

Coal Train Traffic to Canada and Gateway Pacific Terminal:

An Analysis of the “Coal Trains Are Coming Anyway” Claim and its Implications for Local Taxpayers

Executive Summary

“Coal trains are coming anyway” is a claim often heard in support of developing the Gateway Pacific Terminal (GPT) project at Cherry Point. This undocumented claim is made regularly by SSA Marine officials and spokespeople, is routinely mentioned by project proponents (e.g. in blog comments and letters to the editor in local newspapers), and repeated by community influencers such as the Chamber of Commerce. Because this claim has been constantly repeated, many people are under the impression that it may be true. Proponents do not document this claim, but they do regularly suggest that expansions underway at the three British Columbian (B.C.) terminals validate the claim.

The claim that Whatcom County will still be exposed to the same high volumes of coal train traffic regardless of GPT development demands a thorough analysis and full understanding. The argument follows that without GPT, local residents still incur the potential negative aspects of increased train traffic without deriving any potential benefits.

The inherent value of the “trains are coming anyway” claim to increase public support for the terminal is clear. Less obvious are the financial consequences for local taxpayers. If the claim were true, then those building and financially benefiting from GPT can make the case that they are not responsible for increases in train traffic. Their logic then eliminates a rationale for including train impacts on Bellingham (or anywhere off-site) in the environmental impact study. By making this case, the costs to mitigate GPT’s train impacts would be added to the local residents’ tax burden rather than becoming a project expense.

Given the importance of these questions to local taxpayers, Communitywise Bellingham (CWB) undertook a comprehensive review of the available data in order to determine: 1) the three B.C. terminals’ existing coal export capacity, 2) additional B.C. coal export capacity that will result from ongoing expansions, and 3) current and secured coal contracts and those coming into effect at later dates. The project team reviewed data from a diverse set of sources, including coal export agreements, public financial statements including quarterly and annual reports, Securities and Exchange Commission filings, terminal and port long-range planning documents, industry press releases and related white papers.

Key Finding

Our analysis shows that little, if any, additional coal traffic would pass through Whatcom County to Canada in the absence of Gateway Pacific Terminal. The combined capacity for coal exports from B.C. terminals will be 69.5 million tons per year/annum (Mtpa) when ongoing expansion work at all terminals (Ridley Terminals in Prince Rupert, Neptune Terminal in Vancouver and Westshore Terminals at Roberts Bank) is completed in 2015. Nearly all of the post-expansion coal capacity has, at present, been allocated under long-term contracts to Canadian mining interests. The data shows that at most, 4 to 6 Mtpa of the post-expansion “excess” capacity will be available for new or incremental Canadian or U.S. export contracts¹. As a direct result, high-volume coal train traffic simply cannot run through Whatcom County to Canada, as B.C. coal terminals even post-expansion will not have the capacity to accept even moderate volumes of U.S. coal.

The coal export capacity allocations available to U.S. mining interests, post-expansion, at B.C. ports are as follows:

- Ridley Terminals: Beginning in 2015, 100 percent of the terminal’s capacity is optioned exclusively to Canadian coal companies. After U.S. coal company Arch Coal’s existing contract expires in 2015, no U.S. coal is contracted to ship through Ridley.
- Neptune Terminals: Canadian coal company Teck Resources has the sole rights to the coal system facilities at Neptune. Teck indicates that it will retain exclusive usage of the terminal’s capacity post-expansion.ⁱ None of the terminal’s export capacity will be available for U.S. coal exports.
- Westshore Terminals: By the end of 2012, Westshore Terminals is hoping to attain 33 Mtpa export capacity. Using recent export allocations as the basis to project likely future allocations, its four largest customers will have secured between 27 and 29 Mtpa of the available capacity, leaving a maximum of 4 to 6 Mtpa for incremental exports or additional contracts. Recent findings by industry analysts reinforce the conclusion of the present analysis of Westshore’s available capacity.ⁱⁱ

If the maximum 4 to 6 Mtpa of unsecured capacity at Westshore were indeed allocated for new U.S. coal exports, between 490 and 730 additional trains could travel through Whatcom County each year. This equates to approximately 1.3 to 2 coal trains per day (including those returning empty) through Whatcom County en-route to and from B.C.² In contrast, the GPT terminal would generate 18 additional trains per day (16 of them for coal).

Indeed, GPT train traffic would totally dwarf any other coal traffic otherwise going to Canada. GPT by itself would be the same size as all of B.C.’s current coal terminals combined. The GPT proposal to export

¹ See Page 16 in Report - Conclusions

² ² In addition to this potential new coal traffic through Whatcom County, CWB expects that Cloud Peak’s ~4 Mtpa export allocation through Westshore will continue under the existing contract in effect through 2024.

54 Mtpa (48 Mtpa coal) is 44 percent larger than all B.C. coal exports (37.6 MT) in 2010, the year SSA Marine began the “trains are coming anyway” claim. Even taking into account possible port expansions, B.C. would have to abandon nearly its entire base of Canadian customers in favor of exclusive service to U.S. competitors in order to generate the same amount of train traffic through Bellingham as GPT would. Despite this, GPT proponents continue to assert that Bellingham would experience the same level of coal train traffic with or without GPT.

In conclusion, an analysis of available data indicates that high-volume coal train traffic through Whatcom County is not inevitable. Rather, it would be a direct result of GPT’s construction as the data shows that BC terminals, even post expansion, will be unable to accept high volumes of U.S. coal

CWB believes that when an accurate accounting of B.C. capacity for additional U.S. coal exports is included in the analysis, major policy implications follow calling for : 1) The impacts of coal train traffic along the rail corridor to be included as part of the GPT’s Environmental Impact Study. 2) The active siding along Bellingham’s waterfront to be included in the project permit itself, as it is required to service GPTⁱⁱⁱ. 3) The significant costs of GPT train-related mitigation, to be covered by the project sponsors as part of the cost of building and operating the proposed Gateway Pacific Terminal. Realizing these implications, decision makers should ensure project costs are not borne by local taxpayers by default

ⁱ Teck, “Teck’s Coal Export - Ports” September 2011

<http://www.teck.com/DocumentViewer.aspx?elementId=197877&portalName=tc>

ⁱⁱ ARCH COAL INC - FORM 8-K - EX-99.1 - February 2, 2012

http://www.fqs.org/sec-filings/120202/ARCH-COAL-INC-8-K/a12-3905_1ex99d1.htm#b#ixzz1tU8r4BAI

ⁱⁱⁱ CWB, “Gateway Pacific Terminal Train Impacts on the Bellingham Waterfront”

<http://www.communitywisebellingham.org/cwb-studies-gpt-train-impacts-on-the-waterfront/>