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January 5th, 2012

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Via E-Filing:

RE: Request that FERC Suspend Review of the Proposed Oregon LNG Terminal and Oregon Pipeline, Docket CP09-6

Dear Ms. Bose and FERC Commission,

Columbia Riverkeeper is a 501(c)(3) nonprofit organization with over 3000 members in Washington and Oregon. Our mission is to protect and restore the Columbia River and its tributaries, from the Columbia's headwaters to the Pacific Ocean. Formed in 2007, Oregon Citizens Against the Pipelines (OCAP) is a community association comprised of landowners and other local residents who live near proposed and alternate routes for the Oregon LNG pipeline. OCAP meets regularly in Woodburn, Yamhill, and Forest Grove, Oregon. Members of Columbia Riverkeeper and OCAP are directly and negatively impacted by the Oregon LNG project. Columbia Riverkeeper and OCAP are interveners in the Oregon LNG and Oregon Pipeline proceeding under FERC docket CP09-6.

Columbia Riverkeeper and OCAP reiterate our opposition to the Oregon LNG terminal and pipeline because of the project's environmental harm and the lack of need for imported LNG into Oregon and North America. Additionally, the Oregon LNG project will likely seek to export LNG, which is contrary to the public interest. Please accept the following public comments on the proposed Oregon LNG terminal and Oregon pipeline:

I. FERC Should Suspend Its Review of the Oregon LNG Import Terminal and Pipeline

FERC should suspend its environmental review of the Oregon LNG terminal and pipeline and inform all effected landowners of this action. The United States is no longer in need of LNG imports. Indeed, multiple companies have formally applied to FERC and U.S. DOE to export LNG, including Jordan Cove LNG in Coos Bay, OR.ⁱ According to

Oregon LNG CEO Peter Hansen, “There clearly is plenty of gas available at all times now.”ⁱⁱ Because the U.S. does not need to import LNG, Oregon LNG is likely only viable as a terminal with export capability. The current review of Oregon LNG as an import-only terminal is disingenuous and unnecessary.

As a demonstration of the absence of a market for imported LNG, Oregon LNG lacks non-affiliated customers to purchase imported LNG from its proposed terminal in Warrenton and its related Oregon LNG pipeline. Indeed, Oregon LNG conducted an “open season” for its pipeline project, and Oregon LNG’s own affiliate emerged as the only customer for Oregon LNG. FERC should immediately request documentation of non-affiliated customers for imported natural gas and documentation of contracted sources of gas to import, if the company contends that it is still building only a LNG import facility.

Because an import-only project is not feasible, FERC is unduly harming Oregon landowners along the proposed Oregon LNG pipeline by continuing its review of Oregon LNG’s current import-only proposal. Hundreds of Oregon families face highly disruptive pipeline construction on their lands. The pipeline proposal (even if it is never constructed) currently limits Oregonians’ ability to plant new deep-rooted crops and orchards, improve irrigation systems, engage in land sales, and generally plan for the future of their private properties.

FERC should immediately halt its review of the Oregon LNG import project – a review that is blatant waste of taxpayer resources and has unduly disrupted the lives of hundreds of Oregon families. Additionally, FERC should inform all of the landowners near the Oregon LNG pipeline of the suspension or termination of its review.

II. Oregon LNG’s 2008 Application Is Inaccurate

In October 2008, when Oregon LNG submitted its formal application to FERC, Columbia Riverkeeper and OCAP commented to FERC that the Purpose and Need section of Oregon LNG’s application was inaccurate because Oregon and the West Coast did not need imported LNG. During well-attended scoping hearings in 2007 and 2008, we cited a study by Oregon’s Department of Energy, who correctly argued in May 2008 that domestic gas supplies would be cheaper, less polluting, and more reliably accessible to meet Oregon’s energy needs than imported LNG.ⁱⁱⁱ Oregon Dept. of Energy concluded, “Liquefied natural gas supplied to Oregon would likely cost substantially more than natural gas produced in North America...”^{iv} Despite the obvious lack of need for LNG in Oregon and the West Coast, FERC and Oregon LNG pressed forward with the permit process for the terminal and pipeline over the objections of Columbia Riverkeeper, OCAP, and hundreds of Oregonians.

