

A Strategic Waterway and Economic Powerhouse



With the 52-mile Houston Ship Channel (HSC) serving as a foundation, the greater port of Houston region handles more cargo and exports than any other port in the nation. In addition to its strategic importance for the U.S., the port of Houston is also a vital economic driver for the region, the state and the nation. Essential to our national security, the port of Houston provides global access to the largest petrochemical manufacturing cluster in the western hemisphere, low-cost, high-quality energy products from the world's most prolific producing areas in the Permian Basin, and the fourth-largest metropolitan area in the U.S.



Photo courtesy of Danny Schnautz

As the number of vessels calling on the port of Houston continues to grow, expansion of this critical transportation artery is imperative. In support of that mission, a unique partnership involving the Port of Houston Authority (PHA) seeks to expedite the expansion.

A competitive waterway is essential not only to maintaining current employment levels but creating the new jobs necessary for economic growth to continue in the wake of the global pandemic. More than 200 private companies have operations on the channel, representing 20 percent of Texas’ GDP, and HSC supports more than 3 million jobs nationwide. The expansion would also generate additional tax revenue to support schools, as well as other public entities and infrastructure.

Expediting Project 11 designed to ensure timely completion of expansion.

Project 11 (the 11th major expansion of the HSC), includes widening a critical segment of the channel from 530 feet to 700 feet using a local funding plan that is the first of its kind. Congress approved the widening and deepening of the channel last December as part of the Water Resources Development Act of 2020. However, relying on traditional federal funding mechanisms would require decades to complete the expansion. The collaboration of public and private entities is seeking to expedite the process and complete the expansion within 5 years, allowing the port of Houston to preserve and even grow its market share.

Private and Public Terminals Driving Economic Impact Across Houston Region and the Entire USA

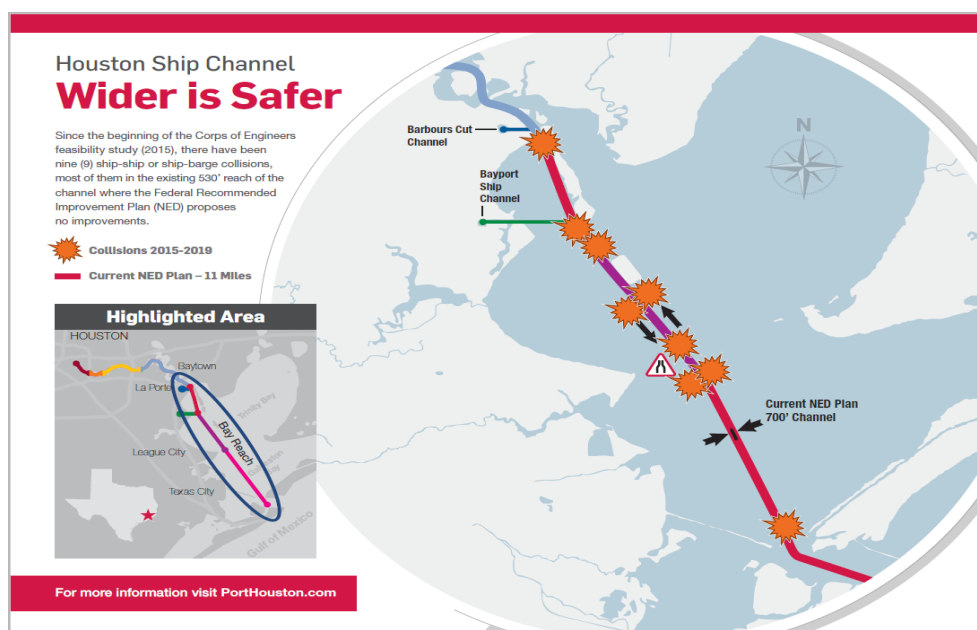
| | | Port of Houston | Percent of All TX Ports |
|---------------|----------------|-----------------|-------------------------|
| United States | Jobs | 3.2 MILLION | 53% |
| | Economic Value | \$802 BILLION | 57% |
| Texas | Jobs | 1.35 MILLION | 75% |
| | Economic Value | \$339 BILLION | 72% |

Expediting the expansion is imperative to ensuring that safe and efficient traffic continues. Handling approximately 8,300 deep draft vessels and more than 200,000 barge movements per year, the HSC is responsible for more commerce than any other waterway in the U.S. It is also ranked first in U.S. foreign waterborne tonnage. As a major energy hub with unparalleled access to global markets, the HSC is home to the largest concentration of petrochemical manufacturing plants in the western hemisphere and is a leading exporter of high quality, low-cost hydrocarbons from vast sources such as the Permian Basin. Project 11 would allow movements of ships greater than 1,100 feet, which are currently banned under state law and increase the number of

nighttime transits. As a result, the HSC could safely accommodate an additional 1,400 vessels per year, representing an incremental 91 million tons of cargo and approximately \$200 billion in economic impact, making Project 11 the largest non-federally funded project in U.S. history.

