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Louisiana Energy Topic

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AMERICA'S WETLANDS: ENERGY CORRIDOR TO THE NATION

Port Fourchon: Serving the Nation's Energy Needs in the 21st Century
Part 6 of 7

by
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Thanks to the foresight of the Louisiana Legislature and members of the Greater Lafourche Port Commission, Port Fourchon strives to continue serving America's energy needs into the 21st Century. When combining Port Fourchon's role as a domestic energy support base with its role in supporting Louisiana Offshore Oil Port (LOOP), this key energy hub is a vital component for nearly 16% - 18% of our nation's oil and gas supply coming just from foreign imports, as well as, current deepwater production in the Gulf of Mexico.

Few people recognize that, as expansive as Coastal Louisiana is, there are only two corridors that provide road access to the Gulf of Mexico, the Lafourche Corridor and another in extreme Southwest Louisiana in the Cameron-Holly Beach area. This limited highway connectivity to the Gulf, and proximity to this nation's major offshore oil and gas fields, has resulted in unprecedented development of Port Fourchon into the premiere intermodal base for support of an increasingly significant amount of this nation's hydrocarbon supply.



Aerial view of Port Fourchon, America's Energy Port

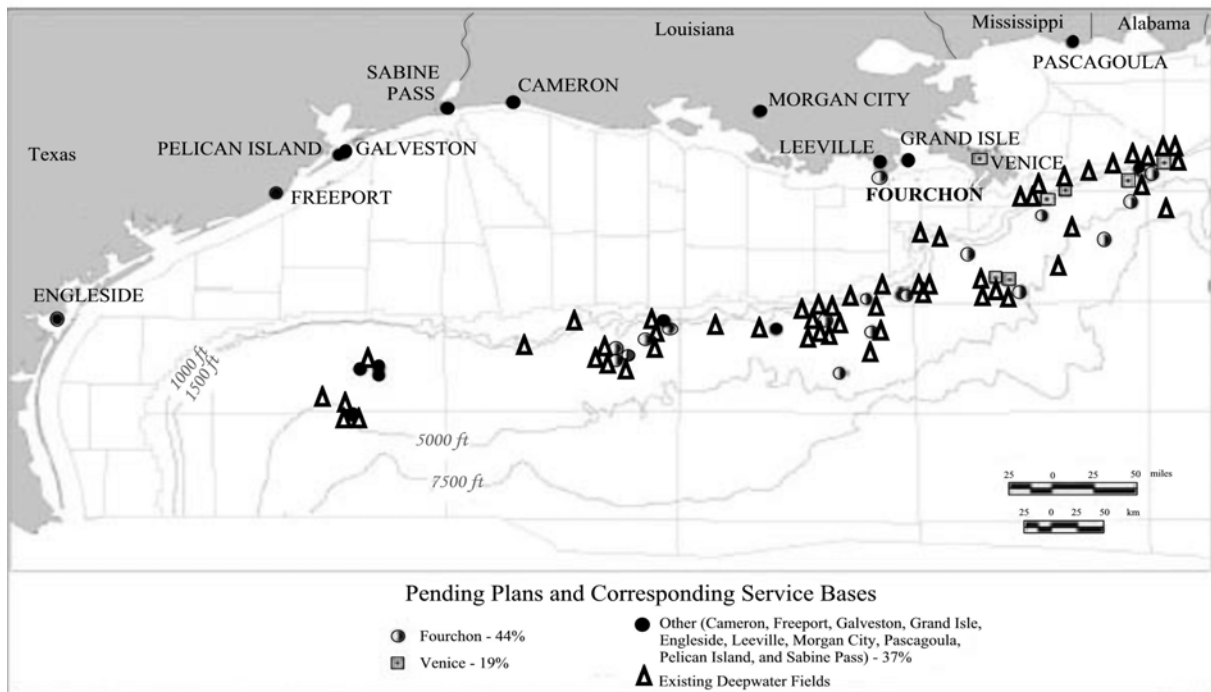
History of Port Fourchon

The Greater Lafourche Port Commission was created by Act 222 of the Louisiana Legislature in 1960. The Commission is an elected nine member governing body serving six year terms. Its area of jurisdiction includes the 10th Ward of Lafourche Parish. The Commission has the authority to, (1) regulate commerce and traffic, (2) maintain proper water depths, (3) provide police protection, (4) enact ordinances, (5) levy taxes, (6) issue bonds, and (7) expropriate property.

Through the years, the Commission has pursued an aggressive strategy of expansion to serve the needs of the oil and natural gas exploration, drilling, and production sectors. The expansion of Port Fourchon over the past 40 years has caused it to run out of elevated land area. The Commission built new land by elevating low lands, even open water, with dredge materials. By using this technique, over 700 acres have been developed, with an additional 1,500 acres remaining to be developed.

Located on the Gulf, Port Fourchon serves as the land base for support of LOOP and serves as the intermodal base for support of 75% of the Gulf's domestic deepwater oil and gas production.

In 1995, technological advances in exploration and production, and the passage of the Deepwater Royalty Relief Act (DWRRA) by Congress, resulted in the unleashing of a new frontier in waters greater than 1000 feet deep in the Gulf. This phenomenon has enabled this nation to identify, and begin producing, what has proven to be the largest domestic oil and gas finds ever with reserves estimated at 71 billion barrels. These huge reserves have sparked an unprecedented surge in Federal leasing and lease holder activity. As the industry geared up to harvest these federal resources, it became evident that there was no better place geographically, economically, or environmentally to support this swell of activity than Port Fourchon, Louisiana's southernmost port.