Disregarding the State of Oregon’s study, Oregon LNG used outdated and inaccurate information to argue that LNG imports would be necessary to meet energy needs in the western U.S. Oregon LNG wrote,

...both Canadian and U.S. gas supplies are declining, which is affecting all regions of the United States. However, planned and proposed supply pipelines from the Rocky Mountains will add only a limited supply to the Pacific Northwest because of the high cost of transmission westward across the mountains. Never before have energy prices in North America remained at such elevated levels for sustained periods of time.^v

In 2008, Oregon LNG's application ignored burgeoning domestic gas reserves, high global LNG prices, and the impact of the Ruby Pipeline in its argument that Oregon needed to import LNG. In short, Oregon LNG was wrong on all counts about the future supply of natural gas in North America and Oregon. In its assertion that Oregon should import LNG into the western U.S., Oregon LNG wrote:

The current and future natural gas markets in North America face dwindling and increasingly costly supplies struggling to meet rapidly growing demand.^{vi}

U.S. domestic gas production is projected to be generally flat or fall slightly.^{vii}

The yet-to-be-produced deposits of domestic gas are smaller and deeper than currently producing fields, which will mean generally higher natural gas prices in the future (in both nominal and real terms).^{viii}

Canadian gas exports to the United States via pipeline will continue to decline because of dwindling Canadian production and increased Canadian domestic demand.^{ix}

U.S. imports of LNG will increase.^x

In stark contrast to Oregon LNG's application, the North American gas market is increasingly well-supplied by domestic gas reserves, natural gas prices have fallen, gas production has increased, Canadian gas production has increased, and U.S. LNG imports have dwindled. According to 2009 findings by FERC,

... 2009 provided clarity on gas supply. Even as prices and drilling were dropping from record highs, domestic gas production remained strong. The strength stems from technological innovation in producing gas from shale in Texas, Louisiana, Oklahoma, Arkansas and Pennsylvania....New storage capacity may be expected to complement this trend. More than 107 Bcf of incremental working gas capacity was added in 2009....In late November 2009, U.S. inventories were 99 percent of capacity.^{xi}

Furthermore, according to studies cited in the U.S. DOE approval of the Sabine Pass Export facility, the United States is in the midst of a natural gas oversupply and does not need to import LNG in the foreseeable future:

The Potential Gas Committee of the Colorado School of Mines (PGC): In June

2009, the PGC raised its estimates of the U.S. technically recoverable resource base by 515 trillion cubic feet (Tcf) (39 percent) to 1,836 Tcf at year end 2008; including 238 Tcf of proved reserves, PGC also determined that the United States possesses a future available gas supply of 2,074 Tcf, sufficient to meet domestic market needs for over 90 years based on 2009 consumption levels.^{xii}

And,

The Massachusetts Institute of Technology (MIT): In a 2010 report entitled *The Future of Natural Gas, Interim Report*, MIT estimated that the United States has a mean recoverable resource base of approximately 2,100 Tcf; and MIT projected that United States gas production will rise by 40 percent between 2005 and 2050.

Additionally, an increase in domestic natural gas production means that there is less overall demand for the plentiful supplies in the Rocky Mountains that will meet West Coast demand for the foreseeable future.

The West's current gas-producing role is exemplified by the newly operational Ruby Pipeline, which was approved by FERC in April 2010 and began operation in late summer 2011. Ruby can deliver 1.5 billion cubic feet of natural gas per day from the Rocky Mountains to the California and Oregon market.^{xiii} Natural gas from Ruby is less expensive than imported LNG^{xiv}, as Oregon Department of Energy predicted in 2008. Pacific Rim prices for importing LNG remain 3-4 times higher than natural gas prices at the Opal Hub in Wyoming.^{xv} There is simply no need to import LNG now that the Ruby Pipeline is operational.

