

The Russians are trying to foist LNG on us

Thomas Elias, Long Beach Press-Telegram, 12-9-09

Elias is a syndicated columnist

For much of the last three decades, California companies like Sempra Energy and Pacific Gas & Electric have tried to foist expensive, environmentally questionable liquefied natural gas onto this state's consumers. Then came a big Australian energy firm, whose expensive effort to build an LNG receiving plant off the Ventura County coast failed more than two years ago.

Now it's the Russians, specifically the partially state-owned natural gas giant Gazprom, who want both to increase California utility bills and make America more dependent than ever on foreign energy.

In the past, efforts to import LNG to California failed in part because their sponsors sought to build receiving facilities inside the state, efforts thwarted by agencies as different as Indian tribes and the state Lands Commission. The timing seemingly could not be worse for LNG now, as the current glut of domestic natural gas is so great that operators of one big Texas LNG receiving facility have begun re-exporting their supplies to countries that do have a need.

LNG is natural gas supercooled to a subfreezing liquid and shipped across oceans in quarter-mile-long cryogenic tankers, then rewarmed and placed into existing pipelines.

Always, there is big money behind the efforts to bring LNG to California, which means they can never be taken lightly, no matter how unneeded LNG may be.

How unneeded is it today in this state? Totally, unless the state Public Utilities Commission votes to give up even more of the domestic gas supplies that now flow to California from places like Texas, Oklahoma and Colorado. So far, the PUC under the leadership of former utility company executive Michael Peevey has voted to release one-fourth of the space California now reserves on two major pipelines. If that move ever becomes reality - and it can only happen if LNG replaces current gas supplies - domestic gas now used here would go instead to the Northeast and Midwest.

Repayment of corporate investments in building tankers, liquefying plants and receiving terminals is always included in the price of LNG, almost invariably making it more expensive than pipelined domestic supplies.

LNG is unneeded today by everyone except those who invest in it because existing domestic gas supplies are adequate to serve American needs for the next 100 years, there is a current surplus and because demand for gas actually declined slightly in California over the last 10 years, despite population growth. This was due in part to the advent of energy-efficient appliances.

Gazprom, which controls 17 percent of the world's known natural gas reserves, doesn't care about any of that. "Our goal is to expand into all North American markets," John Hattenberger, head of Gazprom's Houston-based U.S. marketing and energy-trading wing, told a newspaper in Ft. Worth, Texas, the other day.

Gazprom already has a foot in California's door: It supplies some of the LNG going to the Sempra-operated receiving plant in Baja California, Mexico. As might be expected, part of that gas has been approved for sale to customers of another Sempra-owned company, San Diego Gas & Electric.

Gazprom liquefies this gas on the island of Sakhalin, just north of Japan. It also will produce LNG at Shtokman, on the Barents Sea coast of Siberia.

Two very logical destinations for much of that gas are the LNG facilities now proposed at Coos Bay and Astoria, Ore.

Both are well into their planning and permitting phases, with the Oregon Public Utilities Commission estimating about three-fourths of all gas they handle would end up in California. That could easily happen if pipelines of 100 miles or less are built from the two Oregon coast locations to an existing line that now carries gas from fields in Canada to PG&E customers.

As with the Gazprom contract to supply Semptra's plant at Costa Azul, Mexico, California authorities would have little to say about all this. The state Lands Commission, which blocked the Ventura County LNG plan by refusing to allow a pipeline to run across state-owned tidelands, would be out of the picture. The Chumash Indians, who blocked an earlier LNG effort at Point Conception in Santa Barbara County on religious grounds, would not be involved.

In short, only the PUC would have a voice, and it has rubber-stamped every LNG proposal it's seen over the last 30 years, always predicting gas shortages that never materialized.