

The final nail in the LNG coffin

Thomas D. Elias, Long Beach Press-Telegram, 10-31-10

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There is no doubt that Pacific Gas & Electric Co. has acted at least somewhat more responsibly in the wake of the September natural gas pipeline explosion in San Bruno than BP, the former British Petroleum, did after its springtime offshore oil platform disaster in the Gulf of Mexico.

No one had to jawbone PG&E to set up a \$100 million fund for victims the way President Obama had to hammer on BP executives before they agreed to compensate victims of their blast. No one forced PG&E's offer to buy up all the damaged homes at a premium price.

But no matter how well PG&E behaves now (and it has yet to clean up its pipeline-maintenance act), one long-term consequence of San Bruno will almost certainly be the death of any and all plans to bring more liquefied natural gas (LNG) to California.

So far, at least six proposals to build LNG receiving terminals along the California coast have been killed or mothballed over the last five years, and a total of eight have died since 1980. LNG is natural gas cooled to a sub-freezing liquid in remote locations like Indonesia or Qatar, then shipped across oceans in multi-billion-dollar tankers and warmed back into a gaseous state before it's pumped into existing pipeline systems.

The only West Coast receiving facility capable of placing LNG in use here is Sempra Energy's Costa Azul facility near Ensenada in the Mexican state of Baja California Norte. Because of demand for LNG in countries like Japan and South Korea, very little LNG figures to enter California through Costa Azul in the near future.

Even before San Bruno, proposals to build other receiving terminals in Humboldt County, Ventura County, Long Beach and near Camp Pendleton in San Diego County had all died or atrophied. But plans for two terminals in Oregon at Astoria and Coos Bay are still alive.

Enter the pipeline explosion. Each Oregon proposal would require about 100 miles of gas pipeline to run from its coastal location to an existing PG&E line that now carries gas to California from the Canadian province of Alberta.

In recent months, those lines have become the most contentious parts of the Oregon LNG plans. The pipeline from the possible Bradwood plant at Astoria would have to cross part of Washington and that state's authorities have issued several unfavorable reports on its environmental implications.

The pipeline from the putative Coos Bay facility, known as Jordan Cove, would cross the Coast Range before joining the existing PG&E line near Roseburg in central Oregon. It drew loud protests from farmers and ranchers even before San Bruno.

Part of the opposition in Oregon arises because of a study by that state's utility regulators which found that about three-fourths of any LNG arriving in Oregon would end up in California.

This, of course, would mean added cost to California consumers, whose gas prices would rise as the costs of building plants, pipelines and tankers were tacked onto the price of the gas itself.

Both Oregon and California regulators would most likely go along with this happily - if there were a need for the gas. But as early as six years ago, a federal Energy Information Agency report indicated no gas shortage was likely in California until 2030 at the earliest.

Large-scale development of natural gas from shale deposits in Texas, Oklahoma, Wyoming and Colorado since then has both driven down the price of gas and pushed back the likely date of any shortage by a minimum of 20 years. So the question arises: Why build plants and pipelines today in anticipation of a problem that might exist in 40 years - or might never arise if America begins using more renewable energy sources?

One reason is that there is now foreign demand for some of that gas from shale. In fact, owners of several East Coast and Canadian LNG terminals have lately proposed converting them into gasification facilities from which American gas could be exported.

But doing that in Oregon would still require pipeline construction.

And the questions about PG&E's maintenance of its existing pipeline network that arose immediately after the San Bruno disaster and still remain have done nothing but harden opposition to building anything that will tie into PG&E's network.

All this makes it virtually certain that LNG development of any kind will get nowhere on the West Coast for many years to come, a development that should be welcomed by every Californian who uses natural gas for heat or cooking.