Coal is a dead man walkin’,” says Kevin Parker, global head of asset management and a member of the executive committee at Deutsche Bank. “Banks won’t finance them. Insurance companies won’t insure them. . . And the economics to make it clean don’t work.”6

However, executives at coal companies like Ambre Energy and Cline Mining view a decrease in domestic consumption as a signal to maximize revenue by looking to export markets. These companies predict that demand for imported coal in Asia will continue to grow over the next several decades, and have been trying to woo ports in Washington and Oregon, hoping to build massive new terminals to facilitate export to China and other developing Asian nations. Many major ports in the Northwest, such as Portland, Kalama, and Vancouver, have rejected these proposals, finding the international market for coal to be too unpredictable and risky.7 Some smaller ports, which have more difficulty securing new business, are working with coal companies on proposals for new terminals. Despite the ports’ enthusiasm, these proposals have faced massive public opposition wherever they have been proposed and have been the subject of multiple lawsuits.8 After facing rejection from the ports and opposition from the communities in the Pacific Northwest, companies like Ambre and Cline are turning to the Gulf. Gulf Coast ports, like Corpus Christi, have access to markets in South America and Europe, and, with the expansion of the Panama Canal, increasing access to Asia.

IV. A HISTORY OF INSTABILITY AND VOLATILITY IN THE INTERNATIONAL COAL EXPORT MARKET

When the Port of Vancouver, Washington, was approached by an undisclosed coal company represented by Sino-American,9 an Oregon-based international trading company, the Port rejected the proposal out of hand. The Port’s operations manager, Mike Schiller, summarized the Port’s reasoning succinctly, concluding that “[c]oal is the most risky bulk mineral market.”10 Mr. Schiller’s statement is supported by figures kept by the U.S. Department of Energy, recent predictions by industry analysts, and by the West Coast’s history of failure with thermal coal export terminals.

The Sightline Institute has recently analyzed data from the Department of Energy, which clearly demonstrates the volatility of the global market for coal.11 Their analysis finds that coal exports coming from Western Customs Regions (where a majority of the coal exported is thermal coal for Asian markets) have a long history of volatility:

The above graph reflects coal export’s history of failure on the West Coast: two large cities have gambled and lost on coal export terminals.12 With high hopes for big profits, both Los Angeles and Portland invested millions of dollars and high-value
The Port of Corpus Christi Gambles on Coal Export Development

During a coal rush in the 1980s, the Port of Portland signed a 25-year lease with Pacific Coal, committing 90 acres of riverfront to the project. After investors and the Port spent $25 million dollars on the new facility, not one lump of coal was ultimately shipped from the Port of Portland.15

Reporting on the failure, the Oregonian concluded that investors and public officials were fooled by an over-hyped estimate of Asian demand, which bottomed out:

What the [Far East trade representatives] apparently had in mind was a reserve supply that also would work to keep base prices low. If West Coast ports could be talked into spending their own money to turn themselves into Far East coal colonies, so much the better. ... Analysts later determined that coal export failed because the Asian demand was based on promises rather than actual long-term contracts. And international banks studying the issue found that the demand for coal had been ‘vastly overstated.’16

Despite U.S. coal producers’ ambitions in the 1980s, countries like Australia and Indonesia continued to dominate the coal export market in Asia, and the U.S., with its greater transportation costs, failed to enter the thermal coal export market in a significant way.

Despite its knowledge of the failure of the Portland project, the Port of Los Angeles forged ahead to develop a large coal export facility in the 1990s, partnering with Peabody Energy and a large consortium of investors. The investment was controversial from the start, as a 1993 article from the Los Angeles Business Journal noted:

... although the terminal will create jobs and taxes throughout Southern California, the terminal will have a negligible impact on L.A. County because the product (coal) is sourced from other states and the automated terminal won’t generate many direct jobs.17

There were also fears regarding the safety of storing vast amounts of coal in large piles, which proved to be well-founded; there were at least two fires at the facility in its short period of operation attributed to the accumulation of dangerous amounts of coal dust in the machinery.18 Just six years after it opened, the facility shut down due to unfavorable market conditions, forcing the City of Lost Angeles to forfeit $94 million in expected revenue and write off $19 million in capital investment in the facility.19

Finally, the City had to pay a $28 million settlement to resolve a lawsuit which alleged that the City had failed to consider alternate uses for the site and had improperly managed it.20

The coal companies which push new export terminals argue that the coal boom today is different and more stable that the boom and bust periods in the 1980s and 1990s, relying primarily on projections of increased demand for coal in China. However, the International Energy Agency has warned that the trade markets are made much more unpredictable due to China’s volatile domestic production levels.21 “China’s imports can either double or fall by two-thirds in the next five years,” said Laszlo Varro, head of IEA’s gas, coal and power division. “That’s the range of uncertainty.”22

