



**Statement of Sean Strawbridge,
Chief Executive Officer of the Port of Corpus Christi Authority,
for the
Subcommittee on the Interior, Energy, and Environment of
The Committee on Oversight and Government Reform on
“Examining the U.S. Army Corps of Engineers”**

Chairman Farenthold, Ranking Member Plaskett, and Members of the Subcommittee:

Thank you for the honor of appearing before the subcommittee as part of this distinguished panel on such an important topic.

My name Sean Strawbridge. I am testifying before this committee in my capacity as Chief Executive Officer for the Port of Corpus Christi Authority. I also bring to you a perspective shaped by over twenty-five years of experience working on transportation, logistics, and trade issues.

The Nation’s 926 seaports account for approximately 26% of the National GDP, accounting for trillions of dollars in economic output and trade value. My Port, the Port of Corpus Christi, is currently the 4th largest port in the United States in total tonnage, and the largest energy export gateway in the nation in market value. What makes the Port of Corpus Christi a leader in U.S. energy exports is the compliment of 1.) The proximity to two of the largest energy producing fields in the country, the Permian Basin and the Eagle Ford Shale; 2.) The significant refining capacity in the region; 3.) The large chemical and natural gas processing facilities; and 4.) The deep draft navigation Corpus Christi Ship Channel and associated export facilities which provide a gateway to global energy consumers.

The Port of Corpus Christi is also one of three National Strategic Military Load Centers for the Department of Defense in support of the American Warfighter overseas.

Today, the United States is experiencing a resurgence in its energy production not seen since the 1950’s. Recently the Energy Information Administration (EIA) accelerated its forecast for when the United States would become a net exporter of its energy production, from 2026 to 2022. This forecast is based on the continuing trend of increased energy production levels, and the fast

growing export of U.S. produced energy. The Port of Corpus Christi is at the apex of this energy renaissance as the global gateway for American energy.

I want to focus my testimony on highlighting benefits of one project in particular, though in speaking to many of my contemporaries, we share similar experiences and challenges in progressing our economically and strategically vital projects.

In describing my project, the Corpus Christi Ship Channel Improvement Project, one has to go back 28 years, to 1990, when Congress mandated the commencement of a study to determine cost and impacts of deepening and widening the Corpus Christi Ship Channel from 45' to 54'. It has been a long and at times painstakingly slow and difficult process to move this project to fruition. Thus I will suggest to this Committee opportunities to improve the process of completing badly-needed major port infrastructure projects.

I believe our particular experience may be useful as the federal government considers policy changes in the spirit of improving our Nation's infrastructure and positioning this country for energy resiliency not seen in over two generations.

Federal Ship Channels in general are the main arteries in the physical movement of goods and trade, and the Corpus Christi Ship Channel is our lifeblood for the export of American energy overseas. The Corpus Christi Ship Channel Improvement Project is our most important project, and is mission critical in our Nation's quest for energy dominance.

From the initial Congressionally-suggested feasibility study in 1990, the U.S. Army Corps of Engineers' Chief's Report on the project was completed in 2003, 13 years after commencement of the feasibility study. The Office of Management & Budget approved the Project in 2007. The Channel Improvement Project, as it is formally known, was congressionally authorized in WRDA 2007 and again in WRRDA 2014. At the time of initial authorization, the Chief's report estimated the cost of construction of the project at \$188 million. In the 10 years it took to finally execute the Project Partnership Agreement with the Corps in September of 2017 that cost estimate had ballooned to \$327 million.

Last month, we were for the first time included in the President's Corps Civil Works Budget for FY'19. That's the good news. The bad news is the budget recommendation falls significantly short of the need. If our Nation expects to remain competitive in the global marketplace, we must

expedite the project delivery process or risk lengthy development schedules and significant cost impacts to our national waterways infrastructure projects.

The economic impact of the shale revolution are difficult to understate. The increasing exportation of U.S. oil and gas has widespread economic, geopolitical, and security implications, and the global balance of power is certainly shifting to our shores. More American allies, and others around the world, recognize the benefit of shifting away from Middle Eastern or Russian energy supplies. An American barrel of oil is a safer, more secure barrel. Why? Because unlike a Middle Eastern or Venezuelan barrel, ours are not controlled by a cartel. Unlike a Russian barrel, an American barrel is not subject to the whims of a despot who can decide unilaterally and individually to whom he will sell its energy to. This has made an American barrel a more attractive barrel on the international marketplace. Even China and the aforementioned Venezuela are buying significant quantities of U.S. oil and gas, which continues to reshape our trade balance with those countries.

