Liquefied Natural Gas:

The Wrong Choice for California

Some of the world's largest energy companies are currently trying to convince the state of California to import Liquefied Natural Gas (LNG) for the first time. LNG is natural gas that is extracted from gas fields overseas, chilled to -260 degrees Fahrenheit, and then shipped to coastal import terminals in tankers the size of aircraft carriers. Three LNG import terminals are currently proposed for the California coast (one in Long Beach and two off the coast of Oxnard), two are proposed just south of the border in Baja California, and three more for the coast of Oregon.

This controversial plan is a giant step in the wrong direction for California. Concerned people in Eureka, Vallejo and Tijuana have already rejected attempts to site LNG terminals in their area, sending a clear message that LNG is the wrong choice not only for their own communities, but for our state.

The negative reception LNG is receving in California has forced the energy industry to spend millions trying to clean up LNG's image. Not suprisingly, the industry is spreading misinformation about LNG--myths that mask the threat LNG poses to the environment, to community safety and to our state's desire for energy independence. These are a few of these myths and the reality behind them.

Myth: There is a domestic natural gas shortage, and LNG will make up for the shortfall.

Reality: The California Energy Commission is predicting adequate natural gas supplies without importing LNG. California's gas demand is currently declining from its 2002 peak, and is not expected to rebound to that level until 2014 at the earliest. The 2014 rebound assumes a "business as usual" level of energy conservation and renewable energy development, but does not account for more ambitious efficiency and renewable that have already been proposed.

Myth: LNG is safe.

Reality: California's 1977 LNG legislation required a 4-mile buffer zone around LNG terminals. LNG is highly flammable, and its leakage can create a vapor cloud that is easily ignited. According to a 2004 study by Sandia National Laboratories, a terrorist attack on a liquefied natural gas tanker would cause "major injuries and significant damage to structures" a third of a mile away and could cause second-degree burns on people more than a mile away. An accident at an LNG liquefaction facility in Algeria in 2004 created a huge fireball that killed 27 people in the vicinity of the plant, and shattered windows up to five miles away.

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Myth: LNG is a clean energy source.

Reality: LNG extraction has resulted in some of the world's most environmentally devastating projects. On Sakhalin Island, Russia, Shell and ExxonMobil are extracting oil and gas in a pristine marine environment that is home to the critically endangered Western Pacific Gray Whale. The Sakhalin project has been mired in problems, including massive fish die-offs, two significant oil spills, and contamination of the local water supply. It has led to widespread protests by local residents, as well as blockades led by indigenous peoples who have seen their subsistence economy erode from these projects. In the Camisea gas fields in Peru, a gas project is opening up one of the most pristine rainforest valleys in the Amazon, threathening the livelihoods of riverine indigenous communities and the physical survival of isolated indigenous populations.

Myth: LNG is cheap, and will lower power bills.

Reality: The U.S. Department of Energy estimates the cost to produce North American gas at less than $3 per thousand cubic feet, while citing the cost to get LNG to California at more than $4 per thousand cubic feet. Its hard to figure how substituting higher-priced imported LNG for lower-cost domestic natural gas will lower natural gas prices in California. Demand for natural gas has been relatively flat in the U.S. for the last few years, and currently natural gas storage levels are at historic highs. It is true that between 2002 and 2004 the price of natural gas doubled. However, many consumer advocates and large industrial gas consumers believe market manipulation is behind this, not the laws of supply and demand.

Myth: Developing LNG will create jobs.

Reality: The construction of an LNG facility will create a few hundred short-term construction jobs, and only a few dozen long-term, highly specialized positions. Most of the other jobs associated with LNG are located abroad, in the locations where the gas is extracted. Renewable energy, however, creates many more permanent jobs here in the U.S. According to a 2002 study by Cal-PIRG, the wind power industry provides seven times more domestic jobs than the gas industry per mega-watt, solar technologies twice as many, and geothermal 11 times as many.

Myth: LNG has a minimal impact on global warming.

Reality: While it's true that natural gas power plants emit about half as much carbon dioxide as coal plants, the natural gas combustion required to produce and transport LNG to the plants adds 20 to 40 percent more carbon dioxide than burning natural gas alone. This includes extracting the gas from the earth, proecessing the gas to meet U.S. standards, transporting it through pipelines (many of which leak), chilling it, shipping it overseas, and then converting it back to natural gas. In the end, LNG is a major source of greenhouse gasses, and investing in LNG infrastructure increases our dependence on climate destabilizing fossil fuels.

Importing LNG into California would deal a huge setback to the state's laudable renewable energy goals.

In short, don't be fooled, LNG is a major source of greenhouse gasses.

Myth: LNG is a "bridge fuel" to renewable energy.