Adapted from MMS: "Deepwater Gulf: America's Expanding Frontier" 2002

Since the passage of DWRRA, the Port has more than tripled in size and activity. Now, Port Fourchon has over 600 acres in operation and another 700 acres in development. Over 150 companies operate out of the port, and intermodal tonnage now exceeds 15 million tons. Over 1000 trucks bring cargo in and out of this key support facility each day.

In the few years since deepwater production began, it has surpassed the Outer Continental Shelf (OCS) in production. Since 1995, deepwater oil production has experienced a 500% increase, and gas a 550% increase. This surge in activity has initiated the evolution of Port Fourchon into the premiere energy intermodal support facility in the Gulf. State of the art deepwater shore base support capabilities, not present anywhere else in the world, exist at Port Fourchon. These capabilities, which allow industry to efficiently support deepwater activity, have played a key role in the success of this nation's domestic production which positively impacts the national balance of trade, growth of our Gross Domestic Product (GDP), and helps provide energy security to consumers.

The U.S Minerals Management Service (MMS) projects that there will be 10-to-21 billion barrels of oil and 40-to-60 trillion cubic feet of natural gas discovered on just the federal leases licensed for development over the next 5 years. That is enough energy to fuel every commercial and private vehicle in America for two-to-five years and heat, cool and run appliances in every home in America for two-to-three years. In order to meet these energy milestones, key energy infrastructure will have to be sustained, and even upgraded.



Leeville Bridge the “weakest link” in the supply chain to Port Fourchon.



LA 1 and Leeville after a minimal Tropical Storm

America’s Energy Corridor Highway: Louisiana Highway 1

The “weakest link” in Port Fourchon’s ability to fulfill the demands placed upon it is Louisiana Highway One (LA Hwy. 1), Fourchon’s only connection to land. This 17-mile stretch of LA Hwy. 1 is a barely-above-sea-level, two-lane roadway that runs through the most rapidly deteriorating estuary system in the world. It provides the *only* means of land access to Port Fourchon and Grand Isle, Louisiana’s only inhabited barrier island. Grand Isle is the lifeline of support for the backbone of the nation’s oil and gas supply. It transports a quarter of Louisiana’s seafood production and is the only means of hurricane evacuation for 7,500 oilfield workers and several thousand residents. LA Hwy. 1’s vulnerability to destruction is increasing daily as wetlands erode. Studies have proven that a substantial part of LA Hwy. 1 could be below sea level within 8 years. Additionally, LA Hwy. 1 will continue to deteriorate under heavy truck traffic to Port Fourchon unless new construction and upgrades are quickly implemented.

Efforts are underway to build an elevated four-lane highway from Golden Meadow to Port Fourchon. Environmental clearances have been obtained and engineering is underway, but Federal funding has not been committed. This deteriorating highway system has been used as a glaring example of the huge inequity that exists in offshore revenue sharing between the federal government and the states supporting offshore development.

Currently, the Federal Government shares 50% of its onshore mineral revenues with the state within which the production occurs. Revenue from production beyond 3 miles offshore from a state's boundary is not shared with the state. Without a similar mechanism in place to share offshore revenues with the adjacent states, the ability of key coastal energy infrastructure to sustain the level of support activity being demanded of it is threatened. In 2001, the federal government collected over \$5 Billion in oil and gas revenues from offshore Louisiana and shared less than one-half of one-percent with Louisiana. This crucial highway system has been acknowledged as "vital" by the Department of Interior, Minerals Management Service. LA Hwy. 1, now recognized as a critical path in "America's Energy Corridor", has been designated by Congress as one of only 44 High Priority Corridors in the nation.

Port Fourchon: Truly the Nexus of America's Energy Corridor

It took Federal Reserve Board Chairman, Alan Greenspan, to command the attention of our nation's political leadership on the critical importance of an adequate natural gas deliverability capacity for a vibrant economy. Two (2) new sources of natural gas will now command priority consideration: (1) imported Liquefied Natural Gas (LNG); and (2) deep and ultra deep drilling to depths of up to 35,000 feet sub-sea (or below the seabed as contrasted with deepwater drilling) in the shallower waters of the OCS in the Gulf of Mexico.

In late 2002, ChevronTexaco filed an application with the Coast Guard for an offshore LNG (Liquefied Natural Gas) terminal to be known as "Port Pelican." Since this announcement, other firms have come forward with announcements for preliminary engineering studies on the location of LNG terminals in the Gulf of Mexico, namely Shell and Freeport McMoran. Port Fourchon's central location will, again, figure prominently in servicing these LNG terminals and ultra deep drilling on the OCS, and the critical role each will play in meeting the Nation's energy needs in the 21st Century.

Challenges for America's Wetlands Port

It is obvious that Port Fourchon and LA Hwy. 1 play a critical role in supplying this nation with a substantial share of its total energy needs. It is projected that Port Fourchon will continue to play an increasingly significant role in supplying the fuel that runs this country for decades into the future. At the same time, it is very clear that the demands placed upon this coastal port strain the existing highway infrastructure, and Mother Nature further exacerbates the problem with rising waters and disappearing wetlands. **There is much at stake for this entire nation if Coastal Louisiana succumbs to the forces of nature.** If we are to meet the challenges of the 21st Century in providing an adequate level of national energy security, and ensure our ability to fuel this country for generations to come, this nation will have to develop a process by which states adjacent to offshore production can sustain and upgrade critical energy infrastructure.

Note: The Department of Natural Resources wishes to thank the Executive Director of Port Fourchon, Ted Falgout, and his staff, and the Louisiana 1 Coalition (LA 1 Coalition) Executive Director, Roy Martin, and his staff, for their contributions to the preparation of Part 6 of this 7 part series. The Port and the LA 1 Coalition have excellent web sites containing further background for those interested at www.portfourchonla.com, and <http://la1coalition.org>.