The expansion would make it easier for larger ships to arrive and depart, thereby facilitating two-way traffic and reducing delays for all vessels. In addition to ensuring safe and efficient traffic, Project 11 would help reduce delays and ensuring demurrage charges, which can run \$25,000 - \$50,000 per day, depending on the ship, and control operating costs for things such as fuel, equipment, and supplies.

Safety is the Key Supporting Reason for Widening and Deepening



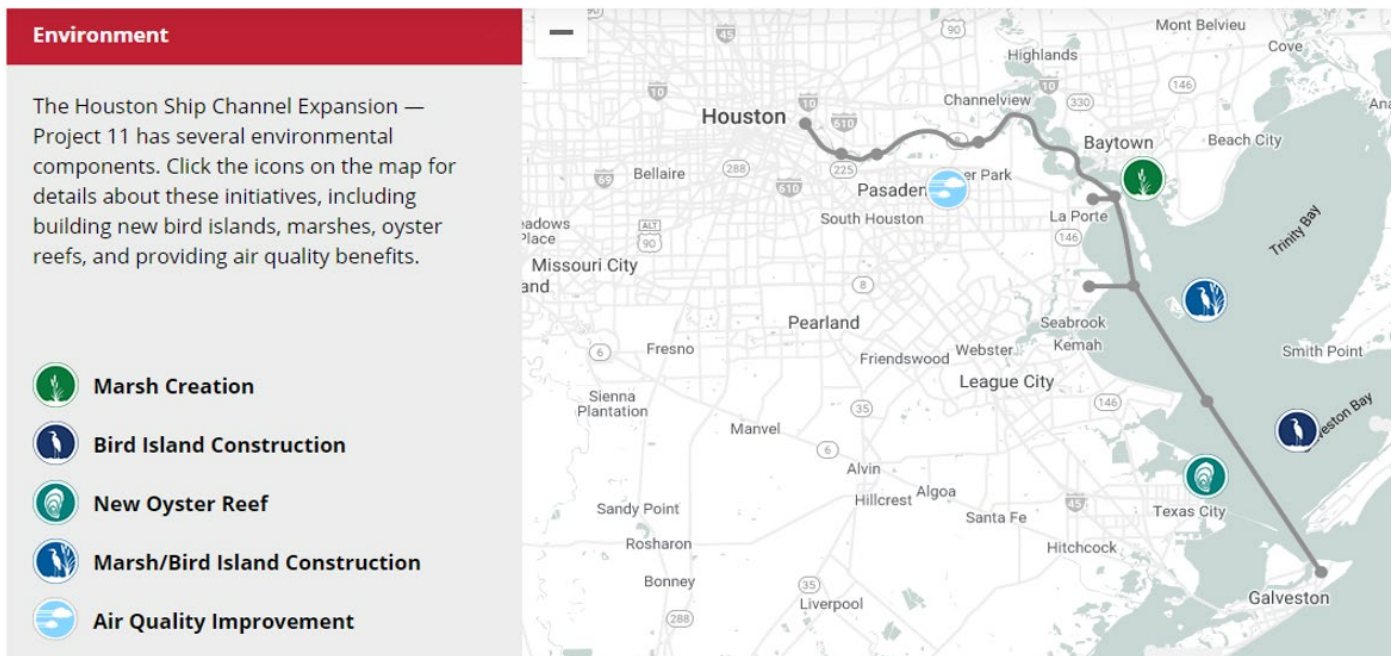
Graphic courtesy of Port Houston

Environmental benefits and improved quality of life.

Greater efficiency and less waiting time for idling vessels anchored offshore is also expected to reduce emissions of CO₂, NO_x and other greenhouse gases by 3-7 percent per year (Source: *Port Houston presentation – Western Dredging Association Webinar – Jan. 14, 2021*). In addition, dredge material would be used to expand marsh and wildlife habitat, including hundreds of acres of replacement oyster reef pads. The environmental benefits of Project 11 would

not only provide environmental benefits locally, but for the rest of the world too. For instance, the expansion could accommodate more vessels that export cleaner burning fuels, including propane, which is already being used abroad to replace materials like coal, wood and animal waste traditionally used by billions around the world for heating and cooking. In doing so, an increasing number of global citizens, especially those in developing nations, are enjoying longer life expectancy and a better quality of life, while deforestation is reduced in the process.

Environmental Considerations of Widening and Deepening



Graphic courtesy of Port Houston

Public-private initiative making progress.

Since mid-2019, representatives from the PHA and companies that rely on the HSC have dedicated themselves to developing a financing arrangement that is legal, fair, and straight-forward to implement. The PHA and industry will share the cost of the non-federal portion of the expansion, which is estimated to be about \$1 billion.

How you can help

If you would like to have a voice in how the expansion of the HSC moves forward, we encourage you to join the Greater Houston Port Bureau. If you would like additional information or have questions, please email info@txgulf.org or call (713) 678-4300.



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