

# Project could transform local coal market to international

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Coal from south central Utah may be on the cusp of finding a new, international customer base.

The Utah Permanent Community Impact Fund Board approved some \$53 million in loan funding for a project that would allow four counties — Sevier, Sanpete, Carbon and Emery — to purchase an interest in a port that is under development in Oakland, Calif.

The funding was approved during a CIB meeting hosted in Salt Lake City Thursday in an 8-2 vote.

“It’s all about finding a new home for Utah’s products — and in our neighborhood, that means coal,” said Malcolm Nash, Sevier County economic development director. He said the proposal has already received verbal nods of approval from Utah Gov. Gary Herbert and others.

“It is a different type of project,” Nash said. The proposal is for the CIB’s \$50 million to be used to pay for a portion of the construction of a \$250 million shipping port in Oakland. While CIB money would be used to fund the infrastructure, the four participating counties wouldn’t own the facility. Instead, they would own the right to use 49 percent of the port’s capacity for trans-Pacific shipping.

“The purchase of Sufco by Bowie [Resources] is what’s driving all of this,” Nash said. He said Bowie is interested in expanding its coal shipping capacity to international markets, which would make the coal industry in Utah viable over a longer period of time. Bowie is also affiliated with Trafigura, an international commodities shipping company with a focus on port infrastructure.

“There is a cliff,” Nash said. He said that by 2026 or 2027, the Intermountain Power Project near Delta is set to stop burning coal. This would be devastating to local mines if additional markets are not developed.

Coal from Sufco, located in Salina Canyon, is already shipped internationally, but on a limited basis. By purchasing a portion of the port’s capacity, the four partner counties would be able to use 49 percent of an estimated 750,000 tons of shipping capacity each year to ship coal and other products.

The project is still in a conceptual stage, and will take a lot of complex agreements in order to work, Nash said.

“Three million of that is for paying attorney fees and setting up the organization,” Nash said. Currently, plans call for the four partner counties to develop an infrastructure coalition, which would be an independent organization. The coalition would be in charge of the financial end of the project, and act as a shield to the involved counties to protect taxpayers’ interests, Nash said.

If the project comes to fruition, it could help keep Sufco and other coal mines in the state viable for decades to come, as well as provide an additional revenue stream to the partner counties.

The project could also be scrapped, similar to a proposed \$3 billion rail line based in Uintah County. That project also relied on CIB funds, but was deemed financially unrealistic, so the funds were turned back to the CIB last year.

Those same funds are now being used for the port proposal.



## Concept for the future

Malcolm Nash, Sevier County economic development director, holds up a concept drawing Monday in Richfield of a port project in Oakland, Calif. Sevier, Sanpete, Carbon and Emery counties are exploring the possibility of purchasing an interest in the port for international shipping of locally mined coal.

## Complementary projects

“We just kind of fell into it,” Nash said.

Nash said conversations with Bowie and members of the CIB about Sevier County’s ongoing rail project are what led to the proposal to buy into the Oakland port.

“The CFO of Bowie didn’t realize we had a rail project in the works,” Nash said. The county could have permits in hand for the rail project, 14 years in the making, later this year. When representatives of the CIB and Bowie found out about the possibility of a permitted rail project, it led them to discussions about the port, which has also been under development for years.

“We didn’t know what the other was doing,” Nash said. He said while the rail would be complementary to the port, the projects are not dependent on each other. The rail would also have a different partnership of counties — Sevier, Sanpete and Juab.

“With the rail, it comes down to there being enough freight to pay for it,” Nash said. “If there comes a time that rail is needed, it will be Bowie’s decision, not the county’s.”

The proposed rail line would run from Salina to the spike in Levan, cutting the distance coal needs to travel via truck by more than 40 miles. The idea is to reduce transportation costs for coal, but if the \$110 million project doesn’t have enough freight on it to make it financially viable, it won’t happen.

Either way the rail project goes, the port project will likely happen — the only question is whether south central Utah will be a partner in it.

## Port development

The proposed port would be located on a bow tie shaped piece of land in San Francisco Bay. Formerly occupied by an Army base, the land is owned by the city of Oakland. The company, Terminal Logistics Solutions, has signed a 66-year lease to develop the property into a port.

The port will cost approximately \$250 million to build, which is where CIB’s funds would be invested.

“Normally, it doesn’t cost that much,” Nash said. He said Bowie’s representatives insisted that the facility be completely covered, to mitigate any concerns about coal dust, resulting in the hefty price. This means the railcars used to ship the coal would also have to be covered.

As of right now, the four partner counties’ role in the port is in a critical 90-day stage, where it is being reviewed by the Utah Attorney General’s Office as well as legal counsel hired by the partner counties, said Gary Mason, Sevier County commissioner. He said people who have experience in port development would scrutinize the economics of the project before anything is committed.

## Racing to a deadline

The partner counties first found out about the port opportunity in February, but the clock is ticking on the project.

Bowie has an option on the port that expires in June. If everything works out, the partner counties will be able to use the CIB monies to help fund the project. Revenue generated by shipping through the port would be used to pay back the CIB loan.

“There is no general fund tax money involved in this project,” Mason said. He said protecting the county’s interest is the key concern.

“It’s open ended,” Mason said. “If there are other products [in the region] that could benefit from the port, they could also use it.” Mason said salt, potash and other commodities could be shipped through the port.

“This benefits the entire state,” Mason said. “First, we have to assess if we can prove to ourselves and everyone else that this is a viable project.”

If the project does not come to fruition, the CIB money would be turned back over for use on another project. If the project proves to be practical, it could be functioning and shipping Utah coal by summer

2017.