Coastal Conservation Association

Liquefied Natural Gas Terminals

Briefing Document

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Coastal Conservation Association Holding the Line on LNG

Ronald Reagan once said that wars begin when governments believe the price of aggression is cheap. Back then, the U.S. was staring down the Soviet Union and the stakes were high for the entire world. His point was that unless you have the ability and willingness to stand up for what you believe, and you make that known to your opponent, then you are essentially powerless to change the course of events.

Reagan made that statement in the highly charged atmosphere of the Cold War, but it is remarkably applicable to everyday life. It is never enough to wish for the right thing to happen; you also have to have the ability and willingness to do whatever you can to make it happen.

CCA often finds itself in "cold wars" in the management of our marine resources. There are commercial fishing gears and practices and quotas that are destructive to the resource, and we know that. However, just like it was impossible to wish the Berlin Wall away, so it is also impossible to employ a magic bullet in fisheries management. Where an outright victory has proven impractical, CCA's steady, consistent presence has acted to hold the line until a better solution could be found.

CCA has recently found itself holding the line for marine resource conservation in a different arena, one far larger than anything it has experienced before. Proposals to construct liquefied natural gas (LNG) terminals on the nation's coasts have put fishery management issues on the same stage with national energy policy.

Anyone who has visited a gas station recently realizes that energy is a serious issue in this country. At times like these, new and diverse energy sources must be utilized to help meet not only our demand for gasoline, but all other energy needs as well. One of those sources counted on to be a major piece of the supply puzzle is natural gas.

To import natural gas from overseas, it is chilled to about minus 260 degrees to turn it into a liquid before it is loaded onto specialized tankers. Upon arrival here, it is turned back into a gas for pipeline transport. The regassification process circulates seawater through a radiator-like system to reheat it. To do this, these giant facilities may employ one of two methods – closed-loop or open-loop systems.

Open-loop systems use a continuous stream of fresh seawater, more than 100 million gallons per day. Closed-loop systems reheat a limited amount of water to convert the gas with less impact on the environment, but they are more expensive to operate. Closed-loop systems have been built in areas where the surrounding seawater is simply too cold to be effective in the reheating process or in shallow, nearshore locations where the impact of sucking in millions of gallons of water would be too great.

In some parts of the Gulf of Mexico, however, open-loop systems have been proposed offshore. The first that came to the attention of CCA early this year was one proposed by Shell US Gas & Power LLC called Gulf Landing, 38 miles off the coast of Louisiana.

Drawing in millions of gallons of seawater means that anything drifting in that seawater – fish eggs, larvae, plankton – is likely to be killed. In this particular case, information at the time indicated that the Gulf Landing facility would have some impact on redfish populations. In fact, that was the ONLY known impact that was mentioned in the entire environmental impact statement for this plant. Keep in mind that this is 38 miles offshore and obviously no

one is sure exactly what is floating out there year-round.

With the information on redfish in hand, CCA Texas sent a letter asking the Gulf of Mexico Fishery Management Council to object to the open-loop system. The Council, and ultimately the National Oceanic and Atmospheric Administration did object, but it became apparent that their concerns were going to be overridden.

Alarmed by both the speed with which the permit process for Gulf Landing was proceeding and the relatively sparse information on potential impacts, CCA requested that the issue be elevated to the White House Council on Environmental Quality (CEQ). When it became obvious that the permit was likely to be issued, CCA sent a letter to President Bush. Through grassroots efforts and high-level communications, CCA made clear to the Administration that:

"Coastal Conservation Association strongly opposes open-loop liquefied natural gas terminals and favors closed-loop systems. If federal regulatory authorities issue licenses over our objection to open-loop LNG facilities, then CCA insists the license must require stringent monitoring and assessment of damage to marine resources – both those presently known and those yet to be determined. Further, any damage to the resource must be fully avoided, and if avoidance is not possible, then the damage must be fully mitigated."

The U.S. Department of Transportation overrode objections from CCA and cleared the way for Shell US Gas & Power LLC to operate an open-loop LNG terminal. But the story does not end there.

In his decision on the license application, the Secretary of Transportation incorporated just about every aspect of CCA's official position, spelling out significant mitigation and monitoring requirements for the facility. Specifically, Gulf Landing, in consultation with NOAA Fisheries and other agencies as appropriate, will develop and implement a monitoring plan to establish baseline information on fish eggs and larvae in and around the site, commencing 36 months prior to the plant's installation and continuing for the life of the project.

Based on those findings, Gulf Landing will have to implement mitigation projects to counter the impacts, including changes to the operation of the facility, aquaculture projects, wetland restoration or other habitat projects, additional artificial reef projects, modification of the warming water inlet exclusion devices and other research programs.

After the license was granted, CCA was called in for consultation with the federal government, the State of Louisiana and Shell Oil Company on the design for stringent monitoring and mitigation programs, which will include independent scientific oversight.

