Business

US oil export boom sparks a battle to build Texas ports

Trafigura counter environmental concerns about offshore operation

CORPUS CHRISTI, Texas: Booming US oil exports have set off a scramble to build Gulf Coast ports to handle more than 3 million barrels per day in new supplies expected over the next five years. Of seven proposed oil-export projects, nowhere is the opportunity greater or the competition fiercer than in Corpus Christi, Texas, where three firms are vying to open the state's first deepwater port.

Commodities trader Trafigura has taken an early lead with a planned offshore facility that has an easier path to regulatory approval and faces fewer objections from environmentalists. Its chief competitor - a partnership of investor Carlyle Group and the Port of Corpus Christi to build an onshore port - has responded by petitioning regulators to kill Trafigura's project. Port lobbyists have cited past criminal allegations involving the firm in other countries and potentially "catastrophic" environmental impacts.

"We've got a wave of oil headed toward the coast," said Jeremiah Ashcroft III, chief executive of Lone Star Ports LLC, the Carlyle-backed company formed to develop its Corpus Christi project. Only one US facility, the Louisiana Offshore Oil Port, can fully load supertankers capable of carrying 2 million barrels. The Corpus Christi port - the closest to the most prolific shale fields in Texas - exports less than 1 million bpd, and its harbor is too shallow to fully load supertankers.

The market ultimately may support more than one new deepwater port, but the first firm to build near Corpus Christi will have the best shot at cutting long-term deals with producers expected to ship an estimated 2.1 million bpd to the region through new pipelines set to open this year. "Right now, there's only enough room for one project," Ashcroft said. Carlyle plans a $1 billion port to handle 1.4 million bpd.

Brazil charges

Carlyle said last October that it could open its facility by late 2020. But that assumes its plan for dredging to accommodate supertankers will not require a full environmental review, which is sought by opponents and could take two years. As Carlyle and the Port have tried to navigate those obstacles, port lobbyists have petitioned regulators to halt Trafigura's project. In an August letter, the port's law firm called on the US Coast Guard and the Maritime Administration to reject Trafigura's application, citing a "criminal history."

The letter from Baker Wotring LLP pointed to the trader's 2006 guilty plea for selling a US company oil from Iraq that Trafigura falsely claimed had been authorized under a United Nations humanitarian aid program. US companies at the time were barred by government sanctions from buying Iraqi oil except through the program. After the regulators declined the port's request, its law firm in December raised bribery allegations brought earlier that month by Brazilian prosecutors against two former Trafigura executives.

The firm asked regulators to halt Trafigura's work until the allegations were "fully investigated." Trafigura said in a statement that its management had no knowledge of any improper payments made to employees of Brazil's state-run oil firm Petrobras. Trafigura did not comment on the port law firm citing its guilty plea involving Iraq oil sales. Lone Star's Ashcroft said onshore terminals are safer than offshore projects because oil spills are more easily cleaned up in harbors than in open water.

CORPUS CHRISTI: The Harbor Island in Corpus Christi Bay is seen in Texas, US. —Reuters

Environmental disaster

"Sea turtles are always an issue with dredging" because it brings in salt water, said Jayson Hudson, a regulatory supervisor at the US Army Corp of Engineers, which oversees permitting for Carlyle's project. He called Trafigura's horizontal drilling plan a "good option for avoiding permanent impacts." Dredging the harbor, by contrast, would have wide-ranging impacts, said John Donovan, president of the Port Aransas Conservancy. "We're very much against what we consider to be an environmental disaster that the Port's plans for Harbor Island would entail," he said.—Reuters

British retailers count cost of brutal Christmas trading

LONDON: British retailers suffered their worst Christmas since the depths of the financial crisis a decade ago as cautious customers forced high street stores such as John Lewis and Debenhams to slash prices to shift stock. With Britain heading for a potentially messy exit from the European Union at the end of March, consumer spending is drying up, exposing the weakness of many major retailers which are having to sacrifice profits in the quest for sales.

