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COMMODITIES

America's Rise as an Energy Export Powerhouse Hinges on One Town

Pipelines to Corpus Christi, Texas, are near capacity as U.S. oil production approaches records

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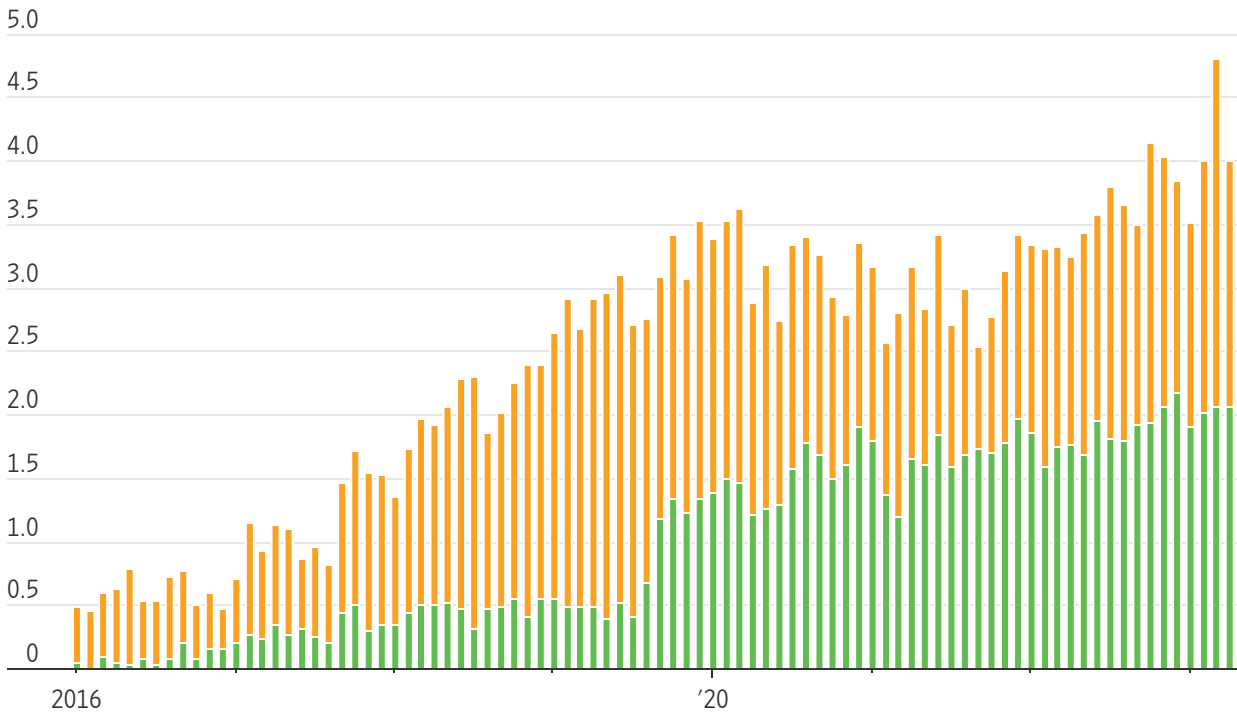
The U.S. has transformed global markets by boosting crude-oil exports more than 30-fold over the past decade. Much of the boom hinges on Corpus Christi Bay.

In the first four months of 2023, about half of the country's 4.1 million barrels of daily shipments abroad was loaded onto skyscraper-size tankers from this stretch of Texas coastline, destined to become fuel for overseas travelers or factories.