At a minimum, FERC must recognize that Oregon LNG's application to FERC contains blatantly outdated and inaccurate information about the need for LNG imports in Oregon. The application states, "The primary purpose of the proposed Project is to provide a new supply of competitively priced natural gas to the Pacific Northwest (Oregon, Washington, and Idaho)." Yet, gas industry analysts predict that North America has adequate supplies for 100 years or more,^{xvi} and U.S. gas prices remain far below foreign LNG import prices in the Pacific Rim.

III. If FERC Continues Its Review of the Oregon LNG Project, FERC Must Evaluate the Impacts of LNG Exports at Oregon LNG

North America is so awash in natural gas that multiple proposals seek to export LNG from the U.S. Gulf Coast, the U.S. East Coast, British Columbia, and Coos Bay, Oregon. North America's export proposals underscore the lack of need for importing LNG on Oregon's coast. Indeed, a competing LNG project in Oregon – the Jordan Cove LNG terminal proposal in Coos Bay – openly acknowledges that LNG projects in Oregon are viable only as export terminals. Bob Braddock, project manager for the Jordan Cove LNG project, told *The Oregonian* newspaper in September 2011, "There is currently no need for import into North America. We accept that. If anything makes sense, it's export."^{xvii}

LNG industry representatives are joined by FERC regulators in their skepticism of LNG imports in the U.S. FERC Director of the Office of Energy Projects (OEP) Jeff Wright and U.S. DOE Deputy Director of Fossil Energy Chris Smith both testified in front of the U.S. Senate Energy Committee that North American LNG exports are more likely than imports for years to come due to an oversupply of North American natural gas.^{xviii} Jeff Wright, director of OEP, testified before the Senate Energy Committee on November 8th, 2011 that burgeoning domestic gas reserves and high prices overseas were prompting LNG companies such as Cheniere, Dominion, and Jordan Cove to seek export permits.^{xxix} In overseas markets, gas currently sells for 200%, 300% or more above western U.S. prices.^{xx} Given the likelihood that Oregon LNG's project is only viable as an export facility, and if FERC is unwilling to cancel its current review, FERC should re-initiate its NEPA review of the project with LNG exports included.

Unlike Oregon LNG, Jordan Cove and other LNG companies now formally acknowledge to FERC or U.S. DOE that they plan to export U.S. natural gas from North America to overseas markets. Bob Braddock, Project Manager for Jordan Cove LNG, stated that his project "provides the most cost effective method for delivering LNG from North America to the Pacific Basin ..." ^{xxx}

The price of gas in southern Oregon has averaged \$3.9 per million btu (MMbtu) over the last year^{xxii} while the price of LNG in Japan and other Pacific Rim markets has risen above \$14/MMbtu.^{xxiii} With China's recent announcement that it plans to increase natural gas use by 300% in the next five years, as well as Japan's increased reliance on LNG following the Fukushima nuclear crisis, Asian LNG prices are only expected to increase.^{xxiv}

Oregon LNG's project faces the same market dynamics as Jordan Cove LNG, and FERC should require Oregon LNG to answer a simple question: **does Oregon LNG intend to export LNG?**

In fact, Oregon LNG has already publicly answered this question and is seeking to use its import proposal as a "shortcut" to LNG export. Oregon LNG CEO Peter Hansen presented at the HansonWade North American LNG Export Conference in Houston, TX in late October, 2011. The description of his talk is available on the HansonWade conference website.^{xxv} It states,

Oregon LNG project's location at the mouth of the Columbia River and its proximity to existing pipeline infrastructure connecting it to both Canadian and US supply basins would make it an ideal location for an export terminal.