The brutal conditions come as the industry struggles to keep pace with consumers moving online, meaning many are weighed down with excess and costly store space as they invest in distribution centers and logistics. "There's no doubt that there was significantly more promotional activity in the market, a combination of consumer confidence and the travails in the marketplace as a whole," said Paula Nickolds, managing director of John Lewis stores.

Trading updates on Thursday showed those groups doing best such as Tesco had improved their basic ranges. Investors were also relieved that Marks & Spencer, the country's most famous retailer, had held its nerve and not cut prices, even though sales fell. The general message was that the going was tough. Debenhams Chief Executive Sergio Bucher said the country's second biggest department store group would have to find 80 million pounds of cost cuts to protect its profits after slashing prices. It is closing 50 stores.

Once selling fabrics, bonnets and gloves during the Victorian era, the 241-year-old group is now fighting for its survival to avoid the fate of collapsed rival BHS and House of Fraser, which was rescued by Sports Direct-owner Mike Ashley. "The market in general has been very, very competitive," Bucher told reporters. The group, which has lost more than 80 percent of its value in the last year, is seeking fresh funds to bolster its balance sheet.

Halfords, which sells bicycle and car accessories, was one of the worst hit after its customers refused to spend on expensive items, forcing it to lower prices and cut its profit target. Its shares were down 25 percent. And John Lewis, the employee-owned biggest department store, said on average promotional activity was around 20 to 30 percent higher than last year. Its staff may not receive their cherished annual bonus for the first time since 1953.

Troubled times

Britain's economy slowed after the 2016 Brexit referendum and looks to have lost more momentum in late 2018 as Prime Minister Theresa May struggles to get parliament's support for her plan for a smooth exit from the European Union. The British Retail Consortium (BRC) said its members reported zero year-on-year total sales growth in December, the worst performance for the month since 2008. The flat figure compared with 1.4 percent growth in December 2017.

On the stock market general retail had its worst year since 2008 in 2018, dropping 27 percent compared with 12 percent for the FTSE 100. Tesco, Britain biggest retailer, showed its resilience after its own-brand basic ranges combined with premium offerings to fend off rivals at the top and bottom of the market, and keep its tills ringing.

"There is no shortage of gloomy news within the UK retail sector, but there are winners and we believe Tesco is one of them," said Alasdair McKinnon, the lead fund manager of the Scottish Investment Trust, a Tesco investor. Tesco's performance stood in contrast to rivals Sainsbury's and Morrisons which both missed Christmas sales forecasts this week, hit by competition from German discounters Aldi and Lidl. "The shopper is behaving as he or she always has," Tesco CEO Dave Lewis said. —Reuters

Fiat Chrysler to pay $650 mn over software misuse

NEW YORK: Fiat Chrysler has agreed to pay nearly $650 million to resolve litigation over its use of illegal engine-control software on diesel vehicles that produced false results in emissions tests, The New York Times reported Wednesday. The automaker will pay $305 million in penalties to the federal government and California, which also brought suit, the NYT said, citing two unidentified sources who were briefed on the issue. It said the agreement is expected to be announced on Thursday.

Fiat Chrysler will also pay an average of $2,500 to owners of 104,000 diesel-powered Ram 1500 trucks and Jeep Grand Cherokee sport utility vehicles from the 2014, 2015 and 2016 model years. The NYT said these payments could total more than $260 million. Fiat Chrysler will also pay about $72 million in civil penalties to settle litigation brought by various states, and $6 million to settle other claims, the newspaper said. US authorities including the Environmental Protection Agency sued the Italian-US automaker in 2017 alleging it had used illegal software that turned off pollution controls under certain driving conditions. The EPA said the software enabled the vehicles to pass emissions tests while allowing them to release higher levels of pollutants in normal driving. The accord does not call for Fiat Chrysler to admit any wrongdoing, the newspaper said. The Fiat Chrysler probe comes in the wake of the diesel emissions-cheating scandal that rocked Volkswagen and then spread to nearly all the major auto companies. —AFP