Greater Houston Port Bureau

Port Bureau News

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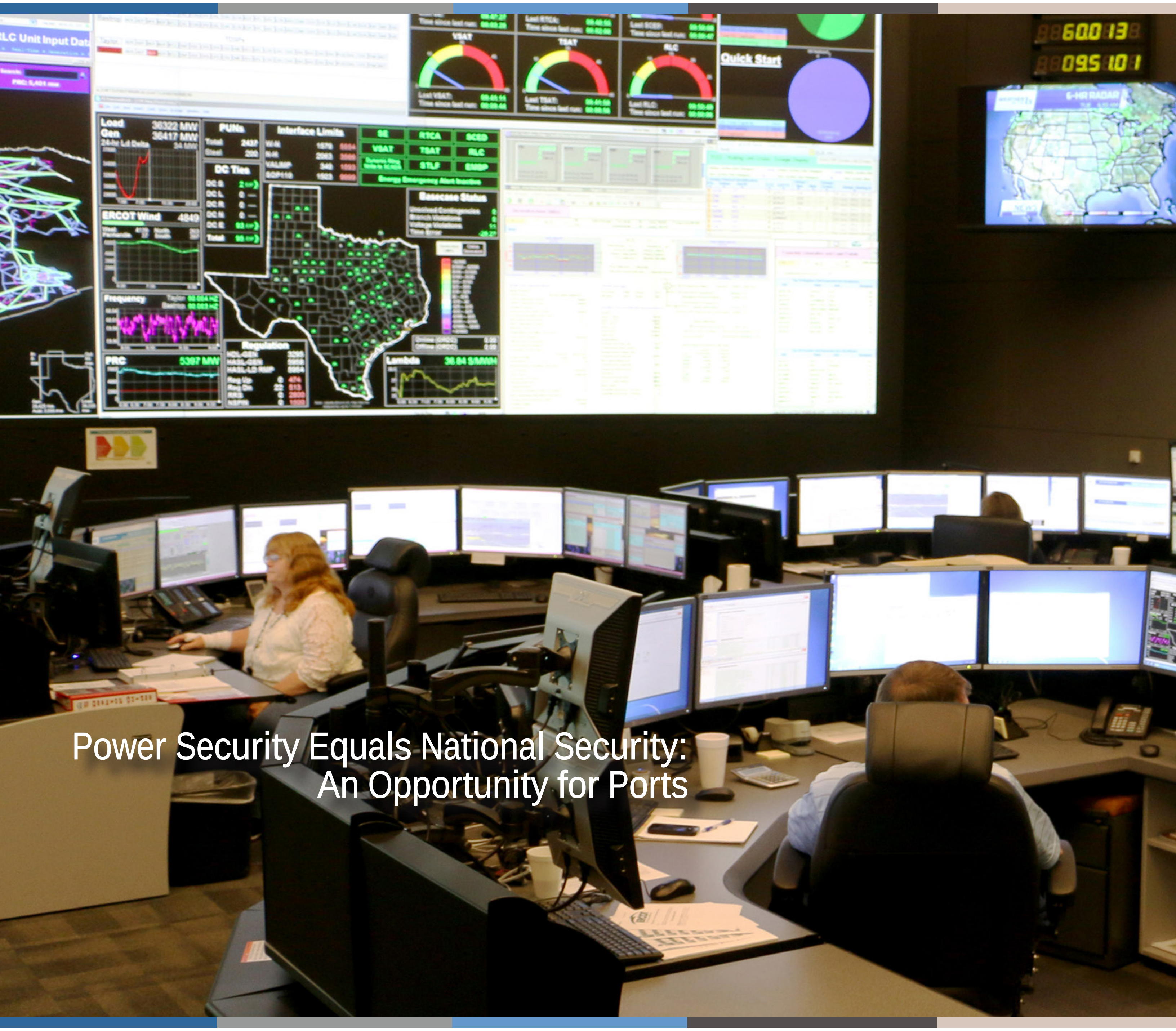

Power Security Equals National Security: An Opportunity for Ports

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Captain's Corner

Partnerships Keep Us Successful

I can't believe the first quarter of the year is gone and very soon we'll be preparing for the 2024 Hurricane Season. As with every year, it is important that all the waterfront port facilities are up to date with their port assessment and very familiar with their heavy weather, plans, policies, and procedures.

We all know how critical the Houston Ship Channel is not only to Texas, but also to our nation. Our port's readiness for hurricanes is of utmost importance, and it requires thorough preparation to ensure the safety of both personnel and infrastructure. In the next few weeks, I look forward to participating in some drills and training sessions to ensure we are all familiar with emergency procedures and able to provide a swift, efficient response in the event of a hurricane. Most importantly, by prioritizing hurricane preparedness, our ports can minimize potential damages and protect the well-being of everyone.

There have been a lot of great events around the nation over the last few months. I was able to attend the National Harbor Safety Conference in Chicago. It was wonderful to see many friends from all over the U.S. and enjoy the local representation we had in several discussion panels. In one of the panels, a Houston port community speaker discussed how important it is to have public and private partnerships and how our collaborations play a crucial role in fostering economic growth and development here in the Houston-Galveston region. We are all aware of how our federal partners are having budget and personnel constraints, so the public and private partnerships are critical in bridging the gap between government agencies and businesses. He explained that these interactions will lead to more effective and impactful solutions for the benefit of the port community.

With that in mind, I was able to exchange our best practices with some of our friends from the West Coast, and they are looking into our Houston Ship Channel Security District ("HSCSD") as the benchmark for what they would like to have in place. I conveyed many of the security-related undertakings of the HSCSD, and how we enhanced our port security capabilities by adding marked patrol boats, patrol cars, all-terrain vehicles, information sharing, alerts, notifications, and many infrastructure improvements thanks to the HSCSD efforts. I'll continue to engage with the ports on the West Coast and will assist in providing the legal groundwork and the Texas legislation we implemented here, so they can hopefully establish something similar at their ports. I'm extremely proud to see how we continue to support other ports nationwide, and I look forward to the sharing of resources, expertise, and knowledge to address complex challenges.

In addition, I participated in the Port of the Future Conference. I was amazed to see over 60 domestic and international ports represented. The conference was a great way to bring together industry leaders, experts, and innovators to discuss the future of port operations and explore new technologies and strategies that will assist in shaping our industry. With Houston being a major hub for international trade and commerce, this conference was an important channel to address the challenges and opportunities that lie ahead for ports in the ever-evolving and changing global landscape.

I was happy to witness how all the attendees engaged in insightful discussions, informative presentations, and networking opportunities that will pave the way for a more efficient and sustainable future for ports worldwide. The Greater Houston Port Bureau will continue to work closely with them to boost regional growth and connectivity through strategic initiatives and investments.

As always, we'll be the voice of the port community, and I look forward to leading from the front and driving innovation and efficiency within our region. Thanks to all and remember, #myportcommunityisbetterthanyours

CAPT Eric Carrero,
USCG (Ret.)
GHPB President

Port Watch

Making Ends Meet

On August 3, 1923, Room 328 at the Willard Hotel on Pennsylvania Avenue became the official residence of the president of the United States. As the grieving widow of President Harding — who had succumbed to a heart attack in San Francisco in the midst of his much-heralded western tour – headed east with her husband's body, President Coolidge returned to his hotel suite in Washington, DC. That same morning, he had been sworn in as the nation's president by his father – a notary public – in his boyhood home of Plymouth Notch, Vermont. Given that the house lacked both electricity and telephone service, Calvin Coolidge was notified of the death of his boss via a messenger.

The Coolidge's informed the newly widowed and former first lady that she could take as much time as she needed to vacate the White House. Thus, for 18 days the Willard housed the First Family and President Coolidge's executive staff. In some respects, this was not a drastic change for the president since he had been residing at the Willard since he was first sworn in as President Harding's vice president on March 4, 1921. As such, his $8/night suite was his respite from the official duties and a quiet place where he could recharge his batteries via his coveted afternoon naps.

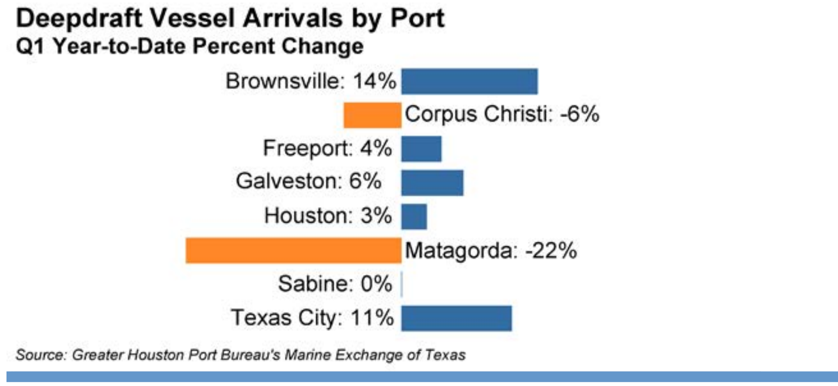
Unfortunately, the president was in a for a rude awakening during one such nap when he was roused from his slumber by an intruder rifling through his clothes in the adjoining room. A startled commander in chief upon assessing the situation asked the thief to refrain from taking his pocket watch as it had been a gift from his father. Where upon the man opened the pocket watch and read the engraving, "To my son, Calvin Coolidge." The incredulous thief asked if the person whose clothes he was rifling through were those of the president of the United States. The president calmly replied he was and reiterated his request to not take the watch. Needless to say, the thief was dumbfounded.

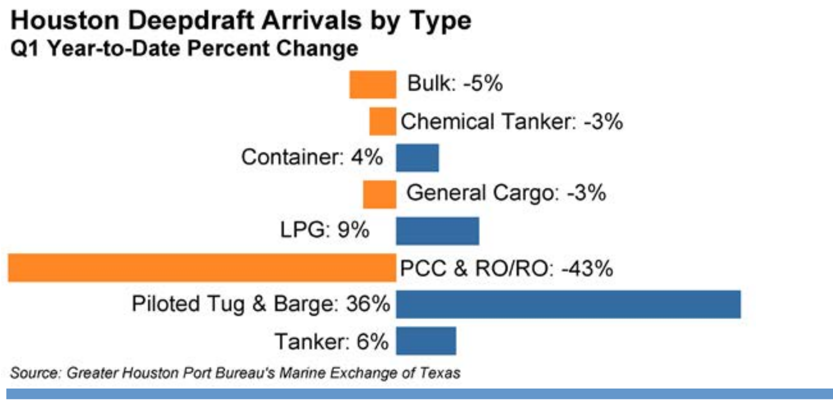
Fortunately, as the first quarter of the year wrapped up, the surprises were mostly positive as four of Texas' ports logged monthly vessel arrival highs. This culminated in an impressive finish to a strong quarter that saw 4% more arrivals over the last month and a 2% increase vis-à-vis last year's first quarter. Not to be outdone, brownwater tow traffic across the region outpaced last year by 4% and climbed 5% month-over-month.

