

Exclusive: California getting more Bakken crude by barge than rail

Rory Carroll, Reuters, 10-23-14

SAN FRANCISCO (Reuters) - Shipments of Bakken crude oil from North Dakota to California by barge have quietly overtaken those by train for the first time, showing how the state's isolated refiners are using any means necessary to tap into the nation's shale oil boom.

While tough permitting rules and growing resistance by environmentalists have slowed efforts to build new rail terminals within California itself, a little-known barge port in Oregon has been steadily ramping up shipments to the state, a flow expected to accelerate next year.

From January through June, California received 940,500 barrels of the North Dakota crude oil from barges loaded at terminals in the Pacific Northwest, the highest rate ever, Gordon Schrempf, senior fuels analyst for the California Energy Commission, told Reuters.

Bakken crude transported to California on railcars, which has gained widespread attention after a series of fiery train derailments in North America, accounted for just 702,135 barrels over the same time period, according to published figures.

“We’re seeing marine transport of Bakken crude outpace rail for the first time,” Schrempf said. In 2013, rail shipments of 1.35 million barrels exceeded barge shipments of 1.33 million barrels. The year before, almost no crude arrived by barge.

Bakken shipments by barge and rail may only comprise a tiny portion of the crude California imports, at about 5,200 and 4,000 barrels per day respectively, with Alaska supplying over 20 times as much crude.

But companies, including refiner Tesoro Corp and logistics company NuStar Energy LP, have plans to significantly expand that volume with new terminals along the Pacific Northwest that would unload trains from North Dakota and pump the oil onto tankers.

They would help make California a major destination for Bakken oil, a trend that has drawn objections from environmental groups who have been seeking to stem the tide, often by blocking local permits to built oil-train offloading terminals.

“Bringing it in by barge gets you around cumbersome permitting and the growing citizen opposition to crude-by-rail,” said Lorne Stockman, research director of Oil Change International, a research and advocacy organization working on energy, climate and environmental issues.

To be sure, their objections may differ. The principle concern over transporting Bakken by rail is the risk that a derailment could cause a deadly explosion similar to the one in Lac Megantic, Quebec, last year that killed 47 people.

There is no suggestion that waterborne oil transportation poses similar explosive risks, although the environmental impact of a barge spill could be much greater.

“The barges are designed to carry the grade of oil that the Bakken is,” said Ted Mar, prevention branch chief for the state’s Office of Spill Prevention and Response and a former member of the Coast Guard.

That is small comfort to environmentalists, who oppose all forms of oil production, in particular shale crudes like Bakken, extracted through hydraulic fracking they fear contributes to global warming and poses a potential risk to water supplies.

"Our end goal is to leave these more dangerous, unconventional fuels in the ground," said Jess Dervin-Ackerman, conservation manager for the San Francisco Bay Chapter of the Sierra Club.

SMALLER BUT CLOSER

With state production declining since the mid-80s, California's refiners have increasingly relied on deliveries of crude by oceangoing tankers carrying 500,000 barrels or more from places like Alaska, Saudi Arabia, Ecuador and Iraq, which supplied two-thirds of their needs last year.

The refiners have been scrambling for several years to get better access to cheaper domestic shale oil by any means necessary, replacing costlier imports. But with the big shale fields to the east of the Rocky Mountains and a lack of major pipelines, it has not been easy.

The articulated tug barges (ATBs) now arriving are tiny by comparison to the tankers, carrying as little as 50,000 barrels.

Such shipments cost more than bringing Bakken directly to California by rail, but easily plug into existing port and terminal infrastructure - avoiding the need for new permitting that can take years.

While many are working to build out their own rail facilities, a handful of major rail-to-barge terminals along the Pacific Northwest coast that would ship over 500,000 bpd of Bakken crude have been in the works for several years. But most are incomplete, and several face delays.

One of the few exceptions is an idled ethanol terminal and processing plant in Clatskanie, Oregon, run by Global Partners LP. The facility, on a small canal that feeds into the Columbia River, began quietly transshipping oil from trains to barges in 2012 and is now receiving so-called "unit trains", mile-long trains that only carry crude oil.

"Unit train volume into our Clatskanie terminal is up, and interest in the facility from prospective customers is at an all-time high," Global Partners Chief Executive Eric Slifka said in August.

Global Partners did not respond to a request for comment.

Later that month, the firm received a new air permit from the Oregon Department of Environmental Quality that will allow it to ship as much as 1.84 billion gallons of volatile liquids, or some 120,000 bpd. It did not specify crude or ethanol.

Much of those shipments moved north to refineries in Washington, including BP's Cherry Point in Puget Sound, and Phillips 66's Ferndale facility. But both those plants are expanding their own facilities to bring more Bakken in by rail, likely curbing some demand for barges.

Top oil barge operator Kirby Corp, which runs vessels out of Clatskanie, is currently building two larger 185,000-barrel barges to deploy on the coast next autumn.

Environmentalists say they are monitoring the rise in Bakken-by-barge deliveries.

“This won't pull our focus away from crude by rail, but rather expand the lens with which we look at dangers of Bakken entering our communities,” said the Sierra Club's Dervin-Ackerman.