

(BN) Type of Oil Car in West Virginia Fire May Be Rolling for Years

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By Jim Snyder

(Bloomberg) -- Oil tank cars like those that ruptured in a train derailment in rural West Virginia on Monday, sending a massive fireball into the sky and forcing evacuation of nearby homes, could be rolling through U.S. cities for years to come.

In drafting tougher standards after a series of disasters last year, U.S. regulators initially called for a two-year phase-out of tankers that now carry oil. The deadline was eased after tank car owners said there wasn't enough manufacturing capacity to upgrade or replace the fleet that quickly.

The revised version sent this month to the White House for review extends the deadline for as long as a decade for the type of cars that caught fire in West Virginia, according to three people familiar with the rule. The same cars, known as CPC-1232s, were involved in fires this week in Ontario and last year in Lynchburg, Virginia.

"This is just yet another example of the total lack of safety in moving crude in increasing volumes by rail," Matt Krogh, a campaign director for Forest Ethics, an environmental group based in San Francisco and Bellingham, Washington, said in an interview.

Executives from the Railway Supply Institute, a trade and lobbying group, warned regulators during a December meeting that a deadline for upgrades that's too aggressive would force producers to put more of their crude in trucks, which carries its own risks, or put the brakes on oil production.

Oil Boom

"The option is we don't have it, or we use highways," Tom Simpson, president of the Washington-based institute that

represents companies that own tank cars like GATX Corp. in Chicago, said in an interview.

The West Virginia spill involving a CSX Corp. train and a similar accident two days earlier in Ontario again highlights a dangerous side effect of America's oil boom. In 2011, about 700,000 barrels of oil were hauled by trains every day. That had more than doubled to about 1.6 million barrels last year, according to the U.S. Energy Information Administration, which tracks and analyzes data.

The increase in turn has led to more accidents, the worst of which was a July 2013 derailment of an unattended train in Quebec that killed 47 people. That disaster and near misses in the U.S. are prompting regulators to seek to update safety rules.

But a lobbying push by tank car owners appears to be paying off.

July Draft

A draft oil-train safety rule released by the Pipeline and Hazardous Materials Safety Administration in July said cars carrying the most volatile oil should be replaced or upgraded with new safety features within two years. The enhancements include steel jackets, new thermal protections and tougher valves.

A new draft, which hasn't been published, would prioritize changes to older cars known as DOT-111s that are thought to be the most prone to puncture. The CPC-1232s, an upgraded tank car the industry has made since 2011, could remain on the rails for as long as 10 years if they have an extra steel jacket for protection.

Safety advocates said the explosions of oil trains hauling crude in CPC-1232s shows that regulators need to stick with aggressive phase-out of all the cars on the tracks now.

The CPC-1232s are a "marginal improvement at best," said Krogh, with Forest Ethics.

Canadian Fire

The CSX train derailment southeast of Charleston, West

Virginia's capital -- which is still under investigation -- was the second in North America in less than 48 hours. An eastbound Canadian National Railway Co. train with 100 rail cars carrying diluted bitumen extracted from oil sands of Alberta came off the tracks in a rural wooded area near Gogama, Ontario, with some bursting into flames.

Shipping costs could increase \$13.6 billion under the revision regulators released in July, or 300 million barrels will be left undelivered if tank cars were forced from the tracks for repair, according to slides presented by rail industry executives at the December meeting.

The draft rule sent to the White House calls for a shell 9/16th of an inch thick, rather than current 7/16th standard, and requires electronically controlled brakes that can stop cars simultaneously and may help prevent derailments.

Oil companies and railroads have argued that the brakes are too expensive and don't offer much safety benefit.

Simpson of the Railway Supply Institute said his group supports a holistic approach to safety that will require new features for tank cars like the 9/16ths shell, but also focuses on preventing derailments in the first place.

Brigham McCown, a former administrator of the Pipeline and Hazardous Materials Safety Administration, said the West Virginia spill shows the proposed rule may place too much emphasis on tank-car design.

"You could make tank cars resemble Army tanks and it still isn't necessarily going to stop accidents," McCown, a transportation consultant, said.

More money needs to be invested in improving rail tracks, he said. "This is not a crude oil issue," McCown said. "This is an infrastructure issue."

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