As I said, the Port of Corpus Christi is nation's leading energy port, responsible for roughly half of all energy exports. Over the past decade the Port of Corpus Christi has experienced epic record growth in our energy exports, increasing from essentially zero to an estimated \$36 billion in crude oil, natural gas liquids, and finished petroleum and chemical projects.

The Port of Corpus Christi is also positioned to become a leading export hub for Liquefied Natural Gas or "LNG". An estimated \$18 billion-dollar LNG liquefaction facility with a capacity of 22 million tons per annum is currently under construction and is scheduled to come online later this year, providing LNG exports to China, Europe, and the Americas under long term contractual commitments.

Yet the Port of Corpus Christi could be handling even more energy exports. The expansion of the Panama Canal and the increasing availability of supertankers offer an opportunity for United States oil and gas exporters to increase volumes and competitiveness. Our customers tell us that larger, deeper draft cargo ships could save them fifty to seventy-five cents per barrel, a major global competitive advantage. At over 600 million barrels a year of energy exports in Corpus Christi alone, these transportation cost savings are in excess of \$300 million per year for our Port customers.

As more energy is produced in the U.S., these molecules must find an outlet. Over \$5 billion in new pipelines from the Permian Basin to Corpus Christi alone are underway. We anticipate these

new pipelines to be completed by 2020-2021. When this new production take-away capacity is completed, the Port of Corpus Christi must also be ready to handle the anticipated increase in volume. We cannot become the constraint in the continuing growth of energy exports with a Channel Improvement Project that is stymied by lengthy delays and cost overruns.

We are extremely pleased that the President's Budget Recommendation for Fiscal Year 2019 includes long-sought funding for initial construction work on deepening and widening of the Corpus Christi Ship Channel. Yet we remain concerned about how long it took to reach this point, and how long it will take the federal government to fund their currently mandated and agreed upon cost-share for this urgently needed infrastructure project.

Unconstrained in funding, the Port of Corpus Christi estimates the Ship Channel Improvement Project should take approximately 4 years to complete. That is in-line with the market demands. However at the current funding streams and Corps capability, it is highly unlikely the project will be completed in that timeframe.

The Port of Corpus Christi cost share portion of the \$327 million project estimate is \$102 million. We are pleased to report we have our cost share today, in the bank, ready to go. In fact we have already funded the first construction contract completely and transferred \$32 million of Port dollars to the Corps of Engineers last September to commence construction. Yet construction has yet to begin as we continue to wait for the Corps to secure the first dredging contract.

Our funding "ask" of the Administration and the Corps over the past several months was \$60 million in each of the next three Fiscal Years budget, with an additional \$45 million in Corps Work Plan monies over the same period. The Port would fund the rest. The return on this investment, we estimate, is an incremental \$36 billion in energy export value, or one tenth of the current trade deficit with China.

The President's FY'19 Civil Works budget has recommended \$13 million in Navigation Construction dollars for this project. At that funding stream, this project could conceivably take over a decade to complete, and at the same inflationary formula that increased the project cost over the past decade, the cost of the Project could balloon to \$528 million or more, and continue to frustrate American energy exports.

I want to emphasize that overall, the Port of Corpus Christi enjoys an excellent working relationship with the dedicated women and men of the Army Corps of Engineers. They are true

professionals. But recognizing their strained capacity to execute on projects and the significantly underfunded appropriations relative to Corps project demand is only the first step toward solving some of these issues and finding other solutions for success.

I will share some brief examples of impediments we've experienced in recent years. These impediments included:

- Corps officials under the previous administration refusing to approve the start of funding for the deepening and widening of the Corpus Christi Ship Channel claiming that prior funding approvals did not apply to our project. The Corps would not provide any written policy guidance on this issue. In the absence of written guidance, it required additional legislation to reinforce the intent of Congress that the entire project should move forward.
- Delays in funding the Channel Improvement Project have resulted in the Corps calling for repeated economic analyses because of the expiration of previous approvals. The current Limited Review Report or LRR, the third for this project, was completed in 2015, prior to the repeal on the ban of U.S. crude exports. Another economic analysis will likely be called for this year. Each time an LRR is undertaken costs the Project another year or more and missed budget cycles.
- While OMB informed the Corps of the need for a separate economic analysis for the deepening project element in July 2013, the Project Sponsor, that is the Port of Corpus Christi, was not notified of this requirement until November 2014, over 15 months later. No explanations. No guidance. No communication.