Two ports posted double digit gains over the last month in the vessel arrival arena. Galveston jumped 21% and Brownsville was up handsomely by 17%. While the latter's bounty was primarily due to a monthly high of bulker arrivals, the former was due to the increasing number of cruise ship arrivals. Indeed, Galveston is enjoying the descent of an even greater number of cruise lines due to the growing popularity of this vacation mode. Additionally, tanker arrivals have continued to increase as the port's petroleum terminal benefits from its recent expansion. All told, Galveston is up 6% for the year and remains bullish on its growth trajectory.

A few leagues to the north, the Port of Texas City also basked in the glow of a robust first quarter. While March saw only one more vessel arrival than February, this railroad port is outpacing 2023's count by an impressive 11%. Tankers and bulkers were primarily responsible for the positive gains albeit, over 72% of the vessels that call upon the port are chemical tankers. Ironically, this category lags by 2% on a year-to-date basis as compared to tanker arrivals. Tankers are currently eclipsing last year's numbers by 31%.

Texas' second busiest port – Sabine – on the other hand, remained even with last year's vessel count after a monthly gain of 7%. Ordinarily such a monthly gain would be noteworthy but even in a leap year February lags March by two full days. Thus, January remains the top month in terms of vessel arrivals. LPG and tankers





saw their best performance of the year as they exceeded the prior month by 6% and 11% respectively. Chemical tankers may not have had their best month of the year. Nevertheless, their count rose 12% in the last month. Finally, bulkers hit their nadir netting a 14% monthly decline.

Corpus Christi lost ground against 2023's first quarter as evidenced by a 6% year-to-date wane. Unlike Sabine, March welcomed the lowest number of LPG and tanker vessels for the year resulting in an ebb of 29% and 7% respectively. Conversely, bulkers were a bright spot for the month as reflected in a 44% monthly jump. This category is currently outdistancing last year's tally by a torrid 51%.

The port of Freeport, despite its lowest vessel count of the year, managed to stay ahead of 2023's arrivals by 4%. Things were far less sanguine in the final month of the first quarter as the port saw 17% fewer vessels in the last month. Both LNG and LPG vessels recorded lows for the year with 38% and 16% declines respectively. Tankers followed suit as those arrivals plunged by 46%. Even chemical tankers – the port's most frequent visitor – were off by 4% for the month and 10% year-over-year.

Houston's first quarter of the year was quite heartening. It out-paced the prior year by 3% and chalked up its best month thus far in 2024. Chemical tankers played a substantial role in the port's positive gains with an 18% monthly rise. Ironically, this category is off 3% for the year. On the other hand, the port's most numerous vessel category – tankers – was off 7% for the month but remains 6% above last year's pace. LPG and oceangoing barges put up their best numbers for the quarter due to their respective upticks of 3% and 9%.

General cargo thrashed all other vessel types – percentage wise - with its 54% monthly ascent. Alas, that was not enough to pull this category into positive territory for the year given that it trails last year's count by 3%. Finally, containerships were down 2% over the last month but remain up for the year by 4%. This only conveys part of the story with respect to the region's appetite for containerized merchandise and world's hunger for exports via container. The former is 14% higher than 2023's first quarter; the latter 15% above the same period. Yet, despite such positive news, the port's total container count dropped 4% over the last month. That was a bit of surprise given that March had two extra days and container volumes should be trending higher through April. Perhaps the penchant to consume is being tempered by the availability of fewer dollars to spend.

President Coolidge's plea that his prized possession not be taken was rejoined by a penitent confession that the intruder was desperate for cash so that he could purchase a train ticket home. He lamented that he had meant no harm but was in dire fiscal straits. Filled with compassion, the nation's new leader calmly arose from his bed, gave the would-be absconder $30 and told him how to sneak past the presidential security detail. As President Coolidge later recounted this incident to a national civic group he opined, "There is no dignity so impressive, and no independence quite so important, as living within your means." Today, those words would serve our elected officials quite well as our debt mounts.

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Power Security Equals National Security: An Opportunity for Ports

RPOWER

Photos courtesy of ERCOT

How deeply will the rise of artificial intelligence ("AI") change our lives? It could be as transformative as "the printing press, the steam engine, electricity, computing and the internet, among others" Jamie Dimon, CEO of JP Morgan Chase, noted in the company's 2023 Annual Report.

But innovation comes with a cost. AI, and other emerging technologies, are power thirsty with a seemingly insatiable appetite. In Texas, industrial and business growth, combined with other factors, such the push for electrification of consumer products and weather extremities, has placed year over year record breaking strain on the grid, otherwise known as the Electric Reliability Council of Texas, or simply ERCOT.

Ports have an opportunity to lead industry response to these emerging energy challenges. The private sector, specifically maritime commerce related businesses, can make a material difference in hardening the ERCOT grid and, by extension, hardening their own facilities as well as their neighbors. Since U.S. ports aren't just points of entry, but the epicenter of power security and national security, it is vital that port response to this increased power demand be comprehensive and forward-thinking.

Power-Hungry Texas

Data centers are booming due to the rapid growth in technology, and they all need power. Presently, there are over 300 data centers in the Lone Star State, with more on the way. Texas is an attractive location because the cost of power is relatively low, and it is centrally located in the U.S. with a quickly growing population and expanding infrastructure. Specifically, North Texas is one of the largest markets for AI and data center growth, second only to Northern Virginia but ahead of Silicon Valley, Chicago and Phoenix. Similarly, the broader Austin-San Antonio region is second in the "secondary" market and is rapidly gaining speed.

Large companies with deep pockets are scrambling to buy up what land parcels they can, regardless of existing access to utility power. Parcels without current utility service either have interconnection or new service requests submitted. The net result is utilities are gearing up for unprecedented growth over the next decade to meet what some suspect will be a tenfold increase in demand.

Texas is hot, increasing power needs. Every month from June through September of 2023, there were multiple days of record-breaking peak electricity demand. News media kept reminding Texans to avoid cranking up the A/C and encouraging judicial electricity use. On August 10, there was the greatest recorded electricity demand of 85,435 MWs. This was not a one-time occurrence. In the summer of 2023, ERCOT recorded ten instances of new peak demand records. Record peak demand has grown by 42% since 2005, and 16% since 2018. This upward trend line is likely to become steeper over the next decade.

Despite the demand, Texas (public and private) investment in dispatchable energy generation sources is largely considered inadequate. Further, many of the new dispatchable energy sources are in West Texas, geographically removed from the areas of greatest growth and demand. This geo-imbalance makes transmission from source to end user a significant and costly hurdle, further stressing transmission and distribution utilities already having difficulty keeping up with the demand. It also highlights the need for greater grid resiliency, particularly in these centers of growth to help prevent rolling blackouts.

The table in Figure 1 captures the peak demand hours on Aug. 10, 2023, recorded by ERCOT. The Houston, DFW, SA / Austin regions accounted for approximately 78% of demand, statewide. New generation sources (renewables or otherwise) are primarily in West Texas away from centers of growth, increasing grid vulnerability.

Figure 1: ERCOT Grid Information Load History – Aug. 10, 2023

HOUR ENDING	COAST (Houston)	EAST	FWEST	NORTH	NCENT (Dallas)	SOUTH	SCENT (SA/Austin)	WEST	ERCOT
O8/10/2023 16:00	22,940.17	3,098.56	5,845.78	1,996.15	27,390.33	6,528.10	14,684.35	2,177.18	84,660.62
08/10/2023 17:00	22,968.63	3,128.49	5,840.16	2,014.85	27,800.40	6,490.46	14,880.63	2,178.52	85,302.25
08/10/2023 18:00	22,858.68	3,121.46	5,856.32	2,019.80	27,925.64	6,436.70	15,093.31	2,152.20	85,464.12
08/10/2023 19:00	22,382.79	3,086.36	5,879.80	2,009.15	27,669.65	6,250.30	15,055.51	2,098.53	84,432.08

Existing Solutions

One planning tool ERCOT uses to help defend against rolling blackouts is "reserve margin". Reserve margin is the difference between forecasted generation capacity and forecasted peak demand. ERCOT plans for a 13.75% reserve margin to allow for unforeseen events such as an unexpected demand surge or power plant failure.

Forecasted generation capacity includes renewable sources such as solar and wind. Correctly so, as renewable energy is an increasingly larger part of ERCOT's grid capacity. According to ERCOT, solar and wind accounted for 38% of installed capacity and 31% of consumption in 2023. This is up from 10% in 2013. This trend is not slowing down. Renewable energy, specifically solar and wind, is forecasted to account for nearly 60% of new power generation sources in 2024, with solar accounting for 50% alone.

However, this is a double-edged sword, especially as demand increases and the reserve margin shrinks. Solar and wind generation are intermittent, and variable based on time of day and weather. As they continue to account for greater capacity, the broader ERCOT system places greater reliance on these intermittent sources. This variability makes managing balance (at any time capacity should match demand) much more complex. Balance is critical for maintaining a stable power supply. Lack of balance creates volatility in capacity, reserve margin and ultimately price.

Additionally, increased interest in solar and wind has naturally reduced investment in both legacy thermal generation assets and investment in new thermal generation which can often be considered a more flexible and reliable asset.

Coupled with increasing extreme weather events, the natural variability of and increased use of renewables, the lack of investment in legacy assets and power demand surges natural to extreme weather events has increased the risk of large-scale grid failure. In fact, this is exactly what caused grid problems during Winter Storm Uri in February 2021. This combination made keeping the lights on challenging for several days; more plants than expected were offline for maintenance, insufficient winterization led to lack of capacity, demand surged as the temperatures plummeted and renewable generation was much lower than expected.

The opposite end of this spectrum was summer 2023's record-breaking heat and peak demand levels. In this case the grid, while certainly stressed, performed as designed. Solar generation was high and thermal generation plants experienced minimum unplanned shutdowns. Flexible thermal generation assets, most often onsite distributed generators, were dispatched when reserve margins were low, preventing catastrophic grid failure.

Opportunity for Ports

In addition to the current strategies in place, there are new, mutually-beneficial opportunities for industry to partner with ERCOT to match growing power demand. Because of their size and strategic role in industry, ports and maritime businesses are uniquely poised to capitalize on this partnership.