Reality: Importing LNG into California will be a huge setback to our renewable energy initiatives. The fossil fuels industry is spending billions to extract natural gas from far corners of the globe, and will spend billions more to build the necessary infrastructure for LNG. No financial institution would invest billions in something that's only a temporary fix.

There simply isn't the demand for both LNG and the renewable energy that Governor Schwarzenegger and other state leaders have promised. If LNG is allowed to flood into our energy grid, it will undercut the renewable industry. This is because LNG would be subsidized by ratepayers and favored by the big utilities, so it will get preferential treatment. While renewable energy technology is ready to go, and we are slowly increasing our renewable capacity, it isn't getting the support or the subsidies provided to fossil fuels like LNG.

Myth: LNG will help ensure against rolling blackouts.

Reality: The blackouts of 2000 – 2001 were NOT caused by gas shortages. They WERE caused by manipulation of price and supply by some of the very companies who stand to gain by importing LNG, especially

Sempra Energy. In fact, Sempra is now being sued for lost revenues by several California counties as a result of their "gaming" the gas supply in 2000 – 2001. If Sempra moves ahead with their LNG import facility near Ensenada, Mexico, they will have even more control over Southern California's gas supply.

In addition, LNG would put our gas supply at the mercy of global politics and local conditions we have no control over. Environmental and human rights abuses associated with gas production in Indonesia, Peru, and Russia have led to widespread discontent in the areas around the projects. It's entirely possible that these conditions will lead to the projects being shut down, or taken over by the host governments. On the receiving end, if an accident or an attack shut down an LNG import terminal, gas supplies would be stopped until the facility was rebuilt. Because LNG concentrates supply through a single import point, and because LNG comes from places we have no control over, it actually puts our energy grid at increased risk of future blackouts.

Myth: LNG will help clean the air by replacing gasoline used in cars.

Reality: The principal justification for LNG as a vehicle fuel is as a clean alternative to diesel. However, beginning in 2007, new LNG and diesel vehicles will be subject to the same emission and nitrogen oxide standards. There is no significant difference in the toxicity of the fine particulate emissions from heavy duty diesel and LNG vehicles. By the time LNG receiving terminals would be coming on-line in the 2008-2010 timeline, there will be little or no air quality justification for it.

Myth: LNG is politically popular.

Reality: The residents in Vallejo, Eureka and Tijuana all gave a resounding 'thumbs down' to proposed LNG facilities in their communities. Other towns on the east coast and in Texas have also wholeheartedly rejected LNG. Yet the Schwarzenegger Administration and other state agencies continue to push for LNG imports. Perhaps that is because the LNG industry is spending a lot of money to buy their favor. For instance, Sempra spent over $800,000 lobbying the California Public Utilities Commission in 2004, in the months before the CPUC gave them a very favorable ruling for their Baja project. According to an Associated Press expose, Chevron-Texaco had significant influence over Governor Schwarzenegger's "California Performance Review," making contributions in exchange for favors in energy policy, including LNG terminal approval.

Because LNG has turned out to be such a PR problem, the industry has hired a top-flight PR firm, Navigators, to sell LNG to California. This is the same firm that ran the Gray Davis recall campaign, and they are infamous for launching personal attacks on political candidates in local races. If LNG is such a good idea, why does it require a PR hit team to sell it?

Myth: California's political leadership is considering all of the alternatives before committing our state to LNG.

Reality: Our coalition has urged the California Public Utilities Commission to hold open, evidentiary hearings to determine the need for LNG before we sign our future over to it. Our request has been echoed in letters sent by 24 members of Congress including Democratic leader Nancy Pelosi, 20 members of the State Legislature, and several other political leaders. These lawmakers agree with us that as a matter of good government, the state should consider all of the impacts and the alternatives to LNG before we sign our energy future away to it.

Despite these requests, the CPUC has denied our requests for public hearings. Instead, they are basing their energy policies largely on written requests made by big energy companies and utilities. And policies that have come from the relevant agencies and from Sacramento have largely favored the energy industry, and have greased the skids for LNG. The state has yet to produce any conclusive proof from an independent source that we need LNG.

Ratepayers for Affordable Clean Energy (RACE) is a coalition of citizens and organizations concerned with the current drive by the energy industry to continue California's dependence on fossil fuels for our future energy needs. One of our major concerns is the construction of new infrastructure for the import of liquid natural gas (LNG) from abroad. Members include **Amazon Watch, Border Power Plant Working Group, California Alternative Energies Corporation, Center for Biological Diversity, Environment California, Environmental Protection Information Center (EPIC), Greenpeace, Local Power, Long Beach Citizens for Utility Reform, Marin Clean Alternative Energy Now, Northcoast Environmental Center, Pacific Environment, Public Citizen, Vallejo Community Planned Renewal (VCPR), Wildcoast, and Womens' Energy Matters.**