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Atlantic's LNG plant in Trinidad and Tobago.

LNG interests won't quit

Race to build West Coast terminal continues despite Clearwater stumble

The relative positions among the broad array of proponents racing to build North America's first West Coast liquefied natural gas (LNG) terminal shifted dramatically with the disclosure that NorthernStar's application process to build a so-called "Clearwater Port" off the coast of Santa Barbara County is now on hold.

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This may be good news for the people and animals of our area, but the developments will do little to prevent LNG's impacts on global warming. LNG is coming soon via Mexico, and it's still a horse race to determine exactly when, where and if it will also come ashore in California or Oregon. The major development last week was the

Coast Guard's request to Houston-based NorthernStar to respond to almost 400 questions about environmental and safety issues regarding the LNG terminal it proposes for Platform Grace, a short distance from the Santa Barbara-Ventura county line. The company's application process is suspended until it responds.

NorthernStar's vice president, Billy Owens, made light of the postponement, saying in a Nov. 3 article in a Ventura County newspaper, "We don't feel that this is a sign of delay in the schedule. Many of the questions raised by the Coast Guard have been dealt with in plans already submitted by the company."

But even NorthernStar's own Web site argues strongly against Mr. Owens' public optimism, carrying the following statement on its investor relations' page: "Because of the significant regulatory and environmental

challenges that must be addressed to successfully develop, build and operate an LNG terminal on the West Coast, our low-cost, first-to-market strategy will give us a competitive advantage over later market entrants. . ."

Actually, the company was once ahead of its competitors, being first to make its plans for the Clearwater Port public in 2003. But though the company's Web site still says that the project's construction is set for 2008, with commercial operation by 2009, NorthernStar's prospects of merely having the project approved in 2008 are now remote.

Meanwhile, the Sempra Energia Costa Azul project near Ensenada, Mexico, leads the race to be first to market on the West Coast. It has received all permits, construction is nearly

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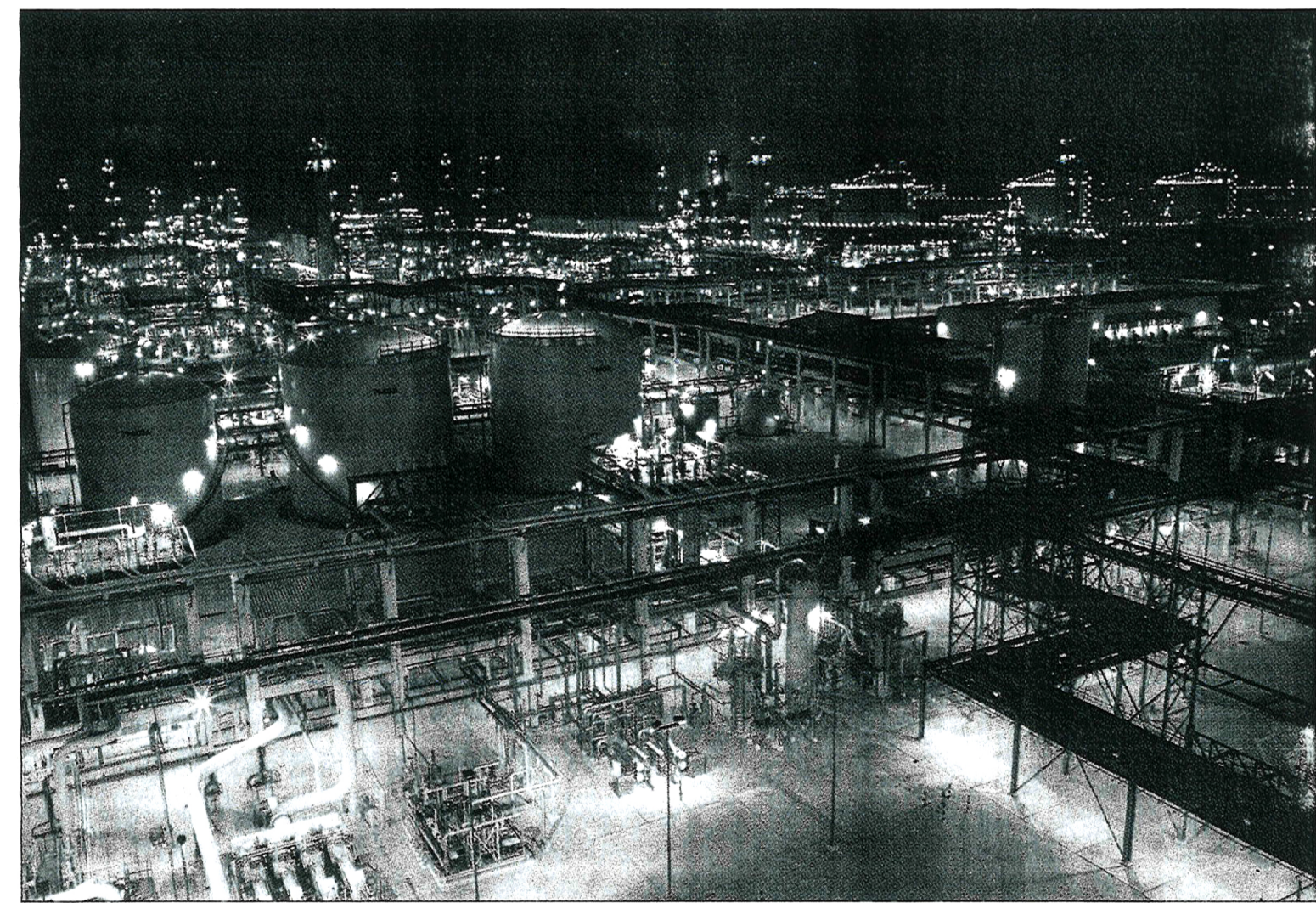