Ports account for over 616 million tons of cargo and generate $450 billion in economic value, approximately 25% of the GDP of Texas. With that large share of state GDP, the transportation sector (of which ports are simply a subset) is forecasted to consume about 12.3TWh of Texas total 365TWh (less than 3%) in 2025. But with the growth in volume through the ports, a greater portion of the Texas economy relies on a paradoxically small user of electricity (compared to other industrial sectors). This means that minor disruptions in ports' energy supply create large disruptions in Texas' economy.

More broadly, ports are also the beginning of domestic supply chain for many manufacturers and retailers in the state and across the U.S. The ripples caused by disruptions at ports have tremendous amplitudes and create shocks and whiplash for many producers, manufacturers and retailers in Texas and across the country. During Hurricane Harvey in 2017, approximately $2.5 billion dollars in lost business and transactions was realized due to closures at the port of Houston.

ERCOT Energy Emergency Alert (EEA) Communications

Emergency Levels*	Trigger	Grid Operators' Notifications	Automated Emergency Notifications	Communications from External Affairs	Media/Public Notifications
Normal Conditions	**Reserves >3,000 MW**	Normal operations	None	None	None
Control Room Operating Condition Notice (OCN)**	Need for additional resources	Issue "OCN" to Market participants via hotline and ERCOT.com	None	Provide update to PUC	None
Voluntary Conservation Notice***	As needed, to encourage conservation when tight operating reserves are expected to pose a reliability concern	Monitor need for additional generation and voluntary demand response	None	• Provide update to PUC, Legislative leadership staff, Texas RE and OPUC • Coordinate public notification with PUC staff • Notify media via News_Media_Only and News_Bulletins mailing lists and the Market Participant communicators (MP PIO) list	Grid Conditions update on: • ERCOT.com • Social media posts • Update app status • Send news release (discretionary) • TXANS notification
Conservation Appeal***	As needed, elevated request for conservation when lower operating reserves are expected to pose a reliability concern	Monitor need for additional generation and elevated request for conservation demand response resource	None	• Provide update to PUC, Legislative leadership staff, Texas RE and OPUC • Coordinate public notification with PUC staff • Notify media via News_Media_Only and News_Bulletins mailing lists and the Market Participant communicators (MP PIO) list	Grid Conditions update on: • ERCOT.com • Social media posts • Update app status • Send news release (discretionary) • TXANS notification
Control Room Advisory	**Reserves <3,000 MW and not expected to recover within 30 minutes**	Issue "Advisory" to Market Participants via hotline and ERCOT.com	None	Provide update to PUC	None
Control Room Watch	**Reserves <2,500 MW and not expected to recover within 30 minutes**	Issue "Watch" to Market Participants via hotline and ERCOT.com	None	Provide update to SOC, PUC, OPUC, RRC, TCEQ, ERCOT Board, Legislative leadership staff, IMM, Texas RE and MP PIO list	Consider conservation alert to support grid reliability
EEA 1 – Conservation Needed	**Reserves <2,300 MW and not expected to recover within 30 minutes**	Issue "EEA 1" to Market Participants via hotline and ERCOT.com	None	Same as above, plus provide update to EmergencyAlerts, News_Bulletins and News_Media_Only mailing lists****	Consider conservation alert to support grid reliability. If needed, Grid Conditions update on: • ERCOT.com • Social media posts • Update app status • Send news release (discretionary)
EEA 2 – Conservation Critical	Physical Responsive Capability (PRC) <1,750 MW and not expected to recover within 30 minutes or frequency is below 59.91 HZ for 15 minutes	Issue "EEA 2" to Market Participants via hotline and ERCOT.com	None	Same as above	Send conservation alert. Grid Conditions update on: • ERCOT.com • Social media posts • Update app status • Send news release (discretionary)
EEA 3 – Controlled Outages in Progress	**PRC <1,000 MW and not expected to recover within 30 minutes or frequency is below 59.91 Hz for 30 minutes**	Issue "EEA 3 – Controlled Outages" to Market Participants via hotline and ERCOT.com	Same as above	Same as above	Same as above

*Depending upon overall system conditions, ERCOT Operations may exercise some discretion regarding emergency levels and specific actions, based upon these guidelines.

**Corporate Communications will consider communications in the event reasons listed on the Reliability Risk Desk Operating Procedure for Market Notifications section

***As needed per consultation with PUC and applicable NERC Standard EOP-011 for Emergency Operations and Market Notifications

****Sign up for EmergencyAlerts, TXANS, and News_Bulletins email lists at ercot.com/news

PUBLIC – Electric Reliability Council of Texas — August 2023

While electricity procurement and energy management can largely be afterthoughts, particularly when faced with the daily tasks of docking, loading, offloading Suezmax and Panamax, and VLCC sized vessels, there is relatively low hanging fruit available to be harvested. Fruit that grows in the orchard of ERCOT.

Creating a Power Partnership

ERCOT is a deregulated energy market. In the '90s, vertically integrated local utilities owned generation, transmission, distribution, and retail pricing of electricity in the Lone Star State. Deregulation ended these monopolies by separating these functions into generation, transmission and distribution, and retail. What has evolved is a unique opportunity for business to partner with ERCOT, from both the demand and supply side, through their demand response ("DR") and ancillary services programs.

DR, and more specifically ERCOT's Emergency Response Services ("ERS") program is a situation-based contractual agreement between ERCOT program providers and businesses that provides ERCOT the ability to work with participating businesses and organizations to either curtail their load or to dispatch qualifying generators to inject electrons into the local grid. The incentive is ERCOT offers payments based on "a combination of time-indexed market prices, time to response and classification…" based on the operating reserves that ERCOT currently has on-line and operates the ERS program based on Energy Emergency Alert ("EEA") criteria. The potential compensation a business receives varies but if the stars align, the potential payout can exceed $60K/MW-year. More importantly, it is a critical balancing tool that ERCOT uses to keep the grid operating.

While ports are power intensive, they account for a relatively small share of electric demand, which places a greater reliance on power for a much larger share of local economies. As facilities' backup power generation approaches its end of life or a new piece of infrastructure is built that needs electricity, business owners and leaders should consider an energy procurement and management strategy that includes EPA compliant non-emergency use power generation systems for supplying backup power. These are Tier 4 final diesel generators or natural gas-fed systems that offer reliability, can incorporate renewables, and are behind the meter, grid-connected and able to operate in island mode. Likewise, if facilities currently have EPA compliant non-emergency use gensets, enrolling in DR programs allows businesses to actively participate in ERCOT's marketplace, hardening the grid and generating revenue and savings to help offset program costs.

Finally, businesses cannot do this on their own and will require a strategic partnership with a qualified scheduling entity ("QSE"), an organization registered with ERCOT that can control interruptible and dispatchable resources. The QSE is responsible for interacting with ERCOT on behalf of the business and vice versa, managing load and generation dispatch, payments, and acting as the business' broker in the day-ahead and real-time markets. They also oversee the not insubstantial administrative overhead and paperwork required to be an effective participant.

Port and Maritime Industry Benefits

ERCOT aggressively forecasts periods of grid concern and makes sure these specific times are communicated promptly through standard alerts and messaging. ERCOT's Emergency Response Service ("ERS") is their DR program that provides emergency supplemental load resources to the grid when reserve margins are at risk. To execute this program, ERCOT procures ERS resources from businesses four times per year for Standard Contract Terms ("SCT"). The SCTs are April – May, June – Sept, October – November, and December – March. Importantly, ERCOT pays whether they call upon an asset for grid dispatch or not. If they do, the per hour price ERCOT will pay is likely to be substantial (demand < supply = higher price), increasing the potential revenue back to the business. Of note, ERCOT is planning for the summer 2024 June – September SCT. This is always the most financially beneficial period for an organization to participate. Finally, ERS does not necessarily require a generation asset; it can also be used by shedding load thereby freeing up electricity for other demand consumption.

Another compelling reason for partnership is that ERS participation directly prevents rolling blackouts, thereby mitigating the risk of a long-term grid failure. A business enrolling their industrial load backup power generation protects their own infrastructure, protects their neighbor's infrastructure, and that of the entire port. It also helps businesses proactively manage their own load shed during abnormal demand, ensuring quality power is delivered to their most critical assets. It also helps ensure supply chain security, the continuity of maritime commerce, the shipment of goods into and out of the United States and helps protect the local economy and workforce.

Another common and highly beneficial practice is the Four Coincident Peak Program, known as 4CP. Demand charges can amount to 20% - 40% of your monthly energy spend. 4CP curtailment is a voluntary practice that can generate savings on the monthly electric bill. 4CP prognostication and dispatch facilitates businesses in shedding load during four 15-minute peaks in June, July, August and September. The wild card is these peaks are unknown; though forecasts help inform participants when peaks may occur. Many participants exercise caution and will curtail their load for longer periods to help ensure they hit the right 15-minute window. Assuming all the right peaks are hit, the payoff comes the next year in the form of greatly reduced transmission charges.

Ancillary services is another suite of ERCOT programs businesses can leverage to generate revenue. ERCOT purchases ancillary services in the day-ahead and real-time markets and then uses these to balance grid capacity and demand, lessening the risk of real-time operational disruptions.

Summary

The Texas grid remains at risk. Industrial and population growth, increased introduction of renewables into grid capacity adding a level of inherent risk brought by intermittency and adding complexity to balancing real-time capacity and demand, and a dynamic climate prone to natural disasters and extreme, prolonged periods of heat require a collaborative power partnership. The technological advances in AI are rapidly scaling innovation that continues to change the face of industries, including the maritime sector. Cutting edge innovators and early adopters won't stop innovating to wait for policy and grid infrastructure to catch up.

America's economy ebbs and flows for many reasons, but our domestic supply chain begins and ends at ports. America's ports do not work without access to secure, stable power. Texas, specifically ERCOT, presents a unique opportunity for maritime leaders to help cement grid security which is essential to commerce, innovation support and national security.

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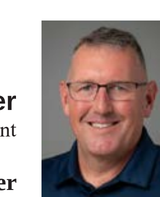


Executives, Like Everyone, Tend to Stay the Course Instead of Trying Something New.

But the Familiar Path Isn't Always the Best One.

RICE | BUSINESS
EXECUTIVE EDUCATION

Photo courtesy of Rice University.

When it comes to choosing an electricity provider, researchers found that customers who had reliable service tended to stick with their current company. More surprisingly, so did those with unreliable service.

Many customers with spotty service stuck with unreliable providers because they found it easier to maintain the status quo. Even those who were often left in the dark valued the familiarity they had with their current provider. Despite the inconvenience of frequent power outages, they felt uncomfortable with change.

In another study, concertgoers waiting in line to buy tickets exhibited similar inertia. They stayed put in a long queue even after finding out the performer wasn't one they liked. They stuck with it, not wanting to lose out after investing time in the endeavor.

