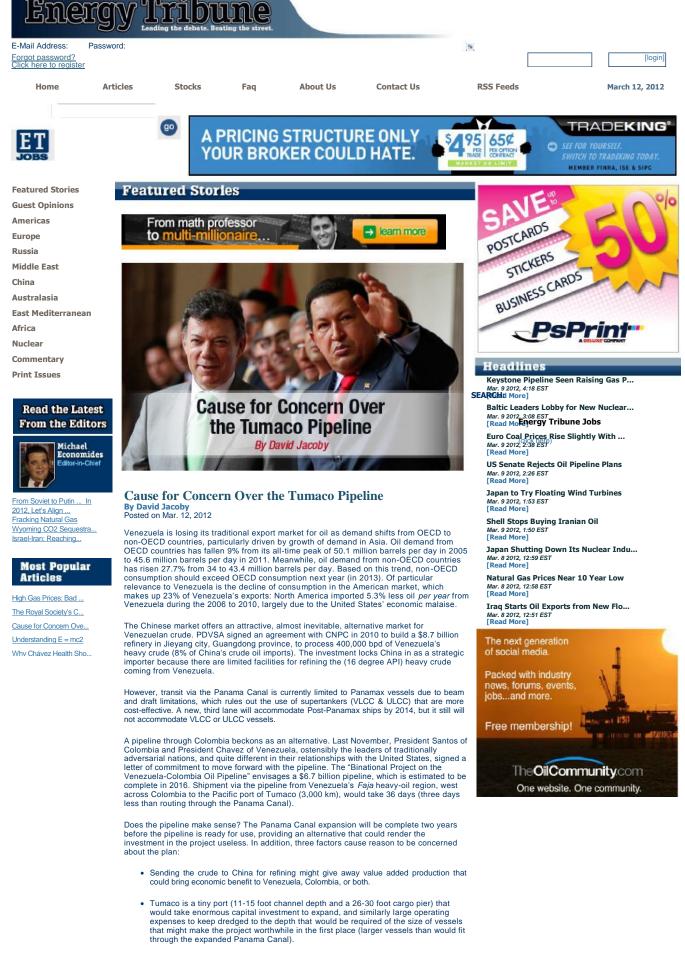
Energy Tribune- Cause for Concern Over the Tumaco Pipeline



 Ongoing attacks by FARC, including a serious attack one week before the announcement of the pipeline and multiple attacks since the announcement, could

http://www.energytribune.com/articles.cfm/10064/Cause-for-Concern-Over-the-Tumaco-P... 3/12/2012

greatly increase the financial and environmental cost of the pipeline project, both in the construction and the operating phases.

Three key strategic and logistical questions should be answered before further serious effort is put into the project.

- How much economic benefit could be derived from refining the crude before exporting it? Ecopetrol and Unco United Refineries proposed a refinery and tank farm project at Tumaco in 2008, but a FEED study put its capacity at 100,000 bpd, compared to the proposed pipeline capacity of 880,000 bpd. Refining scenarios could range from no pre-refining to a full-scale complex at Tumaco similar to Jubail in Saudi Arabia, complete with satellite processing of byproducts and downstream (e.g., petrochemical) production operations that would generate economic benefit.
- What is the cost of using the Canal versus building the pipeline? The cost will depend on which vessel size is used, as well as the cost of expanding and maintaining (especially tank farms and dredging) the port at Tumaco to support each vessel class. Multiple scenarios are possible, each with different flow rates and associated capital and operating costs. The cost comparison should include an analysis of the feasibility and cost of protecting the pipeline from attacks.
- Would an alternate export port or an offshore loading facility make more sense than a
 conventional liquid bulk port expansion at Tumaco? The draught required by large
 VLCCs and ULCCs is leading an increasing number of oil and gas operators to set up
 transloading and storage operations offshore rather than onshore.

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