



LNG

SUPPLY & COMMAND: ***Can Hess Steam Ahead?***

By Michael Persson
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**In the battle between the
ENERGY GIANT
and communities along
Narragansett Bay and
the city of Fall River, is
the cost of saying no to
PROMISES OF
CHEAPER FUEL,
CAPITAL INVESTMENT
AND JOBS
worth the price of saying *yes*?**

In the nine years since Weaver's Cove Energy proposed a liquid natural gas terminal in Fall River, Massachusetts, and in the almost two and a half years since another proposal for a LNG receiving terminal in Mount Hope Bay, Gordon Shearer, the president and CEO of Hess LNG, the parent company to Weaver's Cove Energy, has had an outstretched hand. In it sits a multitude of financial tourniquets and gifts for a Narragansett Bay region lacking investment potential and starved of economic growth. The contributions Shearer has touted are many: the promise of lowering the annual cost of electricity to the New England area by \$125M; a direct capital injection into the local economy of \$80M which, in turn, would generate an estimated \$400M in spin offs; three years of guaranteed work for 1,000 skilled local union trade workers amounting to \$125M in direct wages with an additional 50 jobs to highly skilled, highly paid workers as well as 350 other supporting jobs, all generating some \$105M in annual direct and indirect economic benefits, including tax payments to local cities and towns. Furthermore, \$15M paid in mitigation will come from dredging 73 acres of winter flounder spawning grounds in order to site the docking station. And, finally, there is the offer of a brand new, natural-gas powered vehicle to every Fire, EMT and Police department in Fall River. Despite overwhelming opposition from Massachusetts and Rhode Island state governments, environmental groups and local residents, Shearer's hand remains outstretched. **Why?**



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In 2001, when Hess approached the city of Fall River, LNG was the "it" fuel. For natural gas, the once incidental byproduct of bringing oil to the surface, the process of cooling it to -260°F meant the ability to ship vast amounts efficiently in liquid form. LNG was the heir apparent to oil: the cheaper, cleaner, safer alternative in the post 9/11 world.

Nine years on and the "it" fuel is going the way of whale blubber. Joe Romm, the editor of *Climate Progress*, someone *Time* magazine calls, "The Web's most influential climate-change blogger," says on the fuel's profitability, "About a year or two ago it was king, but that has changed dramatically. LNG has gone through an enormous downturn in U.S. markets. Price spikes were the way to make a lot of money. But the price is so low that it's hard to make anything close to what it was, now." What is happening "now" is the Marcellus shale deposit... the new "it" in the nation's quest for more energy. Spanning Pennsylvania, New York, Virginia and Kentucky, this unconventional source of gas promises to be the political darling of federal lawmakers intent on curbing the nation's dependency on foreign fuel. There are many hurdles to making this region Saudi America, but, according to Ziff Energy of Calgary, an operation already extracting the gas, by 2015, Pennsylvania alone will produce four billion cubic feet of gas a day – twice the amount of power Rhode Island needs for slightly more than one week. "What this

finding means is that we're not going back to the way we were," says Romm.

The clock is ticking on LNG. But a multi-national corporation, like Hess, doesn't easily scrap its plans while there are still rewards to be had. And for a community in the crosshairs of those plans, like those on Narragansett Bay, turning away a Fortune 100 company isn't as simple as turning the page on a new tomorrow. Before the Marcellus shale deposit is anointed, before wind farms start producing in earnest, there is still LNG. Perhaps not as profitable, perhaps with only a short shelf life before redundancy, but a single tanker carrying a full payload valued at almost \$23M is lucrative nonetheless. In part, this financial incentive explains the company's doggedness in attending civic forums, participating in television interviews, speaking at Senate hearings and courting local media. In a protracted battle against an unresponsive community, a public relations campaign remains advantageous. It presses home the idea that, despite detractors' adverse reaction, a company's well-meaning intentions remain honorable. The bevy of perks sitting in Shearer's hand are fair and generous and indicative of how Hess conducts its business. Or is it?

At the Cavalry Temple Assembly of God in Fall River, the Coalition for Responsible Siting of LNG Facilities holds its monthly meeting. The group is

one of more than 30 local environmental and business organizations going against what they see as Hess's formidable clout and steamroller attitude. Gathered around tables in the church hall, some 30 people sit listening to the minutes from the previous gathering. The membership varies in age, although grey seems to be the predominant hair color.