It's often the same for executives, who are prone to this so-called status quo bias, or a tendency to stay with a certain course of action regardless of its likelihood of success or failure. Consider a recent study in which senior executives participated in a strategy simulation to divvy up resources for a series of projects and initiatives.

Half of the executives received no input before making their choices. The other half were given prior year's budget. The second group ended up allocating resources much like they had the previous year, even though there was little correlation with market conditions and the potential for future returns.

Many senior executives who set budgets, initiatives and priorities stubbornly stay with their initial priorities, often throwing good money after bad. But this tendency to stick with the status quo can seriously damage a firm's strategy planning and execution. When executives stay put, they often continue allocating resources to the same initiatives, which increases costs even as revenues stagnate. As more and more initiatives are added to the strategy plan, it becomes more complicated to execute.

Executives stay put or even ramp up resources to multiple initiatives for a variety of reasons. For one, there's comfort in what's familiar. A project or initiative that has persisted for five or ten years is easy for an executive to understand. Analyzing an initiative that is already in place requires less time and mental effort than starting and evaluating a brand new endeavor.

Executives, like some investors, also succumb to loss aversion, or a tendency to take even bigger risks for an existing initiative to prevent further losses. They hope more money can revive the failing endeavor. It's a tendency that researchers have found in a variety of settings. For example, long-shot bets at race tracks often balloon toward the end of the day as gamblers look to recoup their losses from earlier in the day.

Finally, executives fall victim to resource dependence. They're reluctant to give up valuable resources — money and people — that will be allocated elsewhere. Many executives therefore find themselves using budget-based planning to maintain the status quo. They make only tiny changes to the prior year's budget and keep most initiatives.

In our research, we found one company's senior executives and frontline employees whittled down its 27 initiatives to 19 that should be discontinued. Yet, when executives from different functions, including marketing, HR, sales and finance, were then asked which of those 19 should ultimately be eliminated, the executives couldn't agree on a single one.

One study found that firms with a high level of complexity in their operations and strategy lost an average of 13% to 15% in value. Multiple complex company initiatives were in part to blame for General Electric's falling stock prices from 2008 to 2018.

Sticking with the status quo also makes executives more vulnerable to the planning fallacy, where people underestimate the cost of proposed initiatives while overestimating the benefits. There is a solution, however, for executives who want to change course.

To thrive, executives need to purposefully narrow their focus and dedicate resources only to projects that create the most customer value. This requires senior executives to shift their mindset and view customers as the biggest source of value for their company.

CEOs have to be steadfast, and sometimes even ruthless, in cutting initiatives that their senior executives might cling to. One way to ease into this is to evaluate all initiatives at the 50% complete mark. If a project is truly creating customer value, then it continues. If not, it's scrapped.

Former ExxonMobil CEO Lee Raymond instructed his corporate-planning team to identify 3% to 5% of the company's assets to dispose of each year. Divisions could keep assets only if they could prove their value. To use a similar approach, CEOs should first create measurable criteria to assess the success of initiatives and projects. Next, CEOs should insist that initiatives not meeting the criteria be scrapped.

When one manufacturing equipment distributor we studied took this tactic, they had dramatic success. After ranking 65 company-wide initiatives by their potential increase in customer value, they found that 10 of those initiatives lifted the company's value by 71%.

Among those 10 initiatives, five alone boosted value by 61%. Executives funneled their resources into just those five, putting 14 initiatives on hold and dropping 46 projects entirely. Not only did they save $15 million from felled initiatives, they ultimately boosted growth due to a laser-focused customer strategy.

Vikas Mittal
J. Hugh Liedtke Professor of Marketing

Jones Graduate School of Business Rice University
Vikas.Mittali@rice.edu

Women in Maritime Happy Hour, June 18

We are excited to announce our upcoming Women in Maritime Happy Hour event on June 18, 4:30 – 7 PM at the East River Studios. This is a valuable event for women in the industry to learn and nnetwork. We are delighted to support it once again.

The Houston Ship Channel has more than 272 public and private facilities, housing chemical plants, refineries, petroleum storage facilities, container facilities, and other industrial facilities. It is also a vital economic engine bringing $439 billion in economic value to the state of Texas and $906. billion in U.S. economic impact nationwide. It supports the creation of nearly 1.54 million jobs in Texas, along with 3.7 million jobs in the U.S. The majority of the products moving through private terminals is liquid bulk (oil, refined gasoline, chemical) products making up 74% of the total tonnage.

Women in Maritime Happy Hour Guest speaker:

Maria Ciliberti is president of Vopak's USA and Canada business, which includes nine marine terminals and five joint ventures.

Ciliberti professional experience spans over 30 years in the petrochemical industry and includes roles in manufacturing, R&D, commercial and business management. She worked at The Dow Chemical Company, Columbia Gas of Ohio, and Container Corporation of America in the USA. She also spent more than a decade in global leadership roles in Europe – with Celanese, General Electric Plastics (SABIC), and Borealis. Prior to Vopak, Maria was the Commercial Vice President for Borealis' Global Specialty Solutions Business.

We encourage women to attend and bring early and mid-career women from their organization as their guests. This is a free event and includes food and drink.

Thank You to Our Sponsors:

For details, sponsorships, or to register, go to:
https://www.txgulf.org/events

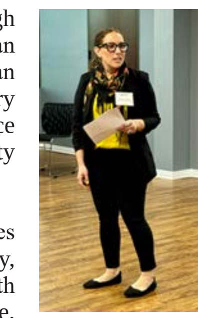
What Does a Shipping Agent Do?

Over 100 professional women gathered to network, share experiences, and gained valuable insights on the role of a shipping agent in the maritime industry with the Greater Houston Port Bureau's Women in Maritime Happy Hour event at the WGMAs office on March 19.

Who represents ship owners, ship managers, or charterers to handle ship-related declarations and port operations efficiently? Operating costs can skyrocket when a ship calls at a port, but with the help of shipping agents, these expenses can be managed effectively. Shipping agents take charge of coordinating timely operations, crew replacements, crew necessities, maintenance specialists, customs documents, and more, ensuring smooth port calls and cargo operations for shipowners and charterers.

In the world of maritime affairs with James Nash, the Director at WGMA and newly elected President of the prestigious Propeller Club of Houston discussed needs of a vessel operator and owner. With a rich history dating back to 1968, the West Gulf Maritime Association stands as a beacon of support for its 200+ members across the Gulf Coast. From steamship owners to terminal companies, WGMA offers a comprehensive range of services including payroll support, labor relations, safety training, and advocacy at regulatory levels. Under the leadership of WGMA continues to excel in negotiating collective bargaining agreements and fostering a safe, efficient working environment for all its members.

Jessica Di Giulio, the Vice President of Business Development at Moran Shipping Agencies, Inc, discussed the world of maritime as a shipping agent. With a passion for cultivating and nurturing client relationships in the realm of bulk, break bulk, project, and offshore wind cargo in New England, Jessica is a professional with a wealth of experience. As a proud member of organizations like WISTA, ASBA, CMA, and more, her expertise and dedication shine through in every interaction. Moran Shipping Agencies, a powerhouse established in 1937, stands as the largest independent steamship agency in North America, orchestrating over 10,000 vessel movements annually across the nation. Offering a comprehensive suite of premium services through affiliated entities like Moran Cyber and Moran Office of Maritime & Port Security, Moran Shipping Agencies leads the maritime industry with services ranging from full agency attendance and ship husbandry to cutting-edge cybersecurity solutions.

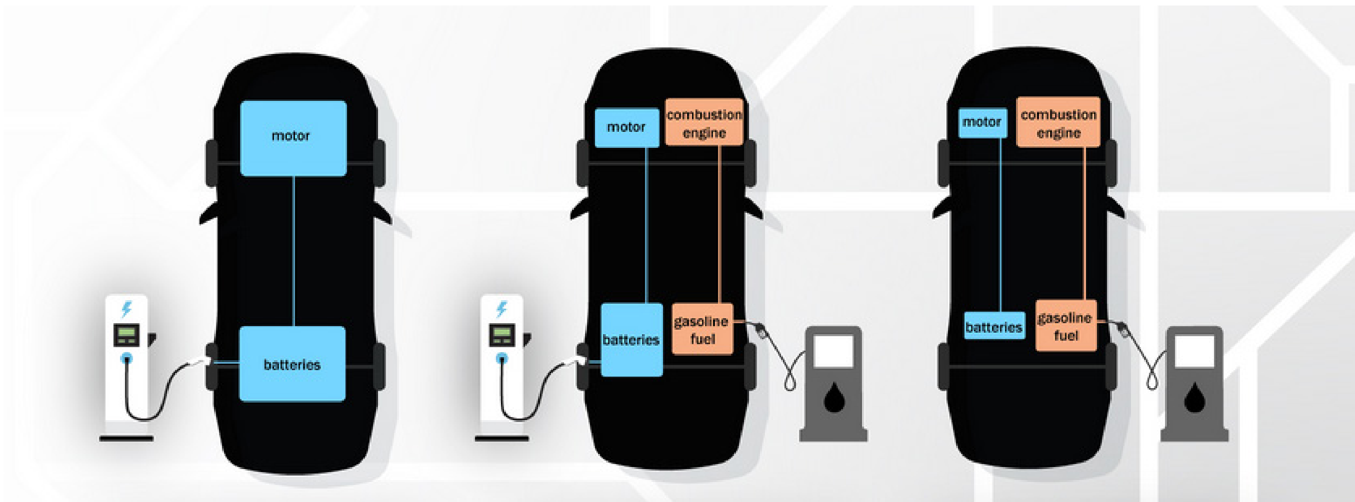


As the Director of Processes and Systems for Host Agency, LLC, Lindsay Hrones with a wealth of experience, discussed her position. Lindsay is dedicated to driving innovation and efficiency by overseeing the development, implementation, and tracking of key business processes, procedures, and systems within the Agency division. The legacy of HOST is a renowned ship agency, stevedoring, and terminal operations company established in 1923, known as the largest dry bulk ship agency in the U.S. Offering exceptional service and cutting-edge solutions in the maritime industry, Host Agency, LLC, continues to set new standards of excellence.

The GHPB Women in Maritime/Happy Hour program is grateful to our sponsors WGMA, WIMO's, WATCO, Enterprise Products, Houston Pilots, ITC, Galveston Wharves, Targa Resources, Sudermann & Young Towing Co, and Vopak, as well as our drawing sponsors Jones Executive Business School-Rice University, Houston Maritime Center & Museum, Riverside Seafood & Grill and HSCSD for their generous support. Their contributions make events like the Women in Maritime Happy Hour possible, allowing us to continue our mission of educating and promoting diversity within the maritime and logistics industry. We extend our heartfelt thanks to all our sponsors and supporters for their dedication to shaping a brighter future for our industry and future generations. For sponsorship inquiries, please contact alavorgna@txgulf.org.