U.S. crude exports by exit point

■ Corpus Christi Bay ■ Other

5.5 million barrels per day



Note: Daily average per month

Source: Port of Corpus Christi, Energy Information Administration

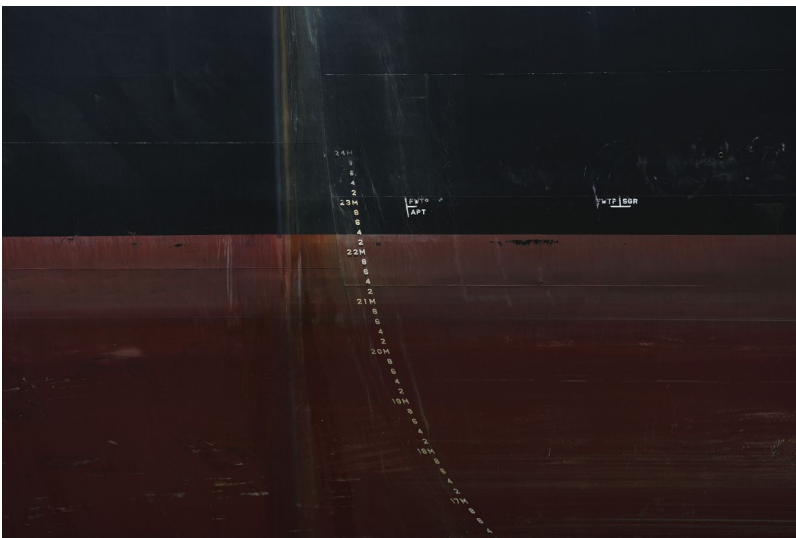
That gusher of supply has helped blunt the increase in prices from recent production cuts by Saudi Arabia and Russia. In Europe, oil and natural gas shipped from the Gulf Coast have backstopped the continent as it weaned itself off Russian energy after the outbreak of the war on Ukraine.

Corpus Christi has become the dominant U.S. hub, siphoning crude from elsewhere thanks to unique terminals that make it cheaper than competitors. Now, ballooning trade from the port has put the U.S. on pace to pump out record oil exports this year, according to federal record-keepers.

But with pipelines nearing capacity and U.S. output set to reach new heights, competition is heating up among companies and investors over how to connect the American oil patch to a fuel-hungry world.

“The market is totally focused on taking shale production from the U.S. into international markets,” said Rusty Braziel, chief executive of consulting firm RBN Energy.

Corpus Christi is the closest deep-draft port to the Permian Basin in West Texas and New Mexico, America's hottest oil field. Crude extracted from shale rock there, prized by overseas refineries for its light, sweet quality, trades at a premium to many other grades.



A very large crude carrier seen from a boat in Ingleside, Texas, site of a former Naval base. Markings on the carrier help indicate how much of the vessel's hull is submerged.

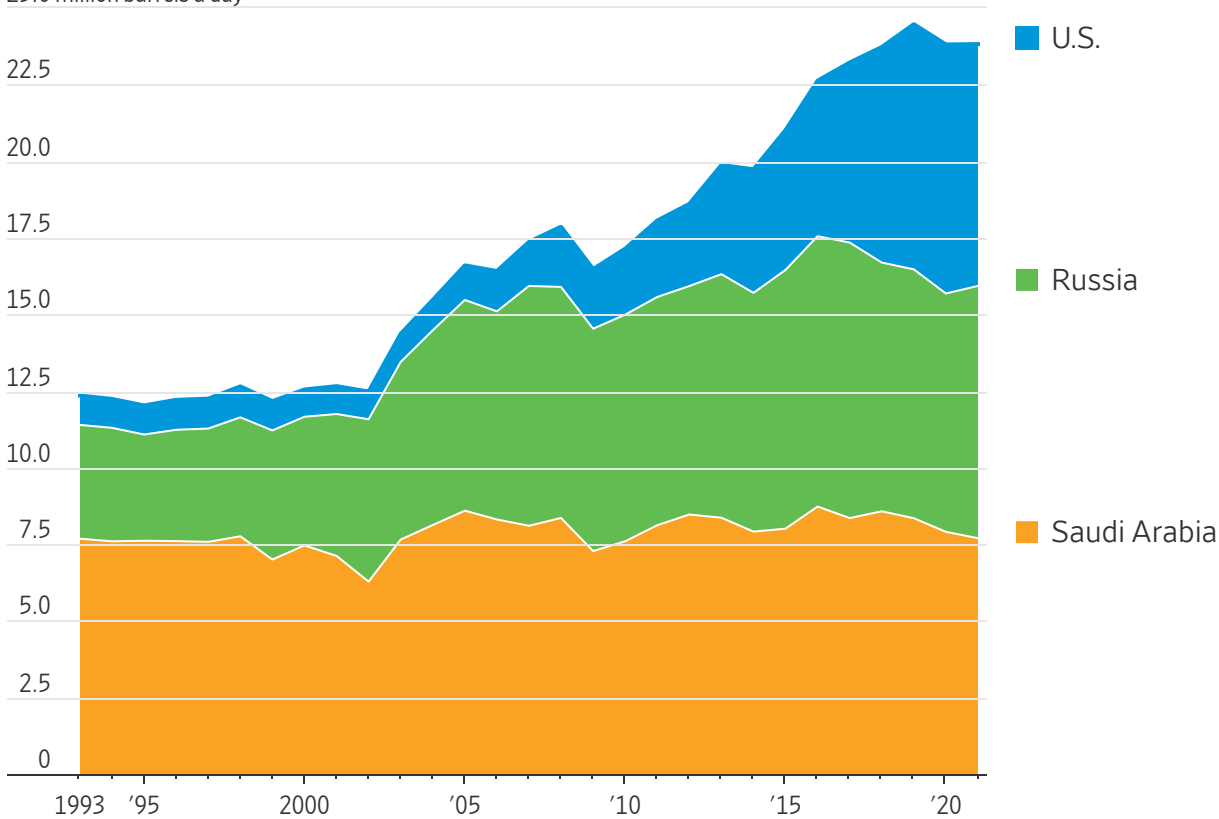
That oil was confined stateside as the shale boom unleashed unprecedented U.S. production growth. But after Washington nixed decades-old export restrictions in 2015, companies scrambled to build out pipelines to Corpus Christi, a South Texas city of about 320,000.