The story will not end here either. A number of other LNG facilities are on the drawing board and the potential for a cumulative impact from all the facilities is a great concern for CCA. We will continue to fight each and every open-loop system as it comes along.

CCA went into this issue with its eyes wide open, and under no illusions about the reality of the situation. In the most energy-friendly region of the country and at a time when the U.S. is dealing with record high oil prices, CCA stood up to do all that could possibly be done to ensure these plants have no net negative impact on marine resources. Had CCA not jumped in front of this speeding train, the monitoring and mitigation requirements would probably not exist.

Upon signing a treaty with the Soviet Union, Reagan uttered another famous phrase that is applicable here – "Trust, but verify." By engaging the federal government and a multinational oil company, staying in the game and fighting all the way to the White House, CCA has ensured that many eyes will be verifying what happens at these facilities.

And the story still may not end.

Case Study - Gulf Landing

- Over CCA's strong objections at the highest levels of govnernment, earlier this year the U.S. Department of Transportation approved a license for Gulf Landing, an open loop terminal proposed by Shell US Gas & Power LLC 38 miles off the coast of Louisiana. However, CCA fought for and won license requirements that incorporate just about every aspect of CCA's position:

    - Gulf Landing, in consultation with NOAA Fisheries and other agencies as appropriate, will develop and implement a monitoring plan to establish baseline information on fish eggs and larvae in and around the site, commencing 36 months prior to the plant's installation and continuing for the life of the project.

    - Based on those findings, Gulf Landing will have to implement mitigation projects to counter the impacts, including changes to the operation of the facility, aquaculture projects, wetland restoration or other habitat projects, additional artificial reef projects, modification of the warming water inlet exclusion devices and other research programs.

- The mitigation and monitoring requirements in the license issued for Gulf Landing, the first LNG open-loop system approved for construction in the Gulf of Mexico, are in place because of CCA's efforts at the highest levels of government. Without CCA's involvement in this process, it is likely that these requirements would not exist.

- After the license was granted, CCA was called in for consultation with the federal government, the State of Louisiana and Shell Oil Company on the design for stringent monitoring and mitigation programs, which will include independent scientific oversight.

- Among the things that CCA fought to include in the license agreement for Gulf Landing is a requirement that the impacts of this particular facility should be examined not only independently, but also be combined along with the impacts of all other similar facilities sited in the Gulf in the future so that the cumulative impact on marine resources may be tallied using uniform scitentific techniques.

- CCA will remain engaged in the monitoring and mitigation process for Gulf Landing, as well as any subsequent plants approved with similar conditions. The results of those programs will dictate any future action by CCA regarding open-loop systems in the Gulf of Mexico.

LNG Talking Points

- Terminals to regassify liquefied natural gas (LNG) may employ either closed-loop or open-loop systems. **CCA opposes open-loop systems** which use a continuous stream of fresh seawater, more than 100 million gallons per day, to convert LNG back into gas. CCA will oppose every proposed open-loop LNG facility at every stage of the licensing and permitting process.

- Closed-loop systems have been constructed where local seawater temperatures are too cold to be effective in the reheating process and in shallow, nearshore locations where known impacts on the environment would be too great. Closed-loop systems are more expensive to operate, but have less impact on the environment.

- The federal government makes the final decision to approve an open-loop system in federal waters.

- CCA endorses the President's policy on energy development and its emphasis on balancing clean, economical energy with protection of the environment. Our efforts on this matter are dedicated to achieving no negative impact to marine resources from these LNG systems.

- CCA is extremely concerned about the potential for cumulative impacts from multiple open-loop systems in the Gulf of Mexico and will continue to oppose open-loop systems.

News Release

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CCA Continues Diligence on LNG Facilities

HOUSTON, TX – A record of decision issued by the U.S. Department of Commerce clears the way for Shell US Gas & Power LLC to operate an open-loop liquefied natural gas terminal 38 miles off the coast of Louisiana. Coastal Conservation Association (CCA) maintains its opposition to open-loop systems, but has vowed to work with the government and the applicant to ensure any impact on marine resources in the Gulf is reduced to an absolute minimum and is properly mitigated.

"We have made it very clear that this plant should not be allowed to have a negative impact on marine resources. CCA has made considerable efforts at the highest levels of government to achieve that," said David Cummins, CCA president. "The government has determined that the detrimental effects of an open-loop system at this particular LNG facility can be partially avoided and potentially mitigated. We are committed to working with the government and Shell to make sure proper mitigation measures are put in place."

The siting and construction of liquefied natural gas (LNG) processing facilities along the Gulf Coast has become a source of serious concern for CCA due to the potential impact on marine resources. As the nation's leading marine resource conservation organization, CCA will remain an active proponent for proper conservation and will continue to pursue its primary objective to avoid any negative impact on marine resources from these facilities.

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