C-C – Business – Koch '93

Koch delays starting of its refinery expansion

och Industries Inc. has delayed by at t a year the planned start-up of a $600 lion to $700 million expansion at its pus Christi refinery.



Lamp

he project was the est of three ship nnel refinery ex- sions announced ing the third week ebruary 1992.

hese combined 4 billion capital in- tment programs ne at a time when nation was slump- back into reces- n. Word of the rpus Christi refinery boom was carried publications around the country.

och's disclosure – which occurred on the same day CITGO Petroleum Corp. announced it would spend $480 million to upgrade its Corpus Christi refinery – surprised even top economic development officials.

Also that week, Valero Energy Corp. officials held a groundbreaking for a previously announced $230 million project.

Spokesman for Valero and CITGO say the projects they announced last year are substantially on track.

But David Lamp, Koch's Corpus Christi Refinery manager, said the company is re-evaluating the technology to determine if the delayed coking process planned for the sour crude upgrade plant is really the way to go.

For that reason, Lamp said, the project would be delayed for at least a year – and perhaps two or three years.

"We are still studying it hard. It is still in our plans, but we don't have it mapped out yet," Lamp said.



JIM STEINBERG.

The sour crude project would allow the Koch refinery to process any crude in the world. Several large vessels for the project are already at the plant, he said.

Currently, there are about 1,000 people working at Koch on an expansion unrelated to last February's announcement.

Koch has invested nearly $1 billion into the Corpus Christi complex since acquiring it from the Sun Oil Co. in 1981. Koch also acquired the adjacent Gulf States Refinery in 1983 and combined the two facilities to optimize production.

Since moving in at the Corpus Christi ship channel, Koch has tripled production from 60,000 barrels per day to 180,000 barrels per day and boosted employment from 500 to 1,000.

The sour crude unit expansion would have helped take the refinery up to 250,000 barrels per day and added 100 additional full-time jobs.

Construction was to have begun in 1994 and run through 1996. Koch said 1,400 workers would be needed during the peak construction period.

Late last year, Wichita, Kan.-based

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Steinberg

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Koch expanded Texas operations with acquisition of United Gas Pipeline Co. of Houston.

United operates 9,600 miles of natural gas pipelines in Texas and the other Gulf Coast states. It employs approximately 1,100.

Lamp said that the next several years will be difficult for United States refiners.

The federal Clean Air Act mandate for oxygenated fuels has reduced by about 6 percent the requirements for hydrocarbon-based molecules in gasoline. That means that the refining capacity needs of the United States have been reduced by about one million barrels per day. And as a result need to shrink by about 30 or 40, he said. Government-mandated car pooling or support for alternative fuels could reduce demand further, he added.

"Refining is turning into a very niche-oriented business," Lamp said. "The business of making gasoline is changing, big time. Gasoline is changing and the habits of people are changing," he said.

Government-mandated car pooling or support for alternative fuels could reduce demand.

The chances of another large refinery being built from scratch in the United States are next to nil, Lamp said. "There are people still

