

Remaining LNG projects in Oregon face uphill fight

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Bradwood Landing was an industrial site from 1856 until 1965. It housed a lumber mill, company town and deep water port.

When NorthernStar Natural Gas **suspended development last week of the Bradwood Landing** LNG terminal on the lower Columbia River, the company blamed the project's demise on death by bureaucracy.

After six years and \$100 million spent in a regulatory odyssey for terminals in Oregon and California, NorthernStar's investors saw little prospect of success, and pulled their support.

View full size"The extended delays in the processing of state and federal permits for Bradwood Landing and the difficult investment environment have forced us to suspend development," said NorthernStar Natural Gas President Paul Soanes in a news release. "In particular, the challenging regulatory environment gives investors pause..."

To be sure, spending \$100 million before ever driving a nail is a staggering sum -- one that offers a cautionary note for the two remaining LNG proposals in Oregon -- one in Coos Bay and the other in Warrenton. To reach the regulatory finish line, each of those projects still faces a daunting lineup of interdependent state, local and federal permitting processes.

Meanwhile, the economics of importing natural gas are looking bleak. Financial backers are more reluctant than they were a few years ago. And domestic competition is coming on strong, with a proposed pipeline from Wyoming on the verge of final approval and nabbing the same customers an LNG terminal in Oregon would need.

Yet the moral of NorthernStar's story isn't necessarily that an LNG terminal isn't viable in Oregon, or that the permitting process is impossible, observers say. Rather, it may be that NorthernStar went about it in the wrong way, and ultimately sank its own ship.

The fatal flaw for Bradwood may have been the Bradwood location itself. The problem was there from the get go.

Site selection is primarily a process of eliminating unsuitable sites and defining locations where the project is the best fit.

From the beginning, Clatsop County's planning department said unequivocally the LNG project was inconsistent with the county's land use law. Instead of resolving those issues up front, the company convinced the Clatsop County Board of Commissioners to ignore its own staff and approve the project.

The Oregon Land Use Board of Appeals remanded the project twice to the county. The land use approval is the most fundamental piece of the project, the certification that the facility meets county and statewide planning goals. After six years and \$100 million, NorthernStar didn't have it.



Bradwood, an abandoned mill site 25 miles east of Astoria, sits atop what many biologists say is important salmon habitat, if not a critical nursery.

The idea of dredging that stretch, driving supertankers full of a volatile commodity upriver to unload, then allowing ships to suck up millions of gallons of ballast water for a return journey across the Pacific, was anathema to conservation groups. It also raised serious concerns among state and federal regulators, who have overseen billions of dollars worth of salmon restoration efforts on the river.

NorthernStar never subscribed to the notion that its site was particularly sensitive habitat, and tried to convince regulators its mitigation efforts were more than adequate to deal with the "minimal" impact the terminal would have.

One fundamental piece of its salmon protection plan was to screen ballast water intake to protect juvenile salmon. Federal regulators made fish screening a condition of its license. But NorthernStar never came up with anything beyond a conceptual design for a fish screen.

Meanwhile, it argued with scientists.

"That's lesson 101 in project development," said Bob Braddock, project manager of the Jordan Cove Energy LNG project in Coos Bay. "You don't make the rules, you comply with them."

Until recently, NorthernStar's experts second-guessed regulators' data requests for modeling the river's hydrology. It protested the Oregon Department of Environmental Quality's requests to conduct additional sampling. And it complained about regulators continually moving the goal posts to the point that they would never have a definitive answer.

Nina DeConcini, Northwest Region administrator at DEQ, acknowledges that the LNG terminal permitting has taken a long time, but she said that without any prior experience with an LNG terminal, the impacts are largely unknown.

"DEQ is obligated to conduct the most scientifically rigorous evaluation of the impacts of these kinds of projects," she said. "We will have the same standards, and the same information requests for the other LNG projects. We try to treat everyone equally."

Peter Hansen, chief executive of Oregon LNG, says he too worries about a permitting process in which all the agencies want to be last. He believes there are circular references among state, local and federal permitting processes that make it difficult to get started.

"It's a bring-me-a-rock, no-I-don't-like-that-rock, bring-me-another-rock kind of approach," he said. "It becomes enormously complicated because there are no firm rules."

LNG projects still pending

Project: Jordan Cove LNG terminal and Pacific Connector Pipeline

Location: Coos Bay

Status: The project has received conditional federal approval, though Oregon has asked regulators to rehear that decision because state permits were not in place when it was granted. Developer still working through clean air, clean water and coastal zone management permits at the state and federal level.

Project: Oregon LNG terminal and pipeline

Location: Warrenton

Status: Developer awaiting a draft environmental impact statement and biological assessment from federal energy regulators this summer. Also working through local land-use compatibility, clean air, water and coastal zone permits. Administrative law judge is examining the company's conduct with landowners during the environmental review process for its pipeline.

On the surface, neither Oregon LNG nor Jordan Cove terminals appear to have the same degree of ecological issues as Bradwood, and state regulators say their relations with the companies have generally been smoother.

Still, each project faces significant hurdles. Oregon LNG is early in its permitting process, and opponents are protesting its potential impact on nearby Young's Bay fishery, and the public safety of locating an LNG terminal close to an airport or the city of Astoria. The company's lease with the state may become an issue, and it has angered landowners along the pipeline that would connect the terminal with a gas hub in Molalla.

Jordan Cove has its own pipeline problems, in addition to a potential market problem. With a 230-mile pipe, Jordan Cove is an expensive project that would send gas into the same hub that would be served by the new pipeline from Wyoming. That competition would make both projects less competitive -- or one of them not feasible.

No matter how those specifics play out, opposition to LNG isn't backing off.

"We don't need LNG," said Brett VandenHeuvel, executive director of the conservation group Columbia Riverkeeper. "There are massive environmental impacts and pipelines crisscrossing the state.

"The reasons why people opposed Bradwood still carry over to Jordan Cove and Oregon LNG."