Since its formation in 2003, the group has stuck to the growing mindset that citizens in similar situations around the country are adopting. In the fight between corporate business practices, that people living in industrial cities and towns once tolerated as long as they had jobs, can the working, blue-collar classes have more say in their local affairs beyond "Yessum?" Long Beach and Oxnard, California; Columbia River and Coos Bay, Oregon; Savannah, Georgia; Passamaquoddy Bay and the St. Croix River, Maine; Corpus Christi, Texas and many other communities where proposed or existing LNG plants have riled the citizenry into opposition, believe that now, the current political and social times, which have seen two oil wars in Iraq and a current spill eclipsing the Exxon Valdez, are with them. "You really have to get into the history of this community to appreciate that, eight years in, people are still fighting, because many have fought evils that have come here and haven't won," says Joseph Carvalho, the coalition's acting chairman. "So, they don't want to get even a smidgen of hope only to have it dashed again."



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The group is planning its next spaghetti dinner fundraiser and raffle, where Norm, one of the seasoned cadre, is smiling at the applause for his three years of service, cooking for the cause that raises \$2,500 to help combat a company that, last year, posted a profit of \$2.36B. In the church hall, the sound of community comes in the random chat and the meeting's formal agenda: businesses are referred to by their owner's first names and are always accompanied by an anecdote. In Fall River, struggle has bound the community tightly. But as Carvalho and many of the group's members freely admit, no one has galvanized and emboldened them better than their former mayor and native son, Ed Lambert.



Lambert was the city's mayor from 1996 to 2007 and first heard Hess's initial pitch. "Ironically, it was literally in the aftermath of 9/11. There were a number of folks who came in representing the company – Gordon [Shearer] was there – and they billed it as an economic boon for the city. We heard their proposal. And immediately, it struck me that the job creation was very light for the number of acres it was going to occupy. Probably, two or three hundred jobs in construction, but the operation of the plant itself would be limited to 25 to 30 employees on two prime acres of waterfront. They, however, were focused on tax revenue, suggesting about \$3M in tax revenue per year to the city, based on what the Everett LNG facility pays the city of Everett (Massachusetts). And honestly, that didn't sound all that

impressive to me considering it was prime development on the waterfront. While they made it sound like they'd be doing us a favor, I'd heard that pitch from companies before. 'Yeah, taxes are what we all pay.' And, it was not a front burner issue for me, until I started to determine what the potential safety implications were. About three or four weeks after the first meeting, when the company came back, I made it clear that I was adamantly opposed. It was no longer a neutral project for me and I felt very strongly about the location: they wanted to put it in a fairly residential neighborhood, with 9,000 people living within a mile of that site. And their attitude was, 'Well, not a problem. We came to tell you that we're going there anyway even over your objections, and there is literally, under federal law, nothing that the city can do to stop it from happening.'"



In its list of functions, the Federal Energy Regulatory Commission (FERC), an independent agency that regulates the interstate transmission of electricity, natural gas and oil, reviews proposals to build LNG terminals. The organization has also been called "Bush's Agency." During his administration, George W. Bush appointed the former Texas Public Utilities chairman and long-time ally as the agency's chairman at the behest of former Enron chairman Kenneth Lay.

Pat Wood III was the man. During his chairmanship lasting 2001 to 2005, no one aided energy companies more than he did. Wood played a major role in deregulating the electricity industry, citing that "freedom

always wins" and "I did not come here to reverse open access; I came here primarily to fulfill it, for gas and electricity." According to the Center for Public Integrity in Washington D.C., during Wood's tenure, he and his four commissioners met privately at least 83 times with executives and lobbyists representing oil and gas companies active in the LNG trade. Wood himself accounted for 33 of those meetings. In 2003, Weaver's Cove hired the renowned energy industry law firm Baker Botts, Wood's former employer (and Bush's too, when he was a 15-year-old mailroom employee) to better make its case. A joint ventures attorney at the firm met privately with Wood that year, once for lunch and again to pre-file the project's application, at which Shearer was present. FERC approved the Fall River project on June 30, 2005, one week before Wood's chairmanship concluded. His parting words on the agency's decision: "I recognize that this is not, in the short term, a popular decision. Running out during a cold snap is not a story I want to live with, either. The balancing act was really hard today. But it's not just the short-range impact. It's the long-term economic health of the oldest region of our country."

Wood met with Lambert once. "We had an hour," recalls Lambert. "It was useless from the perspective that he took the time to tell us some homespun tales about how his mother lived near a facility like this [proposed site]. We checked out his story later and found she lived an hour and a half away."

In a 2007 interview, Gordon Shearer expressed that he was "... relatively

optimistic" that his project would see completion – this, after almost two years since receiving FERC's approval. In the piece, Shearer noted that, "it's a hostile environment' to develop any kind of energy project outside of the more energy-friendly Gulf of Mexico." Fall River city officials and opposition groups, as well as Massachusetts state legislators, had been successful in scuttling Hess's federal blessing. Lambert described the tactic of having the company seek permit after permit as "creating a thousand paper cuts with which to bleed the project." Shearer's frustration was clear: "At what point will the federal government, which has certain overriding rights, step in?