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Malibu Surfside News

Proposed Offshore LNG Terminal Earmarked for Downsizing

- Project that Seeks to Anchor 22 Miles Off Point Dume to Eliminate One Processing Vessel

BY HANS LAETZ

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The multinational oil company behind a proposed floating liquefied natural gas terminal 22 miles off Point Dume has asked officials to allow a half-year delay so it can downsize its plans.

A spokesperson for Woodside Natural Gas says the firm will eliminate one of the two processing ships it had originally proposed to permanently station in Santa Monica Bay, and scale back the pipelines it will ask to lay across the floor of Santa Monica Bay and into Los Angeles.

Laura Doll said her company is downsizing its plans to import LNG off Malibu “because we want to make it smarter and better and have the smallest environmental footprint possible.” She said the elimination of one of the two LNG terminal ships will not cut capacity by 50 percent, but said the new capacity rating for the remaining ship has yet to be determined.

Doll said the downsizing is not a reaction to world economic catastrophes, or the recent price and supply trends that have made LNG cost nearly triple the price of domestic natural gas.

Westside Los Angeles City Councilmember Bill Rosendahl, who has been skeptical of the plan, said he was amused that it was in essence being halved. “These are completely different times, and it is very likely that this company will go through the paces and then not build anything.”

The request means at least seven months of further delay for the proposed Woodside LNG terminal in Santa Monica Bay, being marketed as “Ocean-Way.” If approved, Woodside would base a new LNG processing ship off the coast in 2012, or later, to process incoming cargoes from Australia and Asia, and push natural gas into the California energy grid through new undersea pipelines that would come ashore at the Los Angeles Airport.

OceanWay took the spotlight after a somewhat similar LNG terminal closer to Malibu, called Cabrillo Port, was shot down by state regulators after major opposition from Malibu and Oxnard residents in 2007.

Because the Woodside pipes would come ashore on L.A. beaches, L.A. city officials get to handle the multi-year application process, and the city council and mayor will eventually team with the new Barack Obama administration to decide its fate.

The application is being evaluated on a fast-track timetable set by federal law, but has been sidetracked for 13 months now as Woodside drafted required plans to measure and minimize the huge amounts of carbon pollution, in the form of new greenhouse gas emissions that the project would create across the globe.

Although LNG is touted as a clean fuel, substantial energy is needed to compress natural gas and move it across the Pacific, and some studies show importing LNG is not such a source of clean energy when the worldwide “life-cycle” impacts are factored in.

A major opponent of West Coast LNG projects noted that Woodside is dramatically cutting the size of its import terminal one week after Solar L.A. was unveiled, an ambitious plan to generate one tenth of Los Angeles’s electricity with the sun. “If this LNG project didn’t make sense in the first place, it makes even less sense now,” said Rory Cox at Pacific Environment in San Francisco.

Cox is spearheading regional campaigns against the five LNG terminals actively being promoted in California and Oregon, including OceanWay and the NorthernStar LNG terminal proposed for an oil rig just off the Ventura coast, 35 miles northwest of Malibu.

Rob Male, Woodside Natural Gas vice president of development, said that the changes will “maintain the overall quality and positive environmental attributes that are at the core of the OceanWay design.”

The smaller size also means high-pressure gas transmission lines will not have to be laid across South Los Angeles, In-glewood and West-chester, a controversial plan that would have put 42-inch diameter gas pipes close to 19 public schools, and numerous high-density housing units.

The Woodside downsizing comes the same week that another company proposing a West Coast LNG import terminal announced it would junk its already approved import proposal, and at a time of international finance crises. But Woodside spokesperson Doll said the company is looking at longterm trends.

“Australia has a lot of natural gas, and every study indicates that California is going to need it,” she said, assuring that Woodside will build the project, estimated to cost between \$600 million and \$1 billion.

But a Canadian LNG firm last week made an opposite bet, and replaced plans to build an LNG import terminal north of Seattle with plans to export LNG from the same site. “Rising natural gas demand in Asia and recent increases in supply in North America ... have led to significantly higher natural gas prices in Asia than North America,” said a spokesperson for the Canadian company, Kitimat LNG.

This reversal reflects dramatic changes in the fundamental economic rules of the world energy business in the six years since BHP Billiton announced plans to anchor its import terminal off Malibu. The discovery of major new supplies of natural gas in the United States, and the huge growth in demand for natural gas in Asia, may have turned the Pacific LNG market upside down.

LNG imports into North America have plunged 50 percent below their already minimal level this year, as LNG cargoes have been diverted for much more money to Japan and China. Three brand new, billion-dollar LNG terminals in the U.S. and Mexico now sit virtually unused, and the cost-efficiency of new, billion-dollar-plus LNG transport chains to the West Coast has been questioned by some analysts as the world grapples with an economic crisis.

City councils in Santa Monica and Malibu have already voiced nonbinding opposition to the OceanWay project, which would be visible many days from the local coast. But OceanWay is supported by some residents of the LAX area, partly because its pipes might serve as a physical barrier to northward expansion of the airport towards their homes.