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Overview of Coal Terminals in British Columbia

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1 Introduction

Pacific International Terminals has contracted Ausenco to perform a desktop study to gather information on the existing capacities and potential expansion capacities of terminals on the British Columbia West Coast which are handling coal. In addition Ausenco was asked to assess the potential for new coal terminals and whether there are other dry bulk terminals that have the facilities and attributes to be converted to handling coal should there be a desire to do so.

The report documents the following:

- Existing bulk commodity terminals in BC which are handling coal
- Existing throughput and potential expansion capacities
- Supply sources of the coal currently handled by the existing terminals
- Potential new coal terminals being developed and their supply sources
- Existing dry bulk facilities which could be converted to handling coal

2 Existing Coal Terminals

2.1 Westshore Terminals

Located 32 kilometres (20 miles) south of Vancouver, British Columbia at Roberts Bank in Delta, Westshore Terminals is Canada's largest, most technologically-advanced coal export terminal and the busiest coal facility in North America.



Figure 1: View of Westshore Terminals (with Deltaport Container Terminal)



Currently in its 43rd year of operations, Westshore Terminals recently completed a five-year period of major equipment upgrades, including the addition of a second twin dumper set, where it invested over \$110 million and increased the terminal's capacity from 23.5 to 33 million (metric) tonnes per year (Mt/y).

The equipment upgrades and increased focus on automation have allowed Westshore to handle record amounts of coal. In spite of numerous planned shut-downs in 2012 due to equipment upgrades and other operationally restricting events, Westshore shipped 26.1 million tonnes in 2012, just shy of its record of 27.3 million tonnes shipped in 2011.

Westshore expects to handle annual amounts much closer to its new 33 million tonne capacity in the coming years. The majority of the terminal capacity is devoted to metallurgical coal, which is the principal ingredient in the production of steel. Westshore began handling Powder River Basin (PRB) coal from Montana and Wyoming in recent years, and in 2011 PRB shipments reached a record 8.2 million tonnes. During 2011, Teck, which operates coalmines in Southeast B.C., was experiencing reduced throughput and as a result, Westshore was able to accommodate PRB coal. With Teck coal back to normal throughput, their volumes are expected to increase. However with the expanded capacity, the facility will be able to accommodate PRB coal without impacting its contract with Teck.



Figure 2: Berth 2 with Dual Quadrant Shiploaders

Westshore terminal operates around the clock 364 days of the year with Christmas Day being the only traditional shut-down day. This schedule allowed Westshore to reach a major milestone in 2012 when it shipped its 700 millionth tonne of coal. This was achieved by loading over 8,300 ships and receiving over 65,000 coal trains, bringing billions of dollars of wealth to the economies of communities in British Columbia and Western Canada. Westshore accommodates vessels of 250,000 dead weight tons (dwt) at Berth 1 and 100,000 dwt at Berth 2.



Figure 3: Rotary Railcar Dumper

The Terminal is operated as Westshore Terminals Limited Partnership, owned by the Westshore Terminals Investment Corporation. Westar Management has a long-term, renewable contract to operate and manage the terminal.

2.2 Ridley Terminals

Built in 1984 near Prince Rupert in northern BC, Ridley Terminals was a \$250-million project funded by the federal government and aimed at providing Denison Mines (now defunct) and Teck Resources' Quintette and the Bullmoose metallurgical and thermal coal mines with a bulk transfer port. The 55 hectare (135 acre) terminal was designed and constructed with an annual shipping capacity of 12 million tonnes, with the potential to be expanded to 24 million tonnes.

The Terminal is serviced by Canadian National (CN) Railway to metallurgical and thermal coal mines in Western Canada (Northeast BC and Alberta).

Features of the terminal include:

- Onsite storage capacity of 1.2 million tonnes of coal.
- Tandem rotary dumper which can unload 65 railcars per hour without uncoupling, or an unloading rate of 6000 t/h.
- The loading capacity of the dual quadrant shiploaders is 9000 t/h.
- Berth has a 22-meter (72-foot) draft and can accommodate ships up to 250,000 dwt.



Figure 4: View of Ridley Terminals (right side) and Prince Rupert Grain (left side)

After relying on government subsidies for years to keep it afloat, the port's increased activity is in response to historically high metallurgical coal prices and continuous interest from emerging Asian economies — particularly China — in BC's coal fields.

