

# News Release

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For Immediate Release

## **PORT OF GALVESTON WORKS TO DIVERSIFY CUSTOMER BASE**

### **Liquefied Natural Gas Project for Pelican Island**

Would Produce 1.2 Billion Cubic Feet of Gas Daily

Galveston, Texas...September 23, 2004...The Board of Trustees of the Galveston Wharves announces the approval of an option agreement with BP Energy Company of Delaware for the development of a Liquefied Natural Gas (LNG) facility on idle land on the north side of Pelican Island.

The agreement allows for a three-year option period to retain the site. During that time BP would progress project development activities to develop the facility.

If all the local and federal requirements are met, BP plans to move into a design phase, followed by a three-year construction period that will peak with approximately 500 workers on site. If planning and construction are completed as planned, the facility could start up by 2010. Throughout the process, the lease agreement allows for increasing financial benefit to the Port and to the Galveston economy.

“The finalization of this contract culminates several years of hard work by the Board and staff,” stated Benjamin F. Holland, Chairman of the Board of Trustees. “The development of this project will add to the industry base of the area and create good jobs. It is imperative that we diversify our cargo base and not depend on any one business venture to provide the needed revenue to put into redeveloping our dated infrastructure. We need this kind of economic development for the city and it could be the light at the end of the tunnel for the Port of Galveston.”

BP’s LNG project will include dock facilities, two storage tanks, vaporizers, pipelines to transport the LNG, and supporting utilities and structures including extensive safety systems.

Liquefied natural gas (LNG) is the liquid form of the same natural gas used for heating, cooking and for generating electricity in gas-fired power stations. It is colorless, odorless and non-toxic.

At the source location for the production of the LNG, natural gas is converted into liquid through a super cooling process called liquefaction. The LNG is converted into a liquid form at -260° F and its volume is reduced by 600 times that of natural gas. The process of liquefying natural gas

is necessary to transport the fuel at atmospheric pressure in a purpose-built, double-hull ship to the market area. At the proposed import facility on Pelican Island, the LNG would be returned to its original gaseous state by heating it in vaporizers for delivery at conditions specified by downstream pipelines. The gas would then be distributed to end-users by conventional pipelines.

The Port of Galveston is located on the upper Texas coast at the mouth of Galveston Bay, just 30 minutes steaming time from the open sea. The Port is a landlord port, owned by the City of Galveston. The Port is a significant contributor to the strong economy of the Galveston-Houston marketplace. Annual business through the Port totals approximately \$12 million, with an estimated economic contribution to the region of over \$500 million. This ideal location boasts facilities to handle all types of cargo including containers, dry and liquid bulk, breakbulk, Ro/Ro, refrigerated and project cargoes, and cruise passengers and open land for development.

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POG-2004-15