I believe I can speak for most Ports in the Nation, and certainly the Port of Corpus Christi in particular, when I share a belief that interactions with the Corps of Engineers work best when there is an agreement on project importance, greater transparency in sharing of information and collaborative efforts on in reaching an accord. This belief was best demonstrated last September when the Port of Corpus Christi and the Corps of Engineers executed a Project Partnership Agreement after a multi-day negotiation in which all parties were in the same room. Once provided an opportunity to share in ideas and information, we were able to move swiftly. It can be done.

The time for policy and structural changes that facilitate funding and expedite completion of infrastructure projects across the nation is upon us. The Port of Corpus Christi is ready to go on the deepening and widening of the Corpus Christi Ship Channel. We are a good partner to the Federal Government. We have raised our funds. We have transferred \$32 million dollars of our

money to the Corps to accelerate contract one for the initial segment of the deepening and widening. We have the remaining \$70 million dollars of our share of the Project set aside.

Yet we are still waiting for approval of the first contract, and have been told it will be July before the contract will be awarded, nearly ten months after we were required to provide our funds. That is unacceptable.

Thus here is our suggested solution. Grant more authority for ports to execute on Corps construction projects. Ports are already in the construction and dredging business today. We are responsible for dredging from the federally authorized ship channels to the docks. We can execute on these projects much faster, and likely with less expense, if given the opportunity.

The Corps should be given the ability to delegate authority to states and port authorities to manage certain projects. A model for this authority can be found in the way that the Federal Highway Administration grants similar authority to states to build surface transportation projects.

In this construct, the Port Authority, as the non-federal project sponsor, can serve as construction manager for the Project. We can administer the contracts. The Corps can conserve resources and save costs through serving as a regulator and providing federal oversight. We can reduce the number of contracts necessary for the Project which will allow the work to be completed sooner and potentially at a lower cost.

The Corps should work to facilitate Assumption of Maintenance agreements when a Port wants to deepen a channel beyond the federally-funded amounts. It costs much less to dredge to a deeper depth as part of a single operation and the national need for deeper ship channels is urgent.

The Corps should also recognize ports ability to manage local real estate and allow for ports to take greater control of local real estate easements to facilitate projects. Perpetual easements should be extinguished and instead the use of term easements should be mandated. The Corps of Engineers should not exert undue influence or power over States land rights and potentially violate States' 11 Amendment Rights, as it has in our case.

Finally, the national benefits of port infrastructure projects need to be given greater weight. We were often advised the costs of our Project made it difficult to include in a limited Corps budget, yet the significant national economic and geopolitical benefits of our project do not appear to receive similar emphasis within the Corp of Engineers.

In closing, the Port of Corpus Christi takes very seriously its role serving as a trustworthy steward of the Corpus Christi Ship Channel and the significant economic impact to the region, the State, and the Nation.

This Project will allow for billions of dollars of increased exports annually, boosting economic growth, create thousands of well-paying jobs, and improving our balance of trade. It will support energy security for the United States and its allies. The requisite infrastructure improvements will also enhance the Port's ability to support military deployments in its role as a Military Strategic Seaport.

In summary, prompt completion of the Corpus Christi Ship Channel Improvement Project will greatly benefit the United States. It is in the spirit of supporting our highest national interests that I have offered this testimony.

Thank you for this opportunity to appear before this Subcommittee.



PORT CORPUS CHRISTI®

Sean Strawbridge, Chief Executive Officer



Sean is currently the Chief Executive Officer (CEO) of the Port of Corpus Christi Authority (PCCA), the largest export port of U.S. produced energy and the 4th largest Port in the United States in total revenue tonnage. Handling in excess of 100 million tons annually, the Port of Corpus Christi is one of the largest energy ports in the world. As PCCA CEO and Coach, his high performance and empowered team is responsible for generating over \$150 billion in annual economic output, \$40 billion in annual goods value movement, and a \$1 billion 10-year capital investment budget.

Sean has over 25 years' experience in the global transportation and energy sectors in both public administration and private sector disciplines, holding senior leadership roles in Business & Corporate Development, Large Infrastructure Development, Capital Structuring, Finance, and Public Private Partnerships.

A veteran of such world-class organizations as the *Port of Long Beach*, *Ports America Group*, *Oxbow Energy*, and *Sea-Land Service*, Sean has written extensively on the evolving marine terminal and vessel shipping paradigms and has been globally recognized and relied upon for his industry knowledge and experience in many mainstream and industry media outlets including *CNBC*, *Fox Business News*, *ABC News*, *Wall Street Journal*, *American Shipper*, *Journal of Commerce*, *Los Angeles Times*, *the Washington Post*, and *The New York Times*.

Sean holds a Bachelor of Science Degree in Accounting from Arizona State University and has served on numerous industry and charity Boards. He has lived abroad and has conducted business in over 40 countries.