Additionally, a senior advisor for Oregon LNG presented on December 1st, 2011 at the North American LNG Export Conference. His talk was entitled, "The Potential for LNG Export from Oregon: An Update"^{xxvi}, and it was included on the Conference's website:

Speaker: Colin B. Coe, senior commercial advisor, Oregon LNG

In 2008, Oregon LNG announced that the U.S. Federal Energy Regulatory Commission (FERC) officially accepted its application to construct the Skipanon receiving and regas terminal and associated pipeline on the Columbia River. However, as the permitting process progressed, it eventually became clear that contrary to earlier expectations, both short and long term pipeline gas supplies into the market would increase as pipelines opened from Wyoming and as British Columbia and Alberta shale discoveries mounted. Can proposed regas terminals in Oregon be transformed into LNG export facilities? Coe has been asked to discuss the potential for such transformations based on the locations of the proposed projects and on the particulars of the regional pipeline infrastructure.

More importantly, and as reported in *The Oregonian* and elsewhere, an earlier version of Coe's presentation was scheduled to be delivered by Oregon LNG CEO Peter Hansen, himself. The presentation would have discussed the potential for LNG import proposals to act as a "shortcut" to LNG export development. The original version of the Oregon LNG presentation stated:

LNG Export from Oregon: An Update
Peter Hansen, CEO, Oregon LNG

In 2008, Oregon LNG announced that the U.S. Federal Energy Regulatory Commission (FERC) officially accepted its application to construct the Skipanon receiving and regas terminal and associated pipeline on the Columbia River. At the same time, however, pipeline gas supplies into the market ballooned as British Columbia shale discoveries mounted and pipelines opened from Wyoming. *Can proposed Oregon regas terminals use their FERC permits and other development efforts to shortcut greenfield liquefaction plant development?* Hansen has been asked to discuss his plans (Emphasis added)

The original talk description drew attention because of the suggestion that Oregon LNG could use its import plans as a "shortcut" to LNG exports. Steve Duin of the *Oregonian* noted the "shortcut" potential and wrote in a September 17, 2011, article:

It's a jaw-dropping contradiction, a classic bait-and-switch. It's a thumb-in-the-eye of energy independence and the sort of numbing stupidity that, T. Boone Pickens argues, will confirm our legacy as "the dumbest generation". Yet we continue to stumble along, strung out between Big Oil and a diminished president, moving inexorably toward the export of this nation's vast reserves of natural gas...

...Meanwhile, Peter Hansen, the CEO of Oregon LNG, is presenting at December's LNG Export Conference in Houston. According to the schedule, Hansen will answer the question of whether Oregon's LNG import terminals can

use their federal regulatory permits to "shortcut" the transition into export facilities.^{xxvii}

Since *Oregonian* columnist Steve Duin published his article, "So Much For Energy Independence," the description of the talk was altered and CEO Hansen was replaced by Colin Coe.

In summary, recent information indicates that Oregon LNG does, indeed, seek to export LNG. For example, although Oregon LNG has provided no formal public submittals to FERC since mid-2011, Oregon LNG executives are actively promoting Oregon LNG as a potential export terminal at industry conferences for North American LNG export.^{xxviii} Furthermore, Oregon LNG CEO Peter Hansen was recently quoted in the *Pipeline & Gas Journal* discussing the potential for gas storage at an Oregon LNG export or import terminal.

The tanks would obviously be available from an import project *and could also be made available from an export facility*, if there was enough commercial interest to pay for the relatively marginal additional facilities needed for vaporization," he says. (Emphasis added)^{xxix}

Oregon LNG's statement acknowledges that LNG export may serve as the primary function of its project. Rather than proceeding with a NEPA process that is incomplete and inadequate, FERC should acknowledge – as Oregon LNG does – that LNG export is a reasonably foreseeable element of the Oregon LNG project.

Regardless of whether Oregon LNG is formally acknowledging export plans in its FERC application, the agency must evaluate Oregon LNG as a potential site for LNG exports. Otherwise, FERC should suspend its review of the Oregon LNG project altogether because the United States and the West Coast clearly do not need to import LNG. FERC cannot piecemeal its review of the Oregon LNG project, separating a likely export function from the current, commercially unsustainable import project.