Thank you to our Sponsors

Electric and Hybrid Vehicle Sales in U.S. Share Decreased in the First Quarter of 2024

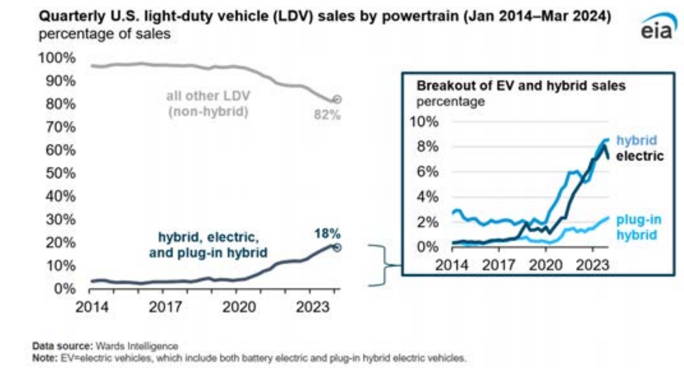


BEV	PHEV	HEV
Battery electronic vehicle	*Plug-in hybrid electronic vehicle*	*Hybrid electronic vehicle*
Source of energy All-electric, plug-in	Source of energy Plug-in and gasoline	Source of energy Gasoline
Consumption Battery pack	Consumption Battery pack and gasoline	Consumption Battery pack and gasoline
Internal combustion engine No	Internal combustion engine Yes	Internal combustion engine Yes
Tallpipe emissions No	Tallpipe emissions Yes, if combustion engine running	Tallpipe emissions Yes

Data source: U.S. Energy Information Adminsitration. Monthly Energy Review, January 2024

U.S. Energy Information Administration reports the share of electric and hybrid vehicle sales in the United States decreased in the first quarter of 2024 as battery electric vehicle ("BEV") sales declined. Hybrid vehicles, plug-in hybrid electric vehicles, and BEVs fell to 18.0% of total new light-duty vehicle ("LDV") sales in the United States in the first quarter of 2024 ("1Q24") from 18.8% in 4Q23, according to estimates from Wards Intelligence.

The slight decline in market share was driven primarily by BEV sales, which fell from 8.1% of the total LDV market in 4Q23 to 7.0% in 1Q24. This decline represents the first BEV market share decline since the economic effects from the COVID-19 pandemic began in 2Q20.



The U.S. LDV market is highly seasonal, and total sales usually level off in the first quarter after an end-of-year sales increase. BEV sales grew 7% in 1Q24 compared with 1Q23 after 13 consecutive quarters of double-digit gains. The slowdown in growth can be broken into two components:

- An uneven decline in the overall new LDV sales market, where luxury vehicle sales declined more than mass-market sales
- A decline in mass-market BEV sales

BEVs continue to be popular in the luxury vehicle segment, maintaining about one-third of luxury LDV sales from 1Q23 through 1Q24. Of all BEV sales in 1Q24, 8 out of 10 sales were luxury models, in part due to the continued wide availability of luxury BEV options and favorable within-segment pricing from Tesla, Mercedes, Rivian, Cadillac, Audi, and BMW.

U.S. luxury-vehicle sales varied between 12% and 15% of the overall LDV market between 2014 and 2020 but grew to reach 18% in 2023. Luxury-vehicle sales returned to pre-pandemic levels in mid-2022, but mass-market vehicle sales have remained 10% below pre-pandemic levels as of this quarter. This uneven recovery contributed to the rise in the BEV sales share in 2022 and 2023. In 1Q24, the trend reversed when luxury vehicles fell to 16% of the market. Further return to the pre-pandemic luxury and mass-market split may continue to slow BEV sales growth in the absence of new mass-market BEV models.

Historically, BEV sales have not performed as well in the mass-market segment as they have in the luxury segment in the United States. Total U.S. sales of mass-market LDVs declined by 1.0%, and total mass-market BEV sales fell 17.9%, reducing the market share of BEV models from 2.2% in 4Q23 to 1.8% in 1Q24. Manufacturers have released mass-market BEV models and increased production capacity over the past couple of years, but the halt in Chevrolet Bolt production and the corresponding 64% reduction in year-over-year sales for that vehicle pulled the mass-market BEV market share down in 1Q24.

The U.S. industry average LDV transaction price decreased slightly during 1Q24 as luxury vehicles lost market share. According to Cox Automotive, average BEV transaction prices fell 3.8% compared with 4Q23 and 9.0% compared with 1Q23. Average 1Q24 BEV transaction prices were $6,904 higher than the overall industry average (combined luxury and non-luxury) and $7,290 lower than the average for luxury vehicles, before accounting for any consumer or government incentives.

Jürgen Schröder Named as Greater Houston Port Bureau's 2024 Maritime Leader of the Year

The 95th Annual Port Bureau MARITIME DINNER

The Greater Houston Port Bureau ("Port Bureau") is pleased to announce that Jürgen Schröder, founder of Schröder Marine Services, Inc. ("Schröder Marine"), has been named the 2024 Maritime Leader of the Year. Schröder will be honored at the Port Bureau's Annual Maritime Dinner on August 24, 2024. The Port Bureau Board of Directors named Schröder as the 2024 honoree for his staunch service to Houston's maritime community and for being a champion of seafarer welfare.

Schröder's maritime career started a young deck boy/able body seaman on the Deutsche West Afrika Line. Over the next 65 years he built a well-deserved reputation as a dedicated leader and industry expert, founding Schröder Marine Services, a stevedore and terminal operator company in the port of Houston, in 1986.

"Jürgen's lifetime of service to the port region and his passion for the welfare of everyone, whether onshore or onboard a vessel, is unparalleled. It is a privilege to recognize him as our 2024 Maritime Leader of the Year," said Vincent DiCosimo, chairman of the Greater Houston Port Bureau.

During the COVID-19 pandemic, vessel crews went many months without leaving their ships. Schröder was instrumental in organizing local industry efforts to bring aid and resources, including vaccines, for the thousands of seafarers confined to vessels calling in Houston.

Schröder has also been as an active member of the Port Bureau since 1978, serving as a director, a member of the executive committee, and past president of the board of directors (1981-1983). He is an active member of the Houston International Seafarers' Center, serving on their board since 1985 and as board president from 1992-1993.

"I have believed in building commitment and trust in my relationship with others throughout my life, whether it was working onboard a ship in my younger years, raising my family, or servicing our clients at Schröder Marine. Trust and relationship-building is not limited to clients or family, but it extends to those like our fellow seafarers coming into our great port," said Schröder. "The Annual Maritime Dinner is a way we celebrate the strong values that make our unique maritime community thrive."

The Houston Ship Channel is the nation's busiest waterway. Collectively, the more than 200 private and public terminals along the 52-mile channel make the area the nation's largest port for waterborne tonnage and an essential economic engine for the Houston region, the state of Texas, and the U.S. Expansion of the Houston Ship Channel and improvements of the public facilities ensures its continued economic impacts.

Over 750 maritime, transportation, and industry professionals and their guests attend the Annual Maritime Dinner to recognize maritime leaders or companies that have exhibited outstanding leadership and support for the port region. Recent honorees include David Grzebinski, CEO of Kirby Marine Services, Port Houston Commission Chairman Ric Campo, Jim Teague, Co-CEO of Enterprise Products Partners L.P., ExxonMobil, and Shell Oil Company.

The Annual Maritime Dinner is supported by Queen of the Fleet sponsors Buffalo Marine Service, Inc., Callan Marine, Enterprise Products Partners L.P., Kirby Corporation, Kinder Morgan, Moran Shipping Agencies, Inc., Port Houston, and Vopak. Proceeds from the Annual Maritime Dinner support the Port Bureau's regional maritime advocacy efforts. Table and sponsorship opportunities and additional information are available online at www.txgulf.org/annual-dinner or call 713-678-4300.

Schröder Marine SERVICES, INC.

The 95th Annual Port Bureau MARITIME DINNER

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As of May 16, 2024

Zeita Merchant Becomes First Black Female Admiral in Coast Guard History

Rear Adm. Zeita Merchant achieved an historic milestone by becoming the first African American woman in the 233-year history of the U.S. Coast Guard to attain the rank of admiral. Merchant received the historic promotion in a ceremony at the Richard Rodgers Theatre, located in Manhattan in New York City.

This groundbreaking achievement is a testament to her unwavering dedication and exceptional leadership throughout her illustrious career that has been marked by a steadfast commitment to maritime safety, law enforcement, and community outreach. Merchant is heading to Washington, D.C., to take command of the Coast Guard Personnel Service Center.

Born in Chicago, Illinois, Merchant and her family eventually moved to Jackson, Mississippi. While attending Tougaloo College in her hometown, Merchant majored in biology and had decided on attending medical school upon graduation. However, the cost of this endeavor weighed on her mind.

It was during this period of contemplation that she encountered a Coast Guard recruiter, leading her to explore the Minority Officer Recruitment Effort (MORE) scholarship program, the predecessor to the Coast Guard College Student Pre-Commissioning Initiative. Discovering the opportunity to have her tuition covered, receive a stipend, and secure a well-paying job upon completion of college and Officer Candidate School (OCS), she found herself drawn towards a new path.

Her first unit, Marine Safety Office (MSO) - New Orleans, was an introduction to all things Coast Guard. The environment also provided support and culture that allowed Merchant, a junior officer at the time, to build a foundation for her career.

Over her 26 years of service in the Coast Guard, Merchant has held a number of assignments which included Marine Inspector and Operations Officer at Marine Safety Office (MSO) - New Orleans, Chief of Port Operations - Sector Miami, Executive Officer at MSU Texas City, Commanding Officer at Marine Safety Unit (MSU) – Chicago, becoming the first woman to command an MSU, and then Sector New York, becoming the first African American woman to command that unit.

"Reflecting on my own journey within the Coast Guard, I see it as a road less traveled, filled with unique challenges and unparalleled opportunities," said Merchant. "Each decision to lead, each commitment to serve, has been a step on the path less traveled. These choices, often difficult, have shaped not only my career, but also my vision of leadership; one that fosters resiliency, promotes inclusivity, and values integrity above all."

Merchant's career most recently saw her as the Captain of the Port of New York. During her tenure, Merchant's numerous achievements included leadership in response to multiple highly complex maritime incidents, achieving the highest utilization rate of Coast Guard Cyber Protection Teams, and the advancement of the service's diversity and inclusion goals, yielding a 30% increase in recruiting and accessions during historic workforce shortages. Next, she will serve as the commander of U.S. Coast Guard Personnel Service Center in Washington D.C.

