

NY rejects Long Island Sound LNG terminal

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By Matt Daily

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NEW YORK (Reuters) - New York's governor on Thursday rejected a proposal by energy companies Shell and TransCanada to build a liquefied natural gas platform in Long Island Sound, saying it was "fundamentally wrong" to privatize open water.

Rejection of the Broadwater plant was the latest setback for the energy industry's efforts to build a terminal off North America's eastern shores to import supplies of natural gas from the Caribbean, Middle East and West Africa.

New York's new governor, David Paterson, said he wanted to protect Long Island Sound, the body of water between Connecticut and New York's Long Island.

"Broadwater does not pass that test," he said.

The project, called for a terminal with a capacity of 1.25 billion cubic feet of natural gas per day that would be built for \$700 million, according to 2004 estimates.

Connecticut Gov. Jodi Rell praised the decision by New York.

"Anyone who has ever stood on these shores and looked out over these beautiful waters understands that this is no place for a giant industrial barge. This is no place for a floating terrorist target," Rell said in a statement.

The Federal Energy Regulatory Commission approved Broadwater's construction in March despite concerns by local officials that the plant could be the target of an attack.

LNG is natural gas that is super cooled into liquid form for transport in ships. It is warmed and returned to its gaseous state at the import terminal.

Broadwater said it was disappointed with the New York Department of State decision, but would consider other options for regulatory approval.

"We specifically designed this project to be consistent with the state's coastal management policies and offered a number of additional commitments that would further enhance the State's coastal resources," John Hritcko, regional project director for Broadwater Energy, said in statement.

For TransCanada, the biggest gas pipeline operator in Canada, the rejection marks a second disappointment on the LNG front this year.

In February, its plans for a \$1 billion regasification terminal in Quebec in partnership with Petro-Canada were tossed into limbo when Russia's Gazprom canceled a Baltic Sea plant that was expected to provide steady supply.

Its investors took the Broadwater rejection in stride. TransCanada shares rose 74 Canadian cents to C\$37.18 on the Toronto Stock Exchange.

Similar projects have been canceled by energy companies facing opposition from community groups and local governments opposed to construction of the terminals.

Last month, the U.S. Supreme Court sided with Delaware and ruled the state could block a \$750 million LNG plant that BP Plc wanted to build on the New Jersey side of the Delaware River.

Still on the drawing board is Exxon Mobil Corp's plan to build a \$1 billion LNG terminal about 20 miles off the coast of New Jersey. The company hopes that project could allay some security and environmental concerns because of its distance from shore.

(Reporting by Matt Daily, Joan Gralla and Matthew Robinson in New York and Bruce Nichols in Houston; Editing by David Gregorio/Peter Galloway)