

EnergyWire, available at <http://www.eenews.net/ew/2014/07/09>

Embattled energy supplier looks to Texas for next oil-train terminal

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Published: Wednesday, July 9, 2014

Fuel logistics giant Global Partners LP has unveiled plans for a new oil train terminal in Texas as the company seeks to branch out from its crude-by-rail businesses in the U.S. Northeast and Pacific Northwest.

The proposed Port Arthur terminal would be able to unload two mile-long trains of Western Canadian crude onto barges or storage tanks each day, according to Global, which said it would develop the facility with freight rail company Kansas City Southern.

"The terminal complements our assets on the East and West Coasts, expanding optionality for our customers," said Global's president and CEO, Eric Slifka, in a statement yesterday.

He noted that the coastal terminal's 200-acre site is "situated within a 100-mile radius of nearly 5 million barrels of Gulf Coast refining capacity and an expansive pipeline network."

If the Texas facility gets all the necessary permits and regulatory approvals, it would add another oil-by-rail hub to Global's existing terminals in Albany, N.Y., and Clatskanie, Ore.

But those sites have faced legal and permitting disputes as oil-by-rail operations undergo increasing scrutiny nationwide.

Last week, environmentalist groups in Oregon filed a lawsuit against Global Partners for allegedly failing to secure federal air quality permits for unloading oil trains at its Columbia Pacific Bio-Refinery ([EnergyWire](#), July 3). The state's Department of Environmental Quality had previously fined a Global subsidiary nearly \$117,000 for overstepping its oil processing limit at the same facility in 2013, although Global is contesting the penalty.

In Albany, green groups also launched a legal challenge aimed at requiring the Global terminal there to conduct a full environmental impact analysis before adding a boiler room that would let the company process heavy Canadian crude ([EnergyWire](#), June 12). On Sunday, local activists gathered to protest Global's oil-by-rail terminal on the one-year anniversary of an oil train derailment and explosion in Lac-Mégantic, Quebec, that killed 47 people.

"The whole atmosphere about the planning of crude-by-rail has definitely changed a lot in the last six to 12 months," said Colin Halling, director of oil market publications at Genscape Inc., which monitors crude-by-rail movements and terminal buildout. "If you're going to build something, in some instances you're going to face tough regulations, which wasn't quite the case previously."

New York's Department of Environmental Conservation is now accepting public comments on Global's bid to add the boiler room to its Port of Albany facility. But a 100-gallon oil spill at the site late last month has added heat to the ongoing safety and permitting debate.

DEC spokesman Peter Constantakes said the June 29 spill was minor and "easy to clean up" because most of the crude fell in a containment area. He said the oil appeared to have spilled from a pressure relief valve on an oil tank car ([Greenwire](#), June 30).

In April, Global announced it would begin voluntarily using only newer-model rail tank cars at its East and West coast crude-by-rail terminals. Older, type DOT-111 tank cars have been criticized by safety inspectors for their puncture-prone design.

Global Partners representatives did not respond to requests for comment yesterday, and it's unclear if its Texas terminal would also exclusively rely on newer cars. The heavy Canadian crude slated to be handled at the Port Arthur terminal is less flammable than oil from North Dakota's Bakken Shale play.

Global may also be less likely to face environmentalist or regulatory pushback in Port Arthur, an area hardly unaccustomed to oil shipments, Halling pointed out.

"The U.S. Gulf is one of the main destinations for railed-down heavy Canadian crude," he said.

And while recent oil price differentials haven't been favorable for shipping heavy crude by rail, Halling said Global is likely "future-proofing" for a forecast surge in Canadian oil sands development.

Crude-by-rail has a "relatively low entry point, pricewise, in terms of building the infrastructure out," he noted. "The point is how much less it is compared to the hoops and hurdles you have to get around pipelines."