V. COAL EXPORT FACILITIES ARE BAD NEIGHBORS: COAL DUST, DIESEL EMISSIONS, AND COMMUNITY CONCERNS

In addition to recognizing how few jobs are created by coal export terminals, port authorities and observers have noted that coal export facilities are often poor neighbors who have adverse impacts on both the community and on other customers at the ports.23 Coal is typically stored in large open piles, and “coal terminals by their nature are active sources of fugitive dust.”24 When the Port of Vancouver rejected a proposed coal export terminal, it noted that existing customers would be negatively affected by the dust created by the coal piles.25

Increased coal shipments have the potential for significant harm to the communities through which this coal will travel. Plans for the Port of Corpus Christi call for 20 to 80 million tons of coal to be transported through the Port annually. The coal will be brought in every day by uncovered trains, each over a mile in length, running through Corpus Christi and many other communities along the route across our state. According to BNSF, one of the railroad companies involved in transporting coal, an average of 500 pounds of coal dust and chunks can escape from a single loaded rail car in transit. Each coal train contains over 100 rail cars,26 which means over the course of one trip from Wyoming to Texas, 50,000 pounds, or 25 tons, of coal dust would escape from rail cars onto the ground and possibly into surface and ground water. Coal dust has been linked to chronic bronchitis, emphysema, pulmonary...
fibrosis (pneumoconiosis), and environmental contamination through the leaching of toxic heavy metals. Given the serious health impacts linked to coal dust, transporting such large quantities of coal via uncovered rail cars is a major risk for all rail-side communities.

Increased rail traffic to Corpus Christi presents an additional problem: the potential for delays in emergency response times or trauma at rail crossings, or general traffic delays. Neither the City nor the Port have examined this problem. The Port of Corpus’s last study on this issue raised significant concerns for some crossings, and yet, no remedial action has occurred thus far and no real public outreach regarding areas of concern.

While the primary concerns with this report focus on the La Quinta project and proposed new export terminals, City leaders and Corpus Christi residents must consider the complete impacts of increasing rail traffic through Texas to the Port of Corpus Christi.

VII. HARD QUESTIONS FOR THE CITY

JOB CREATION
The City of Corpus Christi needs to ask the Port to carefully consider its proposals for building a new coal export terminal and the incorporation of coal exports into the La Quinta project. To protect jobs and local economic development, the Port should reject the coal companies’ proposed new bulk terminal and refuse to make massive investments in the volatile coal export market. Rather, the port should implement the original vision for a state-of-the-art multi-use dock and terminal at La Quinta.

AIR QUALITY
The City of Corpus Christi needs to ask the Port to carefully study the cumulative effect of air emissions for the proposed bulk coal export terminal, in the context of the Port’s own long-term vision for bringing cleaner air to Corpus.

NEW FUTURE FOR CORPUS
The City of Corpus should look at the proposed coal export facilities in the Northwest and the past failures on the West Coast and learn from their mistakes. Coal export is subject to an extremely volatile market with an uncertain future; the Port and the City should carefully consider whether the risks are worth the rewards of substantial investment in the world’s dirtiest fossil fuel.

IMPACT TO BEACH AND GULF
The City of Corpus Christi should request the Port go beyond the bare minimum required to protect our region’s most important asset: the beach.
IMPACT ON EMERGENCY RESPONDERS

Increased rail traffic could impede the ability of first responders to quickly get to where they’re needed. The City of Corpus Christi should ensure that its emergency personnel are engaged in the discussion about coal exports to ensure that the City can still provide excellent emergency care to its citizens.

The City of Corpus Christi and the Port should carefully consider whether the proposals for new coal export terminals will serve the long-term goals of sustainable economic growth set forth in the City’s Sustainability Plan. By turning the La Quinta multi-use facility into a coal export terminal and allowing out-of-state mining interests to occupy prime waterside real estate, the Port may be trading jobs for coal dust and an uncertain future.

ENDNOTES

2 Most of this coal is metallurgical and used in steel making processes.
5 See attached power point.
6  http://www.washingtonpost.com/wp-dyn/content/article/2011/01/01/AR201101012146.html
7  http://www.sightline.org/research/energy/coal/Coal%20Export-A%20History%20of%20Failure.pdf (also discussing the failed coal export facilities of years past in Los Angeles and Portland, discussed in depth below).
10 Email from Mike Schiller, operations manager, Port of Vancouver, Washington to Alastair Smith, November 20, 2008 (obtained from Public Records Act request); see also http://www.columbian.com/news/2011/apr/03/dodging-coal-embracing-potash-the-port-of-vancouver/
11  http://daily.sightline.org/2011/10/12/the-instability-of-coal-exports/
12 Id.
13  http://www.sightline.org/research/energy/coal/Coal%20Export-A%20History%20of%20Failure.pdf
14 Id.
22 Id.
23  http://daily.sightline.org/2011/03/15/are-coal-export-terminals-good-neighbors/
26  http://www.coaltrainfacts.org/docs/BNSF-Coal-Dust-FAQs1.pdf
27  http://www.coaltrainfacts.org/whatcom-docs-position-statement-and-appendices
29  http://www.sightline.org/research/energy/coal/coal-FAQ.pdf
30 Id. at 7.
31 Id.