Anchoring Hope: Strategies for Preventing Human Trafficking in the Gulf Coast Shipping Industry

The Gulf Coast shipping area serves as a vital hub for maritime commerce and trade, playing a significant role in the global supply chain. However, alongside all the bustling commerce lies a darker reality—the prevalence of human trafficking in the Gulf of Mexico. Despite recent increased attention and resources from states including Texas, Louisiana, Mississippi, Alabama, and Florida, the number of people who continue to fall victim to human trafficking on vessels traveling in the Gulf of Mexico continues to grow. The presence of the cruise, fishing, and oil industries, and the amount of trade happening throughout the Gulf Coast region means the ship channel area needs to be on guard for the possibility of labor trafficking.

Efforts to combat trafficking in the Gulf states have seen progress in recent years. Collaborative initiatives between law enforcement agencies, nonprofit organizations, and businesses have yielded positive movement in understanding and identifying human trafficking problems. However, much more work remains to be done to encourage front line maritime employees to be on the lookout for human trafficking activity, and to know what to do once they do recognize it.

Seaports face particular challenges in identifying and combat human trafficking due to the transient nature of the maritime industry. The fast-paced environment, frequent turnover of personnel, and a lack of awareness among workers all pose obstacles to detecting human trafficking activities. Training employees at maritime businesses and port authorities to be able to recognize the indicators of human trafficking, and report instances effectively and safely, is essential for enhancing the Gulf Coast shipping industry's ability to combat this crime.

The nonprofit organization Businesses Ending Slavery and Trafficking ("BEST") has created a short, 30-minute, video-based training specifically for employees in the maritime industry. This training, Ports to Freedom, can help frontline maritime employees and managers learn the warning signs of human trafficking and how they can report it to authorities.

In addition to the Ports to Freedom training, BEST offers [free, multilingual, awareness signs] as part of the Not Alone campaign. These awareness raising signs can be downloaded from BEST's website and displayed throughout port facilities. BEST's Not Alone campaign promotes the National Human Trafficking Hotline to help victims know who to call for help with human trafficking situations. When victims see signs in marine locations, it can not only help them learn how assistance is offered in the United States, but it can also help human trafficking victims know they are in a safe place where they can ask for and receive help.

Fighting human trafficking is a top priority for the Department of Homeland Security ("DHS"). The DHS Center for Countering Human Trafficking integrates the efforts of 16 different agencies and offices within DHS that carry out the anti-trafficking mission. In the navigable waterways leading inland from the Gulf of Mexico, Customs and Border Protection, Citizenship and Immigration Services, Immigration and Customs Enforcement, and the U.S. Coast Guard are all trained to screen for suspected human trafficking victims and perpetrators. But when more Gulf Coast ports and maritime businesses also begin providing human trafficking prevention training for their employees it can activate more eyes and ears to be on the lookout for the warning signs of human trafficking in the region, and more lives will be saved.

Human trafficking thrives in the shadows and is driven by exploitation, coercion, and despair. However, the first step in eradicating it is to raise awareness about its pervasiveness and devastation. When victims learn who they can contact for help, and when more maritime employees become aware of the indicators of human trafficking, they can help identify more cases, and this reduces violence, abuse, and exploitation.

The fight against human trafficking along the Gulf Coast is an ongoing battle that requires collective efforts and unwavering dedication from both government agencies and private businesses. By working together to implement strategies like investing in workforce training, and by remaining vigilant, the maritime industry can anchor hope for creating freedom for all.

Katie Amodei
Communications Director

Businesses Ending Slavery & Trafficking
info@bestalliance.org

U.S. Congress Recommends a U.S. Maritime Revitalization Plan

According to a bipartisan group of lawmakers that included Congressman Mike Waltz, Senator Mark Kelly, Senator Marco Rubio, and Congressman John Garamendi, both government and private industry have significantly weakened the U.S. shipbuilding capacity and maritime workforce. The U.S.-flag shipping fleet is dwindling and is critical for transporting American goods and supporting military operations during conflicts. The situation is worsened by the rise of China's maritime capabilities, that include the People's Liberation Army Navy and the Chinese merchant marine, which outnumber their American counterparts.

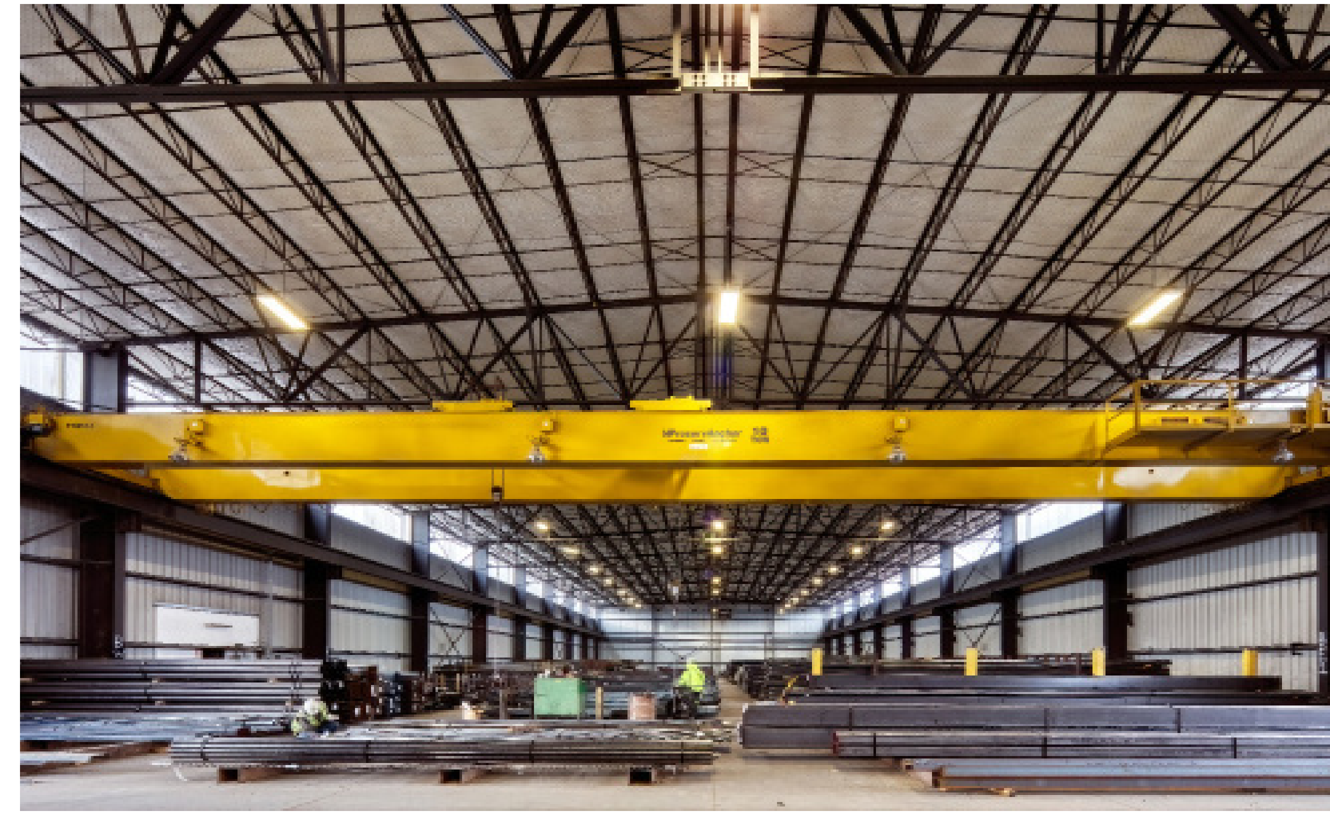
The U.S. Maritime Revitalization Plan reports data from the Office of Naval Intelligence, China's shipbuilding capacity is 230 times greater than that of the United States and threatens the U.S.'s ability to compete in the global ocean economy, estimated between $3 trillion and $6 trillion.

This Plan calls for government leaders to acknowledge the issue and for the President to establish a National Maritime Council. The council would be led by a Presidential appointee, for the creation and execution of a national maritime strategy. The plan also requests Congress to review and fully finance maritime agencies that back the maritime industry, including the US Coast Guard, US Maritime Administration, and Federal Maritime Commission. The Secretary of the Navy Carlos Del Toro endorsed the action plan.

Maritime development initiatives have faced major challenges due to the underfunding and understaffing of these and other crucial maritime agencies. The US Maritime Administration has less than 2 percent of the workforce of its sister agency, the FAA. These issues also affect understaffed maritime desks within other departments, such as the State Department and Treasury.

To read the full plan: https://waltz.house.gov/uploadedfiles/congressional_guidance_for_a_national_maritime_strategy.pdf

Triple-S Steel Does Global Business with a Local Touch



Photos courtesy of Triple-S.

Triple-S Steel Holdings, Inc. ("Triple-S") was founded in 1960 as a small new and used steel yard by Bruce Stein. Named for his wife Shirley, his mother Sarah, and his sister Sharlene, and located next door to his father's scrap yard, Triple-S has since grown to become one of America's largest merchants of structural steel.

The next generation, Bruce and Shirley's sons Gary, Bradley and David entered the business in the early 1980s. Gary became president of the then 10 employee firm just days after graduation from UT Austin in 1983.

Today, Triple-S is in the American steel distribution industry. The company participates in many sectors of steel distribution and processing, its heavy emphasis is on structural steel for construction and manufacturing. In the port of Houston community, the company supplies tens of thousands of tons annually for barge, boat and drydock construction. The company has 60 locations spread over 17 states and several countries, including Colombia, Canada, and UAE. It was North America's 12th largest service center in the 2023 Metal Center News Top 50, with sales of $2.6 billion.

Selling over one million tons annually, Triple-S supplies steel for all types of construction and heavy manufacturing. The company still operates several retail operations open to small fabricators and do it yourselfers. The specialty metals division supplies Stainless Steel, Aluminum and Brass for many corrosions resistant applications such as pressure vessels and marine piping.

Since the day Triple-S opened its doors for business, the company has followed the most basic of principles: stability – to buy fair and sell fair and to treat people with respect.".

In February 2024, Nataly Marks was named the company's first-ever non-family president. Marks joined Triple-S in August of 2022 with 20 years of experience across investment and commercial banking platforms. She previously worked as the head of middle-market banking at JP Morgan in the Houston, Austin, El Paso, and San Antonio regions. Gary Stein continues to be the CEO of the company.

Marks is excited to lead a company so rich in its commitment to the company, customers, and community. "I am honored to join a company with a 64-year legacy, steeped in incredible values of the Stein family, and continue to build on the great company culture and impressive capabilities," she said in the Metal Center News publication. "We are creating a 100-year family-owned business that can take care of customers with a local touch but extensive and global product and processing capabilities."

