MINUTES

New Orleans Regional Planning Commission Freight Roundtable
January 27, 2016 - 8:30 AM
Regional Transportation Management Center
10 Veterans Blvd.
New Orleans, LA 70124

Attendees

Karen Parsons, RPC (Speaker)
Meredith Soniat, RPC
Jim Murphy, MARAD
Joe Accardo, Ports Association of LA
Courtney Young, Clean Fuel Partnership
Scott Richoux, NOPB
John Hyatt, The Irwin Brown Company
Richard Metcalf, LMOGA (Speaker)
Andree' Fant, Port of New Orleans
Maggie Woodruff, RPC
Amelia Pellegrin, Port of NO
Ben Broyles, Cooper/CTLC
Nicole Rizzo, LaDOTD
Randall Withers, LaDOTD
Laura Phillips, LaDOTD
Bruce Lambert, ITTS
Jeff Roesel, RPC
Chris Laborde, RPC
Roy Quezaire, Port of South LA
Alejandra Guzman, NOLABA
Tom Wells, Waldemar S Nelson & Co
Dean Goodell, LaDOTD
Michael Price, New Orleans Terminal
Kristi App, JW Allen
Walter Brooks, RPC

Agenda Item #1-Welcome, Introductions, Call to Order

Karen Parsons welcomed the group. Coffee was provided by HDR and donuts by RPC's Clean Fuel Partnership. Attendees were encouraged to pick up a packet by the U.S Energy Information Administration on Louisiana's State Profile and Energy Estimates. All previous meeting notes, presentations, and upcoming dates are posted on the RPC's website: www.norpc.org.

Agenda Item #2- October 28, 2015 minutes will be offered for approval

Minutes were approved.

Agenda Item #3- "Current Status of Oil and Gas Industry in LA and Downstream Freight Impacts," Speaker: Richard Metcalf, Director of Environmental Affairs, -Louisiana Mid-Continent Oil and Gas Association (LMOGA) - PowerPoint presentation attached

Richard Metcalf provided an overview and basic understanding of kinds of companies working within the oil and gas industry and their relation to the product. He further explained that the financial status of oil and gas business in Louisiana (and elsewhere) varies by the type of company: upstream, downstream, midstream, or integrated. Thus it is the best of times for some and the worst of times for others. Upstream companies are mere producers and are hurting badly due to low oil and natural gas prices; Downstream companies are the refiners and product distributors which continue to thrive based on strong market demand for various products; Midstream companies are pipeline, rail, or trucking companies which do not own the oil or gas and are doing fairly well because they are contract-based; Integrated companies like Exxon Mobil, BP, Shell, and Chevron have their feet in every pond, so if there's a downturn in refining, there could be an upturn in production (or vice versa) making cyclical downturns less harmful.

The 2015-2016 downturn has been very different than those in history. This is primarily because it is caused by the glut of US oil and it was not solely caused by foreign countries. The current oil crisis could have been prevented if we had learned our lesson from the drop in natural gas prices. The separation of upstream from downstream business into distinctly different companies by several major integrated oil and gas companies now makes it harder for them to balance losses and they must ultimately increase production to stay afloat; slamming price. The removal of the export ban (shipment of oil from US to Europe) may reduce the U.S. supply. It is ultimately wise for the US to export light and import heavy oil because Louisiana transforms heavy oil into products at plants and the cost of heavy oil is cheaper. The US was importing heavy crude from Venezuela at $15-20 a barrel. It is also cheaper to refrack an existing well to extend its life than to drill a new well. He noted one can frack seven wells for the price of drilling only one. This may cause an increase in production short term and then a drop in production later. Developments in fracking technology can further increase production. Metcalf noted that many layoffs that are happening in the major companies are really just early retirements.

Metcalf said we got to this state due to changes in supply and demand, a stronger dollar, lease terms, and geopolitical forces. In a typical lease, a company must drill within five years to keep the lease in place which means companies may be forced to drill even when they don't need the oil. Right now, production volume is much greater than usual, exceeding worldwide demand. He provided an analogous situation to explain: if you build apartments you can't rent right away or have to accept lower rent payments, your revenue will go down. There are currently strong geopolitical forces such as in the Iran treaty. The US and the world can now buy Iranian oil, but Saudi Arabia is no longer reducing their production to keep prices propped up. Historically Saudi Arabia would cut production when another OPEC nation increased production thereby keeping prices stable. Instead, Saudi Arabia is borrowing money for the first time as a government to cover the dramatic reduction in the price per barrel and drop in total revenue. They are taking a loss in their budget and dipping into their financial reserves. Meanwhile, Europeans are flooding the market with oil trying to build their economy.