The federal government recently indicated that Ridley Terminals has tremendous growth potential and that potential can best be realized through private ownership.

The federal government invested about \$200 million into the expansion and upgrading of Ridley in 2010, and by the time construction is completed in late 2014, the annual shipping capacity will be doubled from the original 12 Mt/y to 25 Mt/y.

While the government has made assurances that the controlling interest in Ridley Terminals will not be sold to a state-owned company outside of Canada, it isn't clear who might be the potential buyer(s).

The Ridley Terminals Users Group, a collective of major resource producers that are current or future customers of Ridley Terminals, have announced their support of the federal government's decision to sell the terminal and a number of the group's members are seen as potential buyers.

Several companies were part of a proposed takeover of the terminal in 2009, including a number of coal mining interests with projects in Northern British Columbia and Western Alberta.

With a number of new mines proposed to come online in the next few years, including Teck Resources' Quintette and HD Mining's Murray River project, coal shipments are seen as the driving force behind the terminal's expansion. Teck Coal signed a 10-year term shipment contract with Ridley Terminals in September of 2011 that sees the metallurgical coal producer shipping 2.5 Mt/y between January 2015 and December 2024.

The Murray River project is located southwest of Tumbler Ridge, BC and will be an underground operation with a designed capacity of 6.0 Mt/y of high grade metallurgical coal, based on a mine life of 30+ years.

The Gething coal project is another mine which would be using the Ridley Terminal, if and when it is in production. This project is located 25 km west of Hudson's Hope, BC in the Peace River Canyon. This will be an underground operation with an estimated annual production of 3.0 Mt/y of quality coking coal, based on a mine life of 40 years. The shareholders in this mine include the Kailuan Group, the oldest underground coal mining company in China, and the Shougang Group, China's largest steel producer.

In January, 2011 a five-year agreement was signed with Arch Coal to ship from Ridley up to 2.5 Mt/y of Powder River Basin coal through 2015. Steven F. Leer, Arch's chairman and chief executive officer noted the agreement expands Arch's Powder River Basin coal sales into the Asia-Pacific region.

2.3 Neptune Bulk Terminals Ltd.

Neptune Bulk Terminals was founded in 1967 and today is one of the largest multi-product bulk terminals in North America, operating 24 hours a day, and seven days a week. The terminal is located in North Vancouver, BC, just west of the Iron Workers' Memorial Bridge, and is part of Port Metro Vancouver. In total, the facility covers 29 hectares (71 acres), plus adjacent water lots.



Figure 5: Aerial View of Neptune Bulk Terminals (looking east)

The terminal has the capacity to currently handle over 24 Mt/y of bulk products including coal, potash, agricultural and liquid products. With the completion of on-going terminal improvement projects, the terminal capacity will increase to about 31 Mt/a. It should be

noted that this is all on the same footprint as when the terminal first started operating in 1970, handling 3.2 Mt/y of bulk products.

The terminal has three berths, each with its separate shiploading system. There is open storage for coal, and covered storage facilities for potash, vegetable oil and other agricultural products.

Neptune Terminals' technology and rail connections ensure fast, efficient, and safe movement of cargo, making it the terminal of choice for its shareholders who include Canpotex, Teck and Bunge Canada. The cargo is loaded into ocean-going vessels, up to Cape Class size and shipped to Asia, South America and Europe.

Neptune's proposed expansion, as shown in Figure 6 and approved by Port Metro Vancouver, would see an increase in coal shipments from approximately 8 Mt/y to 12.5 Mt/y, driven primarily by BC coal supply.



Figure 6: View of Improvements to the Coal Handling System.

2.4 Middle Point/Texada Island

Thermal coal mined at the Quinsam Mine on Vancouver Island is transported by trucks to the Middle Point barge loading facility located at tidewater near Campbell River, BC, Canada, and stored inside a dome. When a barge is at the berth, the coal is reclaimed and transported by a conveyor system and loaded by a barge loader on to 5,000-10,000 tonne barges. The coal can also be sent directly to the barge from the trucks, bypassing storage.

Quinsam Mine is an underground thermal coal mine owned by Hillsbrough Resources, based in Vancouver, BC, with an annualized production rate of 520,000 clean tonnes. The majority of coal (70%) is sold to overseas clients.