Note: Nataly Marks will the guest speaker at the June Commerce Club. For details, sponsorship or to make reservations go to: txgulf.org/events.

TRIPLE-S STEEL

Why the USCG's Cybersecurity Rules are Vital for the U.S. Gulf Coast

The maritime industry is the lifeblood of global trade, and our Gulf Coast region is no exception. From Houston (the largest U.S. port on a tonnage basis) to New Orleans to Tampa, to the vast network of offshore production platforms & pipelines and the commercial vessels, traversing the Gulf of Mexico, this region thrives on the seamless movement of consumer goods, raw materials and other products inbound and outbound being transported across the sea.

However, this interconnectedness also creates vulnerabilities that cyber-criminals are increasingly exploiting. In response, the United States Coast Guard ("USCG") has proposed a set of new cyber security regulations for the maritime industry. These proposed rules, (still under public comment as of this writing in April), are a critical step towards safeguarding the Gulf Coast's economic engine and national security.

The Gulf Coast's maritime sector faces a unique set of cybersecurity challenges. The increasing reliance on automation and digital technologies onboard vessels, oil & gas production platforms and within port facilities creates attractive and accessible targets for hackers. A successful cyber attack could disrupt critical operations, leading to delays in cargo movement, environmental damage from spills and physical harm to personnel. The 2017 cyber attack on Maersk, the Danish shipping giant, crippled their operations for weeks and cost them over $300 million dollars. That still serves as a stark reminder of the potential consequences of a cyber attack in the maritime sector.

The USCG's proposed cyber security rules aim to address these concerns by establishing minimum cybersecurity standards for U.S.-flagged vessels, outer ontinental helf ("OCS") facilities, and U.S. facilities subject to the Maritime Transportation Security Act ("MTSA"). These standards encompass several measures, including:

- Cybersecurity Assessments: Companies will be required to conduct thorough assessments to identify vulnerabilities in their IT networks and OT systems. This proactive approach is essential for prioritizing cybersecurity efforts and allocating resources effectively.
- Cybersecurity Plans: Based on the assessments, companies will be required to develop and implement USCG-approved cybersecurity plans. These plans will need to outline specific procedures for protecting systems, detecting and responding to cyber incidents, and ensuring business continuity in the event of an attack.
- Training and Awareness: The proposed rules emphasize the importance of a cybersecurity-conscious workforce. Training programs for crew members and shoreside personnel will equip them to recognize and report suspicious activity, reducing the risk of human error that can facilitate cyber-attacks.
- Incident Reporting: Prompt and accurate reporting of cyber incidents is crucial for identifying trends, mitigating damage, and informing future cybersecurity strategies. The proposed rules establish clear reporting protocols for companies to follow in the event of an attack.

These proposed regulations are particularly important for the Gulf Coast for several reasons. First and foremost, the region's economic well-being hinges on a secure maritime sector. Disruptions caused by cyberattacks could have a significant ripple effect, impacting businesses, jobs, and the overall economic health of the region. Secondly, the Gulf Coast's energy infrastructure, heavily reliant on offshore oil & gas production platforms and pipelines, is a prime target for cyberattacks. A successful attack on this infrastructure could have consequential environmental consequences and disruptions to power generation facilities. Finally, the Gulf Coast plays a crucial role in national security, serving as a major entry point for goods and personnel. Cyber attacks that compromise port operations in this region could disrupt military deployments and vital supply chains globally.

The proposed USCG cyber rules are not without their challenges and limitations. Implementing new procedures and technologies is costly for companies, particularly smaller operators. However, the long-term benefits far outweigh the initial investment and implementing these rules can also be seen as a competitive advantage over those companies who elect to not make them a priority. Furthermore, the definition of "reportable cyber incident" and the specific reporting protocols will require further clarification to ensure a balance between providing valuable information and needlessly burdening companies with excessive reporting requirements. The Securities and Exchange Commission have their own remote requirements for "material" cyber events but their criteria is different from the expectations of the USCG.

The public comment period for the proposed rules is ongoing. This provides stakeholders in the Gulf Coast maritime industry with an opportunity to share their thoughts and voice their concerns and offer suggestions. Open dialogue between the USCG, industry leaders, and cybersecurity experts is essential for crafting effective regulations that are comprehensive, adaptable and achievable to effectively counter the ever-evolving cyber threat landscape.

The United State Coast Guard's proposed cybersecurity regulations represent a significant step forward in protecting the Gulf Coast's vital maritime industry. By establishing minimum standards for cybersecurity practices, these rules will enhance the resilience of the region's infrastructure, safeguard its economic well-being, and contribute to national and international security. While challenges remain in implementation and refining these rules, active participation from stakeholders will help to ensure that these regulations effectively navigate the digital sea, charting a course towards a more secure future for the Gulf Coast.

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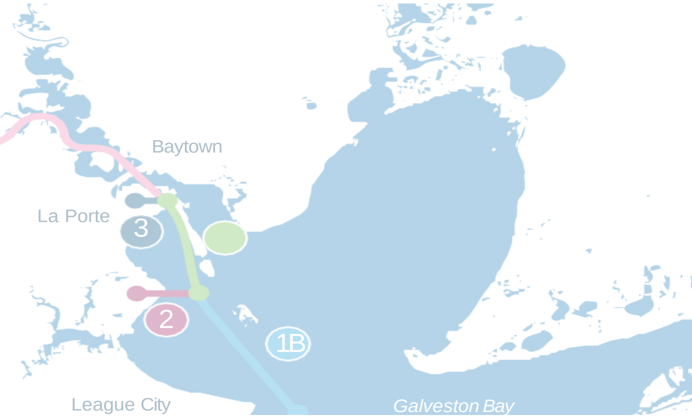
January 2024 Commerce Club Featuring Roger Guenther, Executive Director, Port Houston



Port Houston Update

Roger Guenther, executive director of Port Houston, presented the latest changes and what's new at Port Houston at the Port Bureau's Commerce Club luncheon on Jan.11. The event was hosted at the Houston Marriott South.

Created over 100 years ago as the Harris County Navigation District, Port Houston manages eight public terminals, including operating Barbours Cut and Bayport container facilities. As the advocate and a strategic leader of the Houston Ship Channel, Port Houston supports the more than 200 facilities and the neighboring communities along it by working with the federal government.

What Has Changed?

Results from the latest economic impact study showed that the Houston Ship Channel generated $906 billion of economic value to the U.S. in 2022, representing a 13% increase since the previous study in 2018. This represents:

- 1.54 million jobs in Texas
- 3.37 million jobs nationwide
- $439 billion economic impact in Texas
- $906 billion economic impact across the U.S.

"Another big change," said Guenther, "is Port Houston has leaped from being the #7 container terminal in the country to being the #5 container terminal."

Showing graphs for loaded imports and exports for the timer period of 2023 (YTD October) vs 2022, Guenther noted that while loaded imports has slowed, Houston's decrease was significantly less than either the West Coast, East Coast, or the total U.S.

In looking at exports, Guenther noted that while the West and East Coasts were down, the U.S. as a whole is up slightly. Houston, however, showed an increase of 11%. "Exports continue to pour through our docks! …. We lead the nation … About 60% of polyethylene resins that are produced in our country are exported through the port of Houston," said Guenther. Guenther said previous pandemic-related supply chain challenges are essentially gone. Operations are normal but Port Houston handles 30% more cargo than three years ago. Port Houston continues to add capacity, with more docks, big cranes, and additional RTGs. The infrastructure investments continue in order to keep ahead of the demand curve.

What's New?

New potential impacts to port operations in 2024 include drought conditions at the Panama Canal and tensions at the Suez Canal. Guenther said 50% of import cargo comes via the Panama Canal. While current transit limitations at the Panama Canal have not affected volume, it is unknown what pressures delays could cause. Thirty percent of world trade goes through the Suez Canal. As threats to ships transiting the Suez continue, costs rise and uncertainty increases for everyone.

Project 11 – Where We Are

Looking at Project 11 – the widening and deepening of the Houston Ship Channel – Segment 1A (Bolivar to Redfish) were completed in quarter one 2023 and Segment 2 (Bayport Ship Channel) were completed in quarter four 2023. "Hopefully by the end of this year, we will have completed more than 27 miles of Galveston Bay and all segments for a wider channel for everyone," said Guenther.

The non-federal contribution for completion of the full project is $825 million. The Port of Houston Authority has incurred that project debt through the sale of revenue bonds, making regaining the costs essential. Guenther indicated that a structure for a user fee for recapturing costs can only be implemented when "an incremental part" of the project is completed. This is estimated to be in late 2025.

"We want it to be fair and equitable to all users," said Guenther, noting meetings and hearings with the port commission are planned. "We have a year to work on the process."

Guenther also discussed sustainability, freight mobility – and the need for greater efficiency in transporting cargo away from the terminal, additional terminal improvements, and the move of the administration building to the historic East River development area on Buffalo Bayou downtown.

February Commerce Club Featuring Captain Keith Donohue, Commander, Sector Houston-Galveston, U.S. Coast Guard