IV. Conclusion: FERC Must Act to Revise or Suspend Its Review of the Oregon LNG Proposal

In short, by the company's own admission, Oregon LNG may seek to export LNG from Oregon. FERC cannot ignore this fact and pretend as if Oregon LNG will operate exclusively as an import terminal. FERC should not provide Oregon LNG a "shortcut" to LNG export by conducting an environmental review and granting approvals for an LNG import facility.

To avoid wasting valuable staff time and disrupting the lives of Oregonians who are impacted by the Oregon LNG proposal, we request that FERC take the following steps in reviewing the Oregon LNG project:

- FERC must immediately suspend its review of the Oregon LNG project because the stated purpose and need statement in Oregon LNG's application is no longer valid; or,
- FERC must re-start its review of Oregon LNG as a project that is wholly or partially dedicated to the export of North American natural gas as LNG to overseas markets.
- If it continues to review the Oregon LNG project, FERC must conduct new scoping hearings near the terminal and along the Oregon LNG pipeline. The circumstances of FERC's initial scoping hearings have substantially changed, and the public is both confused about the project's status and deserving of a clear project description and an opportunity to comment if FERC's review goes forward.

Thank you in advance for your consideration of our comments regarding the Oregon LNG terminal and associated Oregon Pipeline under FERC docket CP09-6. If FERC staff have any questions or would like to discuss these public comments, please contact Columbia Riverkeeper's Conservation Director, Dan Serres, at dan@columbiariverkeeper.org or (503) 890-2441 to arrange a meeting.

Sincerely,

/s/ Brett VandenHeuvel
Columbia Riverkeeper
Executive Director

/s/ Paul Sansone, member, Forest Grove OCAP

/s/ Steve Wick, member, Yamhill Valley OCAP

/s/ Lolita Carl, member, Woodburn OCAP

ⁱ Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From the Jordan Cove LNG Terminal to Free Trade Agreement Nations. December 7, 2011. FE Docket No. 11-127-LNG.

ⁱⁱ Pipeline And Gas Journal. November 8, 2011. “Western Gas Storage – Change Agent or Soon-To-Change?” <http://www.pipelineandgasjournal.com/western-gas-storage-change-agent-or-soon-change?page=show>

ⁱⁱⁱ Oregon Dept. of Energy. Letter to Governor Ted Kulongoski. May 7, 2008. FERC Docket CP06-365.

^{iv} Id.

^v Oregon LNG Application to FERC. October 10, 2008. Resource Report 1 at 1-14.

^{vi} Oregon LNG Application to FERC. October 10, 2008. Resource Report 1 at 1-15.

^{vii} Id.

^{viii} Id.

^{ix} Id.

^x Id.

^{xi} FERC. State of the Markets Report 2009. April 15, 2010.

^{xii} U.S. Department of Energy. Opinion and Order Conditionally Granting Long-Term Authorization to Export Liquefied Natural Gas From Sabeine Pass LNG Terminal to Non-Free Trade Agreement Nations. May 20, 2011. FE Docket 10-111-LNG.

^{xiii} <http://www.rubypipeline.com/>

^{xiv} See <http://ferc.gov/market-oversight/othr-mkts/lng/othr-lng-wld-pr-est.pdf>, FERC estimate of world LNG prices. LNG prices in the Pacific Rim range from \$14-\$16/MMbtu in South Korea, Japan, and India – all target markets for LNG exports from Oregon. These prices are much higher than prices at the Opal, WY Hub: <http://ferc.gov/market-oversight/mkt-gas/western/ngas-we-yr-pr.pdf> and <http://ferc.gov/market-oversight/mkt-gas/western/ngas-we-da-pr-bs.pdf>. At Opal, prices hover around \$4/MMbtu or lower.

^{xv} Id.

^{xvi} Navigant Consulting. 2008. <http://www.cleanskies.org/pdf/navigant-natural-gas-supply-0708.pdf>.