The main industry transportation methods are pipelines, ships, rail, and trucks. Pipelines are preferred but not the most practical to build. The 120,000 miles of pipelines in Louisiana and offshore can go around the Earth five times! Unfortunately, many pipelines were set up to pump in the wrong direction (south to north). Natural gas lines go from here to northeast. Today the market is reversed. This is because natural gas and natural gas liquids being produced in Pennsylvania must be transported to Louisiana and Texas for processing in chemical plants as that industry is not prevalent in the northeast.

The Houma to Houston oil pipeline recently reversed and we are trying to reroute others. There is a long lead time to build a pipeline and lots of public/landowner opposition. Barges and ships have obvious geographic limitations but have well established infrastructure and are very convenient for high volume crude oil and products. Rail and trucks are traditionally not favored for crude oil and gas but are the easiest to take advantage of due to availability and flexibility. Metcalf believes there should be a product pipeline terminal on the Northshore because it's a two hour round trip to bring one truck load to one service station on the Northshore.

Metcalf discussed changing dynamics and trends of the industry.
There is a gradual move to pipelines. We see a lot of rail now but this may change because it is much cheaper to transport by pipe than rail.

Marine terminals may need to change from Import to Import/Export. They will have to be more flexible with crude oil and products to stay profitable as demand for imports decrease.

Project deferrals are increasing. Ten year leases can defer some expenditure. However, companies need to have plans set and engineering done with an estimated cost before a project can be deferred.

What is the impact of crude oil exports? Some refinery projects in the US which were set up to handle light crude may be deferred.

Mexico is opening oil and gas development to private companies.
It's been a state run company for many years. New business access means development. Louisiana may benefit by supplying needed boats and products. This may ease some of the downturn pressures on the state.

Current issues in the industry:

1. *Rail/pipeline safety* – We can control pipeline side; DOT just proposed a rule that will greatly expand the number of pipelines and regulations.
2. *Rail competition*- It is bigger on the chemical side where you only have one rail line service. It is a bigger problem more north and upriver. The LA Chemical Association has a committee on rail competition, but we do not.
3. *Regulations*- The Midwest is starting to adopt air rules; what will that do for companies?
4. *Road design*- Roundabouts do not always work well for industry. Ex: Baton Rouge's Highway 30/Nicholson Drive roundabout is too small for large trucks carrying equipment and it is located near several plants. Railroad crossover intersection also has very steep slopes which is a hassle for moving equipment. We need to talk to the plants and understand what their needs are.
5. *Road Haz Mat limitations* – A bill last year prevented trucking of Haz Mat across roads in New Orleans; "NIMBY" will have to be watched.
6. *Fuel prices* – The low price is expected to be stable well into 2017 for both natural gas and liquid fuels due to high inventory. Natural gas may go to a $3 range in couple of years but is currently low compared to crude oil. Prices are always subject to supply disruptions. The Gulf of Mexico isn't the driver it was 10 years ago. However, by 2020, GOM oil production is supposed to go into the 2 million barrels per day range from 1.2 million barrels per day in 2012.

Update on Ozone

Metcalf discussed the EPA's new ozone standard announced on Oct. 1, 2015. The new standard is not as low as was expected. New Orleans area currently meets the .070 ppm (70 ppb) standard. The Madisonville monitor reads .0707 ppm and needs to be watched this year. That monitor is just west of the bridge and there's a ½ mile to a mile with nothing around it. City Park has one of the best standards in the state.

Discussion/Questions

Chris Laborde asked Richard to discuss what he shared with the emergency preparedness team.
50% of U.S. refining capacity (east of the Rockies) is along the Gulf Coast and 18% is here in Louisiana. When a storm hits, the Louisiana and/or Texas supply of gasoline to Florida, Atlanta and all along the mid-Atlantic coastal states is disrupted, none of whom have gas refineries. Louisiana wants to keep gasoline here but has contractual obligations to send it away.

