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## Push for LNG pipeline from Oregon's Coos Bay

by David Baker, **San Francisco Chronicle**

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### San Francisco Chronicle

Coos Bay snakes from the Pacific into the hilly Oregon coast, its waters sheltered from the ocean by a long, sandy spit.



Resident Jody McCaffree sees it as a place of sand dunes and shore birds, where the slumping local economy hasn't destroyed a high quality of life. But a group of energy companies, including PG&E Corp., sees Coos Bay as a potential source of fossil fuel.

The companies plan to build on the bay's northern shore a terminal for importing liquefied natural gas, deeply chilled fuel that, when warmed up, can run power plants, furnaces and stoves.

A proposed pipeline from the terminal would cut through 234 miles of rural land, mostly forest, before stopping at the town of Malin on the California border. There, an existing pipeline would move the gas north to the Pacific Northwest and south to California.

"You're tearing up half of Oregon for a pipeline to import foreign energy," said McCaffree, who has helped spearhead opposition to the project with her group Citizens Against LNG.

McCaffree fears that if an LNG tanker suffered an accident in the narrow bay, it would form a vapor cloud capable of igniting into a fast-moving fireball. About 17,000 people live within a 3-mile radius of the proposed terminal, called Jordan Cove.

"Maybe there's a reason California doesn't want these things on its shore," McCaffree said.

### Radical market change

Five years ago, energy companies were racing each other to build LNG terminals on the West Coast. Natural gas production in the United States was falling, and prices were rising, pushing up home heating bills in the process. Despite fierce opposition from people like McCaffree, many state and federal officials saw importing liquefied natural gas as the answer.

But the natural gas market has changed radically since then. Improved technology helped energy companies tap gas that had been locked in shale rock in places like Arkansas, Louisiana and Texas. Domestic production boomed. Prices fell. And interest in LNG - at least in America - fizzled.

### Diversify for future

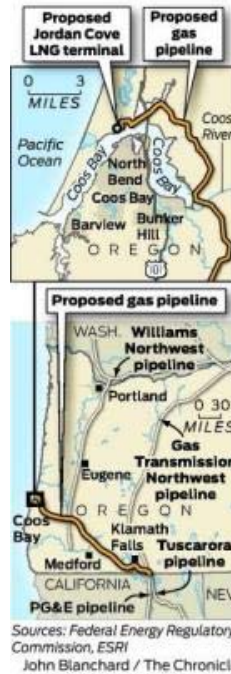
So why are PG&E and its partners pushing ahead in Coos Bay?

Jonathan Marshall, a spokesman for the San Francisco company, said PG&E is trying to plan ahead. The company is part of a consortium that would build the \$1.1 billion pipeline, called the Pacific Connector, while another consortium would build the \$1.2 billion terminal.

"None of us has a crystal ball," Marshall said. "It goes back to supply diversity. As we've seen before, prices can shift very quickly. Right now they're shifting down. But small changes in demand, in supply, can trigger big changes in price."

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The projects have applied for approval from the Federal Energy Regulatory Commission, and a vote could come as early as the commission's next meeting, later this month. The projects would still need permits from several other federal and state agencies.

#### Demand fuels project

But Bob Braddock, project manager for the terminal, said neither the terminal nor the pipeline will be built if there isn't demand for the gas. If LNG exporters overseas don't think they can get a good price in America, they won't sign contracts to use either facility.

"This will never be built unless the capacity for the terminal and the pipeline are contracted," he said. "Right or wrong, (the exporters) are making decisions based on what they see the prices will be in America 25 years from now."

Big energy infrastructure projects - from coal-fired power plants to wind farms - often provoke opposition. But not like LNG. Fierce resistance already helped block proposals to build LNG import terminals in Eureka and Long Beach, on Vallejo's Mare Island and off the coast of Ventura County.

Opponents tend to focus on safety.

#### Ignition danger

LNG is natural gas cooled to minus 260 degrees Fahrenheit, at which point it turns into a clear liquid. Ships carry it in insulated tanks. If those tanks are punctured and the liquid escapes, it will turn back into gas and hover on the surface of the ocean until it disperses in the wind, rather than forming a slick like spilled petroleum.

But before it disperses, spilled LNG can ignite. In 1944, a Cleveland facility that produced and stored liquefied natural gas leaked, creating a vapor cloud that seeped into a nearby residential neighborhood. The vapor ignited, and 130 people died. In 2004, an explosion at an Algerian LNG plant killed 27 people.

Proponents of the fuel say that despite those rare incidents, the LNG industry has a good safety record. And some parts of the world welcome LNG. San Ramon's Chevron Corp., for example, announced recently that it would build a \$37 billion project off Australia's northwest coast to pump natural gas from undersea reservoirs, chill it and ship it to customers in China, Korea and Japan. Chevron has already signed contracts for much of the gas.

#### Purpose questioned

The fact that other countries are eager to buy LNG while America isn't makes McCaffree and other Jordan Cove opponents wonder if it isn't an export terminal in disguise.

The Pacific Connector pipeline, they note, could easily link to another proposed pipeline, called Ruby, that would enter Oregon from the east, supplying the West Coast with natural gas from the Rocky Mountains. If Jordan Cove is really designed for export, then any private property condemned to build the Pacific Connector pipeline would be condemned solely for corporate profit, McCaffree said, not to fill a community need the way an import facility arguably would.

"I just don't understand why PG&E's still pursuing it, unless it's going to be an export terminal," she said. "There's no way we need all that gas." She considers any LNG project - import or export - a waste of money and effort when the country needs to be building more renewable power facilities and weaning itself off fossil fuels.

#### Export too costly

Braddock said that turning Jordan Cove into an export terminal would require completely redesigning the project and reapplying for government permits. And the proposed site on Coos Bay isn't big enough to accommodate the equipment needed for cooling the natural gas into a liquid, he said. An export terminal would also cost far more to build - closer to \$5 billion.

"I couldn't make the economics of that work no matter how hard I'd try," Braddock said. "It's not like someone can just flip a switch. The technical issues are huge."

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