^{xvii} *The Oregonian*. “El Paso Corp. cuts the ribbon on 680-mile natural gas pipeline from Wyoming to Oregon.” 9/1/11. By Ted Sickinger.

http://blog.oregonlive.com/business_impact/print.html?entry=/2011/09/el_paso_corp_launches_680-mile.html1.

^{xviii} Full archived available webcast:

http://energy.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=45ea3a80-f5d7-bfba-b023-31a9da05de0a

^{xix} Testimony of Jeff Wright, Director, FERC Office of Energy Projects, before U.S. Senate Energy Committee.. 11/8/2011. An archive of the hearing is available at:

http://energy.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=45ea3a80-f5d7-bfba-b023-31a9da05de0a

^{xx} Platts LNG Daily, March 15, 2011, year average price at \$3.9/mmbtu. Henry Hub price of June 15, 2011 of \$4.52/MMbtu: <http://www.neo.ne.gov/statshtml/124.htm>; Japanese pre-earthquake LNG prices from January 2011 were \$11.96/MMbtu and as of June 2011 had risen to nearly \$ 14/MMbtu. “Japan’s December LNG Import Bill Rises 3.9% on Crude”, Bloomberg News By Dinakar Sethuraman - Jan 30, 2011. <http://www.bloomberg.com/news/2010-12-29/japan-s-november-lng-import-bill-increases-6-after-crude-oil-prices-gain.html>: <http://www.asahi.com/english/TKY201106220170.html>

^{xxi} Jordan Cove press release Aug. 18, 2011:

http://www.oilvoice.com/post/Company_News_Release/Jordan_Cove_Confirms_Support_for_World_LNG_Series_Asia_Pacific_Summit_2011/4b35f2759d.aspx

^{xxii} Platts LNG Daily, March 15, 2011.

^{xxiii} Japanese pre-earthquake LNG prices from January 2011 were \$11.96/mmbtu^{xxiv} and as of June 2011 had risen to nearly \$ 14 mmbtu. Japan’s December LNG Import Bill Rises 3.9% on Crude, Bloomberg News By Dinakar Sethuraman - Jan 30, 2011 <http://www.bloomberg.com/news/2010-12-29/japan-s-november-lng-import-bill-increases-6-after-crude-oil-prices-gain.html>; <http://www.asahi.com/english/TKY201106220170.html>.

^{xxiv} <http://gulfnews.com/business/markets/china-s-natural-gas-push-will-affect-energy-prices-1.829199>

^{xxv} <http://lng-export.com/agenda/day-one>. Available 12/20/11.

^{xxvi} <http://www.zeusintel.com/ZeusEvents/NALNG2011.aspx>. See program outline for talk from Colin Coe, advisor to Oregon LNG. Available 12/20/11. 2nd Annual North American LNG Exports Conference. Houston, TX.

^{xxvii} The Oregonian. “So Much For Energy Independence as the U.S. Stumbles Toward the Export of Natural Gas.” September 17, 2011.
http://www.oregonlive.com/news/oregonian/steve_duin/index.ssf/2011/09/so_much_for_energy_independence.html

^{xxviii} For example, Oregon LNG CEO Peter Hansen was slated to present at the HansonWade North American LNG Export Conference in Houston, TX in late October, 2011. The description of his talk is as available at <http://lng-export.com/agenda/day-one>:

Additionally, a senior advisor for Oregon LNG is slated to present on December 1st, 2011 at the North American LNG Export Conference. His talk, entitled, “The Potential for LNG Export from Oregon: An Update”, is described at <http://www.zeusintel.com/ZeusEvents/NALNG2011.aspx>:

Note: An earlier version of Coe’s presentation was scheduled to be delivered by Oregon LNG CEO Peter Hansen, and was to discuss the potential for LNG import proposals to act as a “shortcut” to LNG export development. Additionally, while FERC “accepted” Oregon LNG’s application as complete, it has taken no action to approve or deny Oregon LNG’s proposal.

^{xxix} <http://www.pipelineandgasjournal.com/western-gas-storage-change-agent-or-soon-change?page=show>. Available 12/30/11.