



MIDSTREAM ASSETS FOR THE MOST ACTIVE ENERGY MARKET

The shale oil revolution, liberalisation of Mexico’s energy sector and an established demand market have provided Jefferson Energy Terminal with the foundations to expand further in the Gulf Coast



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The US storage market has remained active and robust, thanks largely to the shale oil revolution, continued refinery expansion and the recent liberalisation of Mexico’s energy sector.

Jefferson Energy Terminal is capitalising on its strategic position in the heart of one of the most active refining markets in the US and on the back of these favourable market conditions with a series of expansion projects at its facility in the Port Arthur-Beaumont refining complex.

Tank storage has increased in PADD III in recent years by as much as 10% as a result of new petroleum production and expansion projects in refineries and chemical plants and the Beaumont-Port Arthur area has seen its fair share of this growth.

The company believes that this trend will continue in the long term along with investment in North American oil production,

In fact, over the course of 2016 so far, the company reports that it has leased 100% of its available storage and has agreements in place for existing terminal capacity.

Such is the demand for midstream assets, Jefferson has embarked on two key expansion projects and is eyeing up another project to tap into the liberalised Mexican energy sector.

The first project involves adding 500,000 barrels of storage with the construction of two 250,000 barrel heated storage tanks. They are being built for an international refiner with a local facility and will handle refinery intermediate feedstock. They will be connected to the terminal’s Aframax capable dock with the ability

to transfer product at 25,000 barrels per hour.

The new system is expected to be in service by mid-2017.

COMPETITIVE ADVANTAGE

The second, more substantial, project comprises building infrastructure assets for the Jefferson/Green Plains joint venture.

In an interview with *Tank Storage Magazine* Lawrence Waldron, chief commercial officer, says that this particular project highlights the operator’s expertise with intermodal services and assets.

‘The joint venture is constructing an inter-modal export and domestic distribution hub. This project is an excellent example of our strong position where rail meets water. The Jefferson Energy Terminal site, which was selected by our partner Green Plains after an extensive search, provides a sustainable competitive advantage.’

The first phase of the project will leverage

existing infrastructure at the terminal and includes 550,000 barrels of storage, with the potential to expand up to one million barrels. The initial tanks will be three 150,000 barrel working capacity tanks and one 100,000 barrel tank. Three of the tanks will be dedicated to export service.

Waldron adds: ‘Customer interest in the project has been very strong. We are in the process of contracting capacity on the system in order to supply the market next year.’

‘We anticipate the ethanol system to be fully subscribed when service starts in mid-2017.’

A LIBERALISED MARKET

In addition to these expansion plans, Jefferson is also tapping into the liberalised Mexican energy markets, following historic reforms that allow for greater foreign investment in the country. As a result, the company has seen high levels of interest from refiners with operations



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CRUDE BY RAIL

The company's crude by rail business continues to handle multiple varieties of undiluted and low dilution Canadian conventional and bitumen crudes being shipped for blending into high value crudes, products and feedstocks for Gulf Coast markets.

In fact, this volume growth is forecasted to continue for the remainder of 2016 and into 2017-2018.

These very heavy grades, which can only be delivered to the Gulf Coast from Canada by rail, are a good fit for refineries in Jefferson's region.

Additionally the much lighter crudes produced in the US have flooded the market, which has 'lightened the crude slate' that is available to US refiners.

'The heavy Canadian barrels handled at our terminal are a perfect fit for refiners that need to increase feed to underutilised crackers and cokers. We have also seen these heavy barrels work very well in the fuel oil and broader black oil market.'



in the US to supply ULSD and petrol directly into Mexico.

'Many parts of Mexico are undersupplied due to inadequate terminal and pipeline capacity', says Waldron. 'Shipping refined products by rail into these underserved regions allows for a quick and efficient solution to serve markets in need with a competitive product and service.'

As such, Jefferson is in development stage for a rail loading system at its Beaumont terminal to export refined products to this undersupplied market.

The project will be situated on the Main Terminal site, a 243 acre parcel of land on the east bank of the Neches River within the Port of Beaumont. The site will be built out to approximately three million barrels of storage capacity and will comprise 25 tanks. There are also plans to develop additional docks and tank storage close to the site.

01 Lawrence Waldron, Jefferson's chief commercial officer

02 Jefferson's barge dock can handle two 50,000 barrel unit trains simultaneously

03 Jefferson is a 243 acre site at the Port of Beaumont

04 The heated rail offloading system can discharge 120 car unit trains of undiluted heavy crude within 24 hours

SHALE REVOLUTION

Waldron explains that the primary catalyst for business has been the shale oil revolution.

'The terminal was built to be the best at what it does – receiving unit train rail shipments. We are bullish that the growth trend continues as new Canadian production projects come online in 2017 and 2018 along with a stronger crude price environment.'

With its prime location in the attractive Gulf Coast, competition for storage is robust with scores of established and newer players developing midstream projects.

'We see that terminal location and access to complementary assets, such as rail, deep water docks and pipelines are critical to the success of a project,' says Waldron.

'The Jefferson Energy Terminal has been developed to leverage these critical features, which makes our facility very competitive in the market.'

FOR MORE INFORMATION

www.jeffersonenergyco.com

JEFFERSON ENERGY COMPANIES AT A GLANCE

Jefferson Energy Terminal has seven 100,000 barrel working capacity floating roof crude oil tanks with over 800,000 barrels of shell storage capacity and can be expanded to three million barrels in the future

When fully developed the terminal will have the capacity to unload over 210,000 barrels per day of light and heavy crude oil through four rail car unloading systems

The terminal is positioned in the centre of the 9.2 million barrels per day Gulf Coast, which contains the largest concentration of refineries in North America by capacity