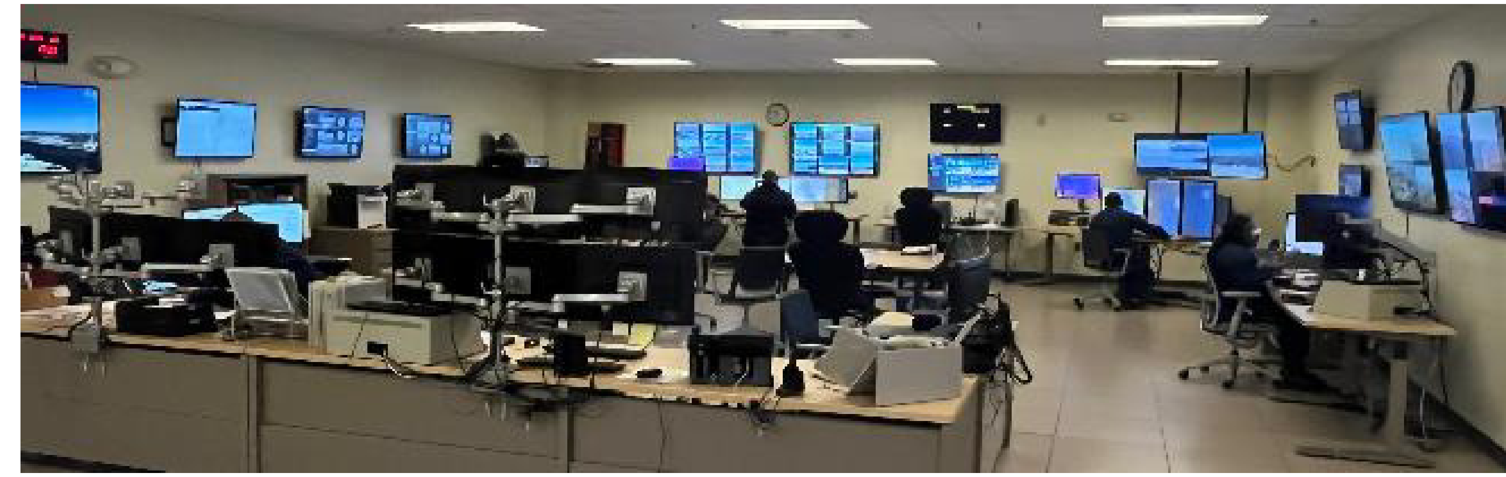


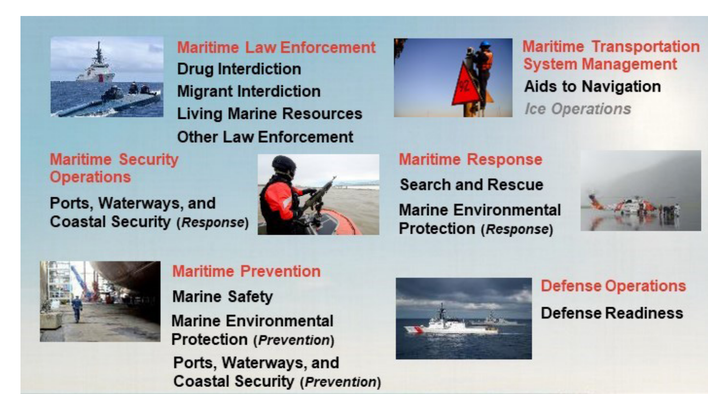
Photo: Houston Vessel Traffic Service

Current Outlook: U.S. Coast Guard and Sector Houston-Galveston

Captain Keith Donohue, commander of Sector Houston-Galveston for the U.S. Coast Guard, presented a comprehensive Coast Guard perspective for attendees at the Feb. 8 Commerce Club. The event was hosted by the Greater Houston Port Bureau at the Houston Marriott South.

Sector Houston-Galveston areas of responsibility extend from Freeport, Texas, to Lake Charles, La., and is comprised of over 1500 activity duty, civilian, and reserve personnel. This area encompasses five of the 20 busiest ports in the nation as well as 247 miles of Gulf Intracoastal Waterway. Together these ports and waterways account for more than 21% of the total U.S. tonnage by ships.

Captain Donohue indicated the Coast Guard was experiencing the "most significant shortage of personnel" in its history and taking "bold steps" to manage workflow until they are at "full strength". As they adapt and strategically reallocate resources, their priority stays on lifesaving missions, national security, and the protection of the marine transportation system.

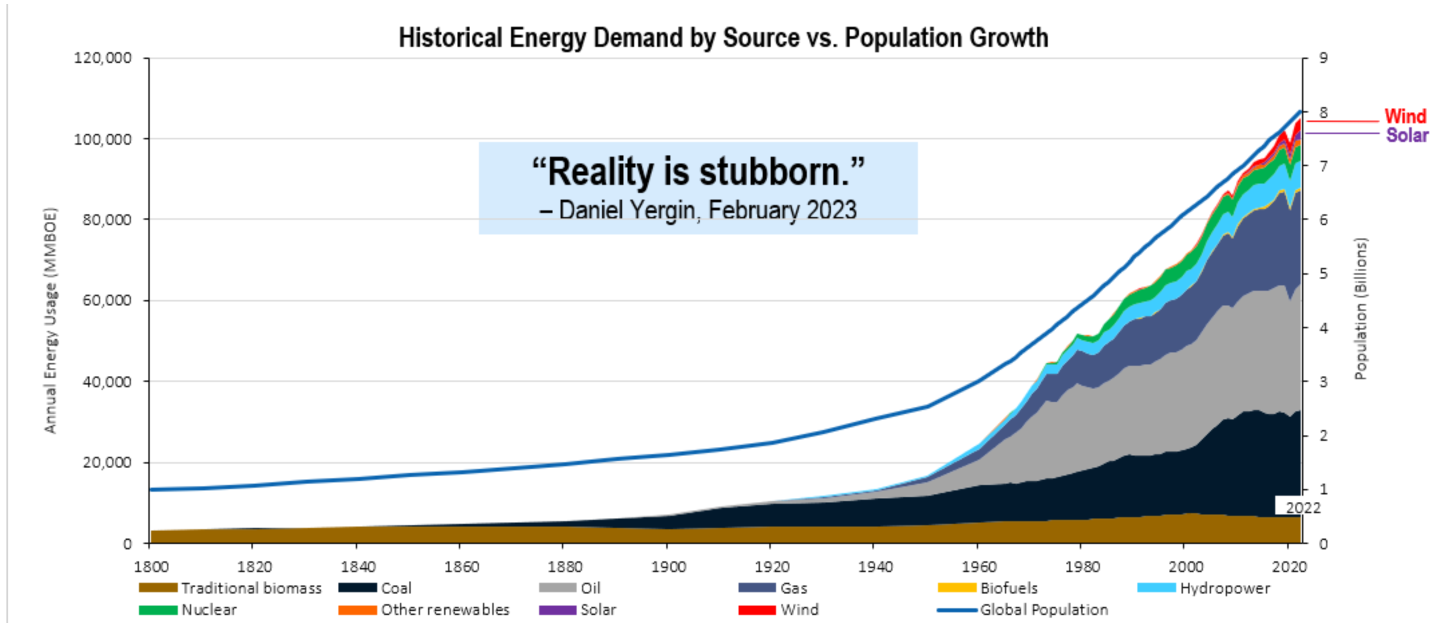


To highlight this work locally in Sector Houston-Galveston, Donohue showed a graphic that pinpointed the multitude of vessels offshore and on the waterways that range from Freeport to Port Arthur/Beaumont. Vessel Traffic Service (or VTS) for Houston-Galveston facilitates approximately 44 tanker transits, 17 freighter transits, two cruise ship transits, 379 tow transits, 161 ferry transits, and 69 ships in port every day. This averages one tow every four minutes and one ship every 20 minutes, for 2.5 million communications per year!

Among the numerous topics of industry interest that Donohue discussed, he included the expected increase in vessel traffic from energy expansion projects in Lake Charles and Port Arthur. In Lake Charles, there are seven major LNG projects, representing $45 billion in investments and expected to bring an additional 2,250 vessels annually. In Port Arthur, three new or expanded LNG projects and four LPG/LHG expansion projects are forecasted to bring an additional 1,660 ships a year by 2027. Long term, two proposed Deepwater projects could bring another 815 ships per year, pending developments.

Donohue particularly commended the collaboration and partnerships for safety and security in the port region, especially mentioning the Lone Star Harbor Safety Committee and the Houston Ship Channel Security District, saying, "I can honestly say I've been around the world to different groups – been around in the United States, and there is no one like our Lone Star Harbor Safety Committee! … It's amazing what gets done here! And, the Security District – that's also something you don't see – it's unlike anywhere else."

March Commerce Club Featuring Tony Chovanec, EVP Fundamentals, Enterprise Products Partners



Can You Take Me Higher

"We don't forecast; we look at how we think," said Tony Chovanec, EVP-Fundamentals of Enterprise Products Partners ("Enterprise Products") as he began his "Can You Take Me Highter" presentation at the Port Bureau's March Commerce Club. "What I am going to show you today are [our] views."

Global Energy Demand

In his discussion, Chovanec stressed the value of hydrocarbons and energy to the welfare of society globally, noting the role in petrochemicals in such areas as pharmaceuticals. Significant products such as top prescription drugs, including Lipitor, Glucophage, and Lopressor, and OTC drugs, including Tylenol, Advil, and Zyrtec are manufactured from benzene, propylene, ethylene or a combination of these petrochemicals.

Noting that fossil fuel usage is forecasted to increase, particularly as world population grows and economies develop, Chovanec showed the growth estimated in charts through 2050 from the U.S. Energy Information Administration ("EIA"), OPEC, and the International Energy Agency ("IEA"). He indicated global growth - specifically oil, gas and coal - will further the necessity for more energy as the world population grows and economies develop. The IEA chart showed that coal usage, however, will decline.

U.S. Exports

Chovanec reviewed how the U.S. transitioned from a net importer to net exporter of liquid hydrocarbons as a result of the "shale revolution", highlighting phenomenal growth from 2010 through 2017. In the three-year time period between 2022 through 2023, U.S. waterborne exports increased 40%. He noted that the U.S. is the largest exporter of liquefied natural gas ("LNG"). Reviewing the various products exported, Chovanec pointed out that the U.S. was not only the largest exporter of LNG, but the country is also the leading exporter of liquefied petroleum gas ("LPG") globally. The U.S. held 44% of the global waterborne LPG exports in 2023. Enterprise Products is the largest individual, independent supplier of LPG in the world, representing 14% of total global exports and one-third of U.S. LPG exports.

Company Update

Enterprise Products has $6.8 billion of approved major projects under construction. These include several natural gas liquids plants in the Midland and Delaware basins, the Neches River ethane/propane export terminal, and more. At the Enterprise Hydrocarbons Terminal ("EHT"), the company currently has eight deepwater ship docks and one barge dock, with multi-product dock flexibility and the ability to co-load propane and propylene, located on the Houston Ship Channel. Chovanec indicated that upon completion of Project 11 (the deepening and widening of the Houston Ship Channel), vessel transits could increase as much as 12%-15%.

Summing up his thoughts, Chovanec closed the presentation by expressing that improvements and advancements come to countless people from the work of the energy/port community. "I named my talk today 'Can You Take Me Higher', not necessarily because of exports, but because of the [lyrics] saying 'can you take me higher to a place where blind men see … to a place with golden streets'. Hundreds of millions of people, without doubt, benefit every day from what you all do. That's reality, and that's why we are so passionate."

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- May 31: Hybrid Port 101. A free event but you must register.
- June 13: Commerce Club featuring Nataly Marks, president, Triple-S-Steel Holdings, Inc.
- June 18: Women in Maritime Happy Hour, guest speaker Maria Ciliberti, Vopak.
- August 24: 95th Annual Maritime Dinner honoring Jürgen Schröder, founder of Schröder Marine Services, Inc.! Thank you to Queen of the Fleet Sponsors Buffalo Marine Service, Inc., Callan Marine, LTD, Enterprise Products Partners, L.P., Kirby Corporation, Kinder Morgan, Moran Shipping Agencies, Inc., Port Houston, and Vopak, and Lounge Sponsors Cooper/Ports America, LLC and Schröder Marine Services.

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