

## Focus: Energy

# Billions planned in ship channel projects due to shale boom



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Courtesy of Greater Houston Port Bureau

Kinder Morgan is expanding its storage space along the Battleground Oil Specialty Terminal Company LLC (BOSTCO) storage space on the Houston Ship Channel.

James Ritchie, Special to Houston Business Journal

It's not too hard to figure out how Houston's economy is doing. You can just look at the Houston Ship Channel, where the numbers tell the story.

The Port of Houston, a 25-mile section of the 52-mile ship channel, is tops in the country for foreign waterborne tonnage, U.S. imports and U.S. export tonnage. It reportedly generates \$179 billion of state and \$499 billion of national economic impact per year.

And it's expected to be the site, from 2012 to 2015, of \$35 billion in capital and maintenance investment.

The signs are clear: Houston is booming, and the Houston Ship Channel is one of its key economic drivers.

The trend will continue, said [Bill Diehl](#), president of the Greater Houston Port Bureau, a nonprofit organization that promotes the Houston maritime community, even if the acceleration is slightly slower than was predicted.

“Can the government process permits as fast as companies want? Can you find the workers you need?” he asked. “We don’t see it not happening, but it may take a bit longer to materialize. The whole thing is prosperity to us.”

Ship channel investments through 2015 are likely to create 111,700 direct and 154,100 indirect jobs, according to the Greater Houston Port Bureau. Tax contributions are projected at \$800 million.

Most of the ship channel’s activity is driven by Houston’s \$15 billion petrochemical complex. But among the more than 200 million tons of cargo moving through the Port of Houston each year are items as diverse as steel, grain, electronics and clothing.

## **BOOM TIMES**

Growth along the ship channel, which is home to 150 companies, is driven by oil, gas and petrochemical firms upping their ability to refine and store products. The extraction of oil and gas from shale rock formations, a practice that has grown rapidly in the past few years, has generated a boom in the U.S. energy industry and created demand for storage space in Houston. Much of the product coming into the ship channel now is designated for export.

In South Texas, oil extraction has become so prevalent that it’s likely been the cause of small earthquakes in the Eagle Ford Shale region, researchers from the [University of Texas at Austin](#) said in August.

Houston-based pipeline giant Kinder Morgan Energy Partners LP (NYSE: KMP) said in October it would, at a cost of \$74 million, extend a crude and condensate pipeline deeper into the Eagle Ford Shale and build a new Gonzales County station. The company will be able to move Eagle Ford crude and condensate from the new facility to the Houston Ship Channel and [Phillips 66’s](#) (NYSE: PSX) refinery in Brazoria County.

In addition to Kinder Morgan, companies making investments at the ship channel include [Targa Resources Partners LP](#) (NYSE: NGLS), Intercontinental Terminals Company LLC and Odfjell NA.

## **HOUSTON IMPACT**

All of the activity has been good for Houston generally, said [John Talhelm](#), Houston-based senior vice president of Jones Lang LaSalle.

“Office-space market rents are increasing,” said Talhelm, who specializes in port and intermodal properties for the Chicago-based real estate firm. “There are healthy shortages. We see low vacancy rates in almost every type of commercial product in Houston right now.”

[John Schlosser](#), president of Kinder Morgan Inc.’s (NYSE: KMI) terminals unit, said Kinder Morgan is spending about \$1.5 billion on multiple channel projects.

“We and our customers are making a big bet on continued growth, investment and expansion,” he said.

Every dollar that his company, its competitors or producers and refiners spend has a multiplying effect locally.

“This is everything from suppliers to restaurants to laundries,” Schlosser said. “You can look around Houston and see the tremendous impact this fundamental change is having on our city. If you don’t believe it, travel to other parts of the U.S. and the contrast is startling.”

The challenge in keeping growth on track, Diehl said, will be in maintaining the ship channel’s 45-foot depth. Larger vessels can’t make their way through the channel if it’s shallower.

Port officials have long complained that the federal government doesn’t provide enough money for dredging the channel.

“I have concerns about the maritime strategy of the country,” Diehl said. “Do you want to be in the global market? Then you need to take care of your ports.”

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### **By the Numbers**

1 million — Texas jobs created by ship channel-related businesses

\$177 billion — Statewide economic impact of the ship channel

\$4.5 billion — State and local tax revenue generated each year by business activities related to the Port of Houston

200 million tons — Cargo that moves through the Port of Houston each year

\$15 billion — Size of Houston’s petrochemical complex

SOURCE: [Port of Houston Authority](#)

James Ritchie is a freelance reporter. To contact the editor of this article, email [ewilkinson@bizjournals.com](mailto:ewilkinson@bizjournals.com).