Various companies have since constructed storage tanks in Corpus Christi to hold tens of millions more barrels of oil near the water. Cheniere Energy is expanding a plant that can liquefy natural gas for export. Since 2020, dredgers have been at work deepening the port's ship channel and inner harbor to 54 feet from 47 feet currently, a more than \$680 million operation that will allow many tankers to fill up close to capacity.

“You can’t just build those facilities overnight,” said Kent Britton, the Port of Corpus Christi’s interim chief executive.

Top petroleum exporters

25.0 million barrels a day



Note: Crude and refined products except fuel for ships

Source: BP

Ensuing growth in crude shipments has outpaced other launch points in Texas and Louisiana largely because of the economics of shipping. Exporters that operate from Houston-Galveston and the main Port of Corpus Christi funnel shipments to smaller classes of tankers, which either carry cargoes abroad or ferry them to 1,100-foot supertankers anchored offshore in a dayslong process.

But across Corpus Christi Bay, in the small town of Ingleside, Texas, oil terminals at a former Naval base are big enough that those massive ships can fill up about half of their 2 million barrels of capacity from shore.

“You can pretty much load your million barrels in 24 hours,” said Lois Zabrocky, chief executive of International Seaways, which operates 13 so-called very large crude carriers.

Five tugboats then guide half-full VLCCs several miles out to sea, where smaller tankers top them off for delivery to refineries in Europe, Asia or elsewhere.

That streamlined loading process can pare the price of shipments compared with elsewhere on the Gulf Coast. Analysts said such differences became particularly crucial last year after Russia's invasion of Ukraine whipsawed energy markets and sent shipping costs skyrocketing.

Calgary, Alberta-based Gibson Energy bought one of the Ingleside terminals in June for \$1.1 billion, an investment that Chief Executive Steven Spaulding said will pay off regardless of whether Permian production growth continues. His rationale: Ingleside's efficiency will entice traders, even if it means drawing oil away from across Corpus Christi Bay.

"It doesn't matter to our terminal," Spaulding said.

Pipelines from the Permian to Corpus Christi are running at about 90% capacity, according to East Daley Analytics, a level at which traders might begin sending more crude toward Houston for refining or shipment abroad.

The midstream energy company Enbridge has responded by announcing an expansion of its pipeline to Corpus Christi by 200,000 barrels a day. Other companies have proposed environmentally contentious plans for multibillion-dollar deepwater terminals that would allow VLCCs to load up fully in the Gulf of Mexico.



A liquid terminal in Ingleside, Texas, a port with capacity to accommodate supertankers.

For all their customers' focus on oil-and-gas exports, Corpus officials are preparing for a future when the U.S. exports nonfossil-fuel commodities such as hydrogen and ammonia. The port authority applied to receive some of the \$8 billion that Washington pledged in its 2021 infrastructure package to develop regional hubs aimed at accelerating the use of hydrogen for energy.

Enbridge has said it would partner with the Norwegian fertilizer company Yara International to develop a plant to produce up to 1.4 million tons of ammonia a year at its Ingleside terminal. The companies plan to capture carbon dioxide produced during the process and store it underground—activity that could qualify for credits under President Biden's climate law.

Corpus Christi "is hopefully the gift that's going to keep on giving," said Phil Anderson, senior vice president, business development, at Enbridge.

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