This is due to the arrangements made for gasoline sales. There are three different types of gasoline sales from refineries: to a refinery-owned station (which is always guaranteed some gasoline), to an independent station with a guaranteed-volume contract, and to an independent non-contracted buyer. A company like Shell both produces and sells the gas. This creates a higher price for gas day-to-day for the guarantee the gas will be available during emergencies. An independent station with a guaranteed-volume contract (e.g. RaceTrac, Cracker Barrel) is similar. A truly independent station typically can buy gas for the best price (lowest) because they are buying the daily surplus and are not tied to a guaranteed volume. However, without a contract they are not guaranteed gasoline when there is greater demand for gas such as during a hurricane evacuation. There is a 4x's spike in gallons a day leading up to a hurricane. It causes trucks that usually take 2-4 hour trips are now taking 8-10 hour trips. If these trucks don't have a guarantee contract, they may not get gas at all and therefore truly independent stations may be left dry. .

Maggie Woodruff asked what will happen to companies if prices stay low. It depends on the individual business model. The ones who are hurting have high debt. In upcoming months, we'll see some bankruptcies, but not of major companies.

Roy Quezaire inquired about the international market and foreseeable major challenges for production worldwide; you generally need a free trade agreement for U.S. to export LNG to a company but we don't have free trade agreements with everyone. It will be good for Haynesville Shale that we'll be able to export in south Louisiana. Natural gas will be booming again in a year or two. There is predicted expansion in the chemical side of the business.

Agenda Item #4- FAST Act: Freight Provisions in New Legislation (initial review), Karen Parsons, RPC - PowerPoint presentation attached

Parsons discussed the major changes regarding freight in the new FAST Act effective Oct. 1, 2015. It is a five year bill ending Sept. 30, 2020. There is a major emphasis on freight investment with $4.5 billion dedicated to discretionary freight projects of $6.3b total for freight over 5 years. STP was changed to Surface Transportation Block Grants (STBG). TIFIA minimums were lowered to $10M because people weren't accessing the funds. The TIGER grants will continue to be appropriated annually by Congress. The DOT will establish an interim designated freight network within 180 days. In 1 year, they must designate a final National Multimodal Freight Network NMFN and established a process to receive input from DOT's, MPO's and others. DOT has 2 years to create a plan which must be updated every 5 years.

Karen identified several new emphasis areas for freight. They must identify bottlenecks on NMFN using quantitative method/estimate cost to address each bottleneck. They must identify a process to address multistate projects. There isn't much discussion going across state borders based on survey answers. They must identify corridors accessing centers of energy exploration/production, agriculture, manufacturing, and natural resources. They must identity best practices to mitigate impacts on community. They must improve state flexibility to support multi-state corridor planning and connectivity and avoid state burdens when implementing policy. A wide array of groups and individuals can apply for NSFHP Funds, but all applicants MUST work with their local MPO and transportation policy committees. All parts of a freight project from development to construction are eligible.

There was discussion concerning the designation of the NMFN and its importance to funding eligibility. Walter Brooks requested the MPO and DOTD work together to review the networks.

Agenda Item #5- RPC Freight Projects – Status Report

Causeway-Earhart Interchange*:* It will be very helpful in moving freight and people to connect to Elmwood and Huey Long Bridge and Causeway to Clearview. Estimated construction cost is $70-$75 million. Walter Brooks said there is huge support for this project and the west half is the planned first phase, going to construction in 2 years.

Agenda Item #6- Round Robin One Minute Activity Reports (by members)

Nicole Rizzo, LaDOTD: Ramp under Superdome under construction and ramp meters: ramp from Claiborne to I10 west opened. The meter is not turned on yet. Three lanes were restriped on the Expressway that go to I10 west. The meter project improves flow of vehicles on ramp and expressway. 6 or 7 meters will be installed and turned on around March.

Laura Phillip, LaDOTDs: Freight in the Southeast, 2016 ITTS conference will be held on April 11-12 in New Orleans and includes tours, following the life of a coffee bean. The Conference fee is $100, which includes meetings on Monday and Tuesday. There is no single day registration fee. Seating is limited.

Richard Metcalf, LMOGA: A bill prohibiting drones over refineries chemical plants and nuclear facilities is being looked at to be expanded to schools and prisons. Officials in our industry are urging them to expand to ports and other key infrastructures.

Amelia Pellegrin, Port of New Orleans: Contract should be announced tomorrow. She is working as the project manager for the Port's new 10-year Master Plan.

Agenda Item #7- Open Discussion

Container on barge service between Port of New Orleans and Baton Rouge is starting up Feb. 20; SEACOR will operate.

The next Freight Roundtable meeting is scheduled for Wednesday, April 27, 2016 at the Regional Transportation Management Center, 10 Veterans Blvd. at 8:30 a.m.

Minutes by Courtney Young and Karen Parsons

Agenda Item #3 reviewed by Richard Metcalf for accuracy