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- Terminals Kinder Morgan style - optionality and connectivity - two cents at a time



Terminals Kinder Morgan style - optionality and connectivity - two cents at a time



By [Barry Parker](#) from New York

Kinder Morgan's shipping business in the US has grown over the last 16 years to cover some 180 terminals in the US as well as a tanker company.

“Shipping has become much more important to Kinder Morgan,” stated John Mahon, director of business development and commercial sales at Kinder Morgan Terminals, speaking to the Connecticut Maritime Association at their monthly lunch.

Mahon has been with Kinder Morgan since 2002- just after the Terminals Division - now with approximately 180 terminals around the United States - began growing out of the 2000 acquisition of GATX Terminals. According to Kinder Morgan its terminals have a combined liquids storage capacity of approximately 152m barrels and handle about 65m tons of bulk materials annually.

While the presentation went into highly detailed view of a group of facilities around Houston- 11 facilities (worth over \$2bn) on the Houston Ship Channel alone- some in conjunction with a particular customer's programme.

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After telling war stories about lengthy waiting times around Houston docks (due to a lack of dock space) during boom times for tanker shipments, Mahon's remarks were peppered with concepts like "connectivity" - important for customers linking refineries, storage and pipelines around the region and tied to Cushing, Oklahoma - and "optionality" - where situations change quickly along with price arbitrages as well as logistical openings and blockages. "I make my money \$0.02 at a time," he said of the thin margined midstream business.

Mahon's speech came a week after an appearance by Jeff Armstrong, a Kinder Morgan alumnus, at the Marine Money conference in New York. Armstrong, with the backing of Private Equity investors from the prestigious Warburg Pincus, launched Zenith Energy, which seeks to develop Zenith into a topflight midstream asset operator "by buying and building terminals in the Atlantic Basin, primarily Europe, Africa and Latin America which include the storage and logistics for crude oil, refined products, petrochemicals and all types of dry-bulk commodities." Armstrong, talked about "reaching into areas where shale oil will touch." Zenith has so far invested in Colombia, Ireland and the Netherlands.

Kinder Morgan, where Armstrong spearheaded the growth of the Terminals Division before launching Zenith Energy in 2014, is the owner of American Petroleum Tankers, handled through its Terminals Division. The company has eight vessels on the water and eight under construction, all in the MR category, are Jones Act qualified. Earlier this year, Kinder Morgan was hinting that was seeking to monetize its \$1.5bn plus stake in the tanker sector through a partnership with a financial investor.

At a time when the Jones Act hires have backed down considerably, no transaction has been announced.

Strategically, tankers have a big role to play at KMI. In response to a question about how vessel transport fits into a company that's best known for its petroleum and products surface land-based transportation, Mahon quipped that "tankers are just another pipeline".

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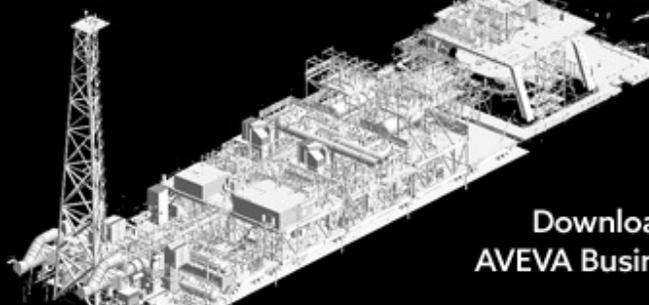
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