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Qatar Liquefied Gas Company's LNG plant by night.

Do we have a real need for LNG?

BRIDGERS

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complete, and commercial operation is expected in early 2008. At least half of the capacity will be contracted to U.S. markets, according to the California Energy Commission's Web site.

Another project in Mexico has now been announced. The Sonora Pacific LNG Terminal, a \$1 billion joint venture between El Paso Corp. and KDRW Energy LLC of Houston, would be built outside Puerto Libertad, 130 miles south of Lukeville, Ariz. Its location on the east side of the Gulf of California also would give that terminal access to both U.S. and Mexican markets.

LNG project developers' decisions to locate in Mexico may make project approvals easier because they circumvent our state and federal environmental laws.

To the north, four LNG terminal proposals for Oregon are making their way through the process, including another project by NorthernStar

in Bradwood, Ore. Those projects are competing with the Clearwater Port proposal as well as Woodside's application to place a terminal off the coast of Los Angeles.

Sempra's near-complete terminal near Ensenada makes the addition of LNG to the West Coast energy mix all but certain. What is unknown is the effect the Sempra terminal and Puerto Libertad will have on the other U.S. proposals. Still another wild card is the recent announcement by Houston-based Spectra Energy Corp. that it plans to build a 650-mile-long, \$3 billion natural gas pipeline to connect Rocky Mountain supplies to markets in California and the Pacific Northwest.

At the State Lands Commission hearings in Oxnard last April, Lt. Gov. John Garamendi grilled Billiton representatives regarding what the Ensenada terminal would mean for California. He asked, "Is this terminal really needed and what are the alternatives?"

It's one of the questions the Coast Guard has

asked NorthernStar about the Clearwater Port. We know they'll come up with some rationale to support their project, but the marketplace is providing significant evidence to the contrary.

In the wake of the Enron scandal earlier in the decade, then-Gov. Gray Davis negotiated long-term natural gas contracts for California. The terms are more favorable than any involving LNG would be. Without public vigilance, those contracts could be easily cancelled (just like two others were by the California Public Utilities Commission) in favor of new ones relying on LNG.

At the April Cabrillo Port hearings, it also became public that the process of regassing LNG is anything but wise in terms of CO2 emissions.

Gov. Arnold Schwarzenegger's recent signing of the Solar Water Heating and Efficiency Act of 2007 goes in the right direction for our energy future. Let's keep this state focused on investing in renewable energy that supports our domestic economy as well as the global environment.