The loaded barges are towed to a ship loading facility on Texada Island, located about 80 nautical miles south of Campbell River in the Strait of Georgia, where the coal is unloaded from the barges, stored, and then reloaded onto both Handy (35,000 tonne) and Panamax

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(65,000 tonne) sized ships, destined for markets in East Asia and Latin America. Internationally, Quinsam coal is used in Japanese steel mills (in a process known as pulverized coal injection) and in power plants in Mexico and Chile.

About 30% of this coal is barged directly to power plants in Tacoma, and to cement plants in Vancouver and Seattle areas. At the cement plants the coal is burned for heating their kilns. After the burning, the cement plants take the ash clinkers and use them to form a portion of the cement powder.



Figure 7: Middle Point Barge Loading Facility (Dome Storage in Background)

At Texada Island the coal is unloaded from the barges and placed into storage. When a ship arrives, coal is reclaimed and conveyed to a quadrant shiploader (installed in 2007), as shown in Figure 8, which can load the coal into vessels up to Panamax size at 4000 t/h. The shiploader is currently shared with Lafarge which uses it to load out sand and aggregates into barges and ships.



Figure 8: Texada Quarry (Lafarge) Shiploader

2.5 Summary of Capacities and Annual Throughputs of Existing Terminal

The following Table 1 summarizes the current coal handling capacities of the existing terminals, along with the actual throughputs in 2012. Westshore Terminal and Neptune Bulk Terminals have actually exceeded their current capacities.

Table 1: Current Capacities, Actual Throughputs, and Types of Coal Handled

Name of Terminal	Location	Tonnes (in 2012)		Types of Coal Handled
		Current Capacity	Actual Throughput	
Westshore Terminals	Delta, BC	23,500,000	26,100,000	Mostly Met Coal from southeast BC & Alberta, plus 8.2 Mt/y of PRB coal
Ridley Terminals	Prince Rupert, BC	12,000,000	11,700,000	Mostly Met Coal from Northeast BC mines plus 2.5 Mt/y PRB coal
Neptune Bulk Terminals	North Vancouver, BC	8,000,000	9,000,000	Mostly Met Coal from SE BC & Alberta, some Thermal Coal
Middle Point/Lafarge	Campbell River/ Texada Island, BC	600,000+	520,000	Thermal Coal
	TOTAL	44,100,000	47,320,000	

2.6 Capacity Expansions

The following sections highlight the major projects to expand capacities at three of the existing terminals.

2.6.1 Westshore Terminals

Westshore Terminals invested \$110 million over 5 years, starting in 2008, to upgrade existing equipment and add a second tandem dumper. The result is an increase in the terminal's capacity from 23.5 Mt/y to 33.0 Mt/y.

Concurrent expansion of the Neptune Bulk Terminal, which is partially owned by met coal producer Teck, creates the possibility that Teck's metallurgical coal from Westshore could shift to Neptune. As Westshore currently handles a significant tonnage of Powder River Basin coal – on the order of 8.0 million metric tonnes per year – PRB volumes at Westshore could increase.

2.6.2 Ridley Terminals

The expansion and modernization works at Ridley Terminals began with two dumper barrels were installed in December 2011. This marked the first actualized capacity growth at the terminal since it was commissioned in 1983. The planned works for 2011 wrapped up with the clearing of 18 hectares (44 acres) of additional lands for improvement. The work

completed in 2012 included site civil works, installation of additional conveyors, installation and upgrade of rail infrastructure, and delivery of the third stacker/reclaimer by Sandvik.

In 2013 construction continues with the integration of new land into the existing operation and upgrades to the existing two stacker/reclaimers. In 2014 a new tandem rotary dumper and a new thaw shed will be added to the Terminal's operation, doubling total terminal capacity from the initial 12 Mt/y to 25 Mt/y. The Ridley Terminals Capacity Realization Project is scheduled to be complete by the end of 2014. Upon completion, the project will cost approximately \$200 million and is funded entirely by revenue from operations.

In March 2012 Ridley Terminals Manager is quoted as stating that if Ridley elects to utilize an additional 100 acres at the facility, it could further expand exports to 60 million metric tons per year.

2.6.3 Neptune Bulk Terminals

Neptune Bulk Terminals is currently investing approximately \$63.5 million in new equipment to improve the terminal coal handling capacity, optimize energize efficiency, and enhance its environmental performance at the North Vancouver facility. The Terminal is installing a new stacker-reclaimer to replace the existing smaller unit. It is also installing a new railcar dumper, along with a new railcar positioning system. These improvements are scheduled to be completed by 2015, resulting in an increase in coal handling capacity to 12.5 Mt/y.

2.6.4 Summary of Capacity Expansion

Table 2 summarizes the capacity expansions described in this section.

Table 2: Expanded Capacities and Estimated Dates of Completion

Name of Terminal	Current Capacity (Tonnes/Y)	Capacity Increase (Tonnes/Y)	Expanded Capacity (Tonnes/Y)	Estimated Complete
Westshore Terminals	23,500,000	9,500,000	33,000,000	2013
Ridley Terminals	12,000,000	13,000,000	25,000,000	2014
Neptune Bulk Terminals	8,000,000	4,500,000	12,500,000	2015
Middle Point/Lafarge	600,000+	0	600,000	N/A
TOTAL	44,100,000	27,000,000	71,100,000	

3 Potential New Coal Terminals

3.1 General

The following sections discuss recently proposed new coal terminals and existing bulk terminals which could from a functional standpoint be converted to handle coal if the owner(s) were interested and prepared to undertake the necessary permitting, approval, design and construction process.

3.2 Fraser Surrey Docks

A new coal export terminal is being proposed at the Fraser Surrey Docks (FSD) in Surrey, BC. The new \$15 million terminal would reload Powder River Basin (PRB) coal from unit trains to barges for transport to a coal handling facility on Texada Island, where the coal would be transferred again to ocean-going ships. This is the same facility handling thermal coal from the Quinsam Mine on Vancouver Island.

FSD is a multi-purpose marine terminal located on the Fraser River in Surrey, BC, with six berths accommodating ships with a draft up to 11.7 meters (38.4 feet). The terminal has four container cranes and 30,654 square meters (330,000 square feet) of covered storage with considerable potential for expansion. It currently handles containers, forest products, steel, agricultural products and other items. FSD's existing business has decreased significantly since 2009 and FSD is looking for opportunities to serve new customers. As a result, FSD is proposing to construct a direct transfer coal handling facility (the Project) on the existing terminal site and has applied to Port Metro Vancouver (PMV) for approval.



Figure 9: Location of Fraser Surrey Docks

In June 2012, Fraser Surrey Docks (FSD) submitted a project permit application to Port Metro Vancouver for the development of a Direct Transfer Coal Facility at the southwest end of the existing terminal to handle up to four million metric tonnes of coal per year.

The coal will be delivered to the terminal by BNSF Rail and loaded directly onto 8,000 dwt barges at the existing Berth 2. No coal would be stored at FSD during normal operations.

When loaded, tugs will take single barges down to the mouth of the Fraser River. Once barges pass Sand Heads, they will be towed in tandem to Texada Island. At Texada Island, the coal will be stored before transfer to a deep sea vessel for overseas export. No tandem barge tows will be conducted on the Fraser River.

Although the current permit review will examine volumes of 4 Mt/y, there is potential to increase volumes up to 8 Mt/y of coal per year over the longer term. Any increase of capacity more than four million metric tonnes of coal per year will be subject to a new Port Metro Vancouver project permit and environmental review.



Figure 10: Map Showing Barge Route from FSD to Texada Island

The project proposal consists of the following:

- Installation (includes relocation, realignment, and extension) of approximately 3.6 km (2.2 miles) of rail within existing FSD terminal and Port Authority Rail Yard.
- Installation of a covered rail car receiving shed 600 square meters (6,460 square feet) on concrete blocks, two shallow bottom dump rail pits, and one rail indexer and associated utilities. Excavations will be no deeper than 3.0 meters (9.8 feet).
- Installation of eight fully covered conveyer segments with water sprayers at transfer points, to transfer coal from rail car receiving shed to barges at existing Berth 2.
- Installation of 100 metric tonne surge bin, mobile conveyor system with a hopper feeder, and a covered barge loader.
- Installation of electrical and water distribution systems around the emergency stockpile area, barge berthing and loading area, and within rail car receiving shed (i.e. sprinklers, dust control & fire suppression systems).
- Installation of an asphalt berm emergency stockpile area 10,000 m² (2.47 acres) in front of existing Berth 2 to handle a capacity of up to 30,000 metric tonnes of coal (to be used in emergency situations). The berm will be approximately 2.6 meters (8.5 feet) high.

Although not considered a formal hearing, the Metro Vancouver board met on June 14, 2013 and voted 21-4 to oppose the project that has been under steady fire from both climate change activists and concerned neighbours. The regional district has no real power to block the new coal terminal, but critics hope the decision puts more pressure on Port Metro Vancouver to delay approving the project pending a health impact assessment demanded by medical health officers.

3.3 Port Alberni

Compliance Coal Corporation, 60% partner in the Comox Joint Venture with Japanese and Korean partners each holding 20%, is proposing to open a new underground coal mine in the Tsable River watershed between Parksville and Courtenay on Vancouver Island.

The Raven Coal Project is estimated to produce 2.2 million tonnes of coal per year or 44 million tonnes over the 20 year expected life of the mine. The coal is classified as high volatile A Bituminous and is suitable for targeting the metallurgical coal market as a blend product or the thermal coal market.



Figure 11: Map of Raven Coal Deposit

Options for shipping the coal to Japan and Korea include (1) truck or rail to a new port at Port Alberni (on the west coast of Vancouver Island) or (2) truck to Campbell River (Middle Point) and then barge to Texada Island.

The preferred option at this point is to ship through Port Alberni. The town of Port Alberni is located at the head end of the Alberni Inlet on the west coast of Vancouver Island. It was once home to two large sawmills and a pulp and paper mill, with ocean-going ships calling on a regular basis to take on lumber, pulp and paper. Catalyst Paper still operates a paper mill at Port Alberni.

The proposed terminal at Port Alberni would include a berth to accommodate Panamax size ships, ground storage with a capacity of 80 – 100,000 tonnes, and a shiploader.

The major concerns with using Port Alberni are (1) hauling coal through the Cathedral Grove – about 80 trucks per day (which could be mitigated with a restoration of a short line railway between Comox and Port Alberni resulting in one train movement per day) and (2) the fact that the Alberni Inlet is prone to tsunami, if there is an earthquake of significant magnitude along the Pacific Rim. Port Alberni was hit by a tsunami after the Alaska earthquake in 1964, with devastating results.

3.4 Other Existing Dry Bulk Terminals in BC that could from a functional standpoint be converted to handle coal

3.4.1 Vancouver Wharves

Vancouver Wharves was acquired by Kinder Morgan in 2007. The terminal is located in the Port of Vancouver, just east of the Lions Gate Bridge on the north shore of Burrard Inlet.

In operation since 1959, the 50.6 hectare (125 acre) terminal handles over three million tonnes of inbound and outbound cargo products annually. The facility consists of five vessel berths capable of handling Panamax size vessels, with significant rail infrastructure, dry bulk and liquid storage, and material handling systems. It has a storage capacity of one million tonnes of bulk cargo and 250,000 barrels of petroleum products.



Figure 12: View of Vancouver Wharves – Looking North

The terminal currently handles in-bound lead-zinc concentrate from the Red Dog Mine in Northwest Alaska. It also handles out-bound copper concentrate. The major clients using the terminal include Red Dog Mine and Cominco Metals.

A new travelling shiploader was installed in 2010 to replace an existing shiploader. It is currently used to load mineral concentrates into ships up to Panamax size. The shiploader project also included improvements to the conveyor system. All exterior conveyors are completely enclosed.

Although mineral concentrates are the major commodities handled by Vancouver Wharves, the terminal also handles sulphur, agricultural products and liquids.

The facility is located to take advantage of growing trade with international markets. Future potential projects include additional liquids and dry bulk expansion.



Figure 13: New Travelling Shiploader for Mineral Concentrates

3.4.2 Pacific Coast Terminals

Pacific Coast Terminals (PCT) is located on the eastern end of Burrard Inlet, about 19 km east of Vancouver in Port Moody, BC. The 43 hectares (108 acres) of property on which the terminal is constructed is part of the Port Metro Vancouver system of ports, and provides proximity to rail and ship transportation.

PCT is the link between ship and shore for Western Canadian resource companies and their global markets. Trains deliver sulphur and ethylene glycol from Alberta's oil and gas refineries for shipment to ports around the world.

The terminal has the flexibility to load these raw products directly into ships, or to store them temporarily on site. Stored sulphur is automatically sorted by type into windrow piles, while ethylene glycol is held in sealed storage tanks. The terminal handles up to 4 Mt/y of sulphur and 1 Mt/y of liquid bulks per year.

Over the past few years, Canadian supplies of sulphur have been diminishing. To continue to support their business and in turn, the Port Moody community, PCT is undertaking necessary modifications to accommodate potash and food-grade canola oil.

Both commodities align with the current terminal operations and will not require a fundamental change to the existing operations. The terminal will continue to use the same on-site technology that is currently used to handle ethylene glycol and sulphur.

To handle these new products, the PCT facility would require a few modifications, including the construction of a potash storage shed and additional liquid storage tanks. Modifications to existing terminal infrastructure will include upgrades to water treatment facilities and shiploading equipment. The potash facility is scheduled to be completed in September 2015.

With the current project to add the potash storage facility, the terminal would not have sufficient space for coal.



Figure 14: Aerial View of Pacific Coast Terminals

3.4.3 Summary of Potential New and Existing Terminals that Could be Converted to Handle Coal

The following Table 3 summarizes proposed new coal terminals and existing bulk terminals that from a functional standpoint could be converted to handle coal.

Table 3: Potential New Terminals and Existing Terminals that Could be Converted to Handle Coal

Name of Terminal	Proposed or Possible Capacity (Tonnes/Y)	Notes
Potential New Terminals		
Fraser Surrey Docks	4,000,000	Permit filed, met with opposition
	4,000,000	Possible Future Expansion
Port Alberni	2,200,000	Proposed terminal to handle met coal
Existing Bulk Terminals that Could be Converted to Handle Coal		
Vancouver Wharves	3,000,000	Current products lead-zinc concentrate and copper concentrate.
Pacific Coast Terminals	4,000,000	Current products sulphur and ethylene glycol. Conversion to potash being discussed
TOTAL	17,200,000	

4 Conclusions

There are a number of existing export terminals located on the British Columbia coast which are currently handling coal. The majority of the coal being shipped is metallurgical coal, which is used primarily for making steel. However over time as commodity prices fluctuate and demand profiles change, BC terminal throughputs are expected to remain at capacity by shifting between metallurgical and thermal coal.

Westshore Terminals in Delta is the largest terminal in terms of annual capacity and actual annual throughput. With the recent capacity expansion to 33.0 Mt/y, Westshore is able to meet its contractual requirements with the met coal miners. Concurrent expansion of the Neptune Bulk Terminal, which is partially owned by met coal producer Teck, creates the possibility that Teck's metallurgical coal from Westshore could shift to Neptune. As Westshore currently handles a significant tonnage of Powder River Basin coal – on the order of 8.0 million metric tonnes per year – PRB volumes at Westshore could increase.

Ridley Terminals located at Prince Rupert, BC is the second largest coal terminal with a shipping capacity of 25.0 Mt/y shipping mainly metallurgical coal from the coal fields in Northeast BC. Additional land is available which, under the right circumstances, could allow future expansion and increase capacity to approximately 60 Mt/y. The terminal currently has a throughput capacity agreement with a Powder River Basin producer for up to 2.5 Mt/y through 2015.

Neptune Bulk Terminals in North Vancouver is the other major coal export terminal, with annual throughput in the order of 9.0 Mt/y of metallurgical coal and some thermal coal. Upon completion of a current expansion project, the capacity will be 12.5 Mt/y of coal.

Texada Island has a shiploading facility which is owned by Lafarge Canada and used primarily for loading sand and aggregates into ships and barges. The facility is also used for loading thermal coal (barged from the Campbell River area on Vancouver Island) into Panamax size ships.

Fraser Surrey Docks is currently proposing to barge 4.0 Mt/y of Powder River Basin coal from its terminal in Surrey, BC to the Texada facility, with the potential of increasing to 8.0 Mt/y. There is currently heavy opposition to this project proceeding.

There are other bulk terminals in the Port of Vancouver which are currently handling non-coal bulk commodities. It is unlikely these will be converted to handling coal soon based on space constraints, non-compatibility with the existing commodities handled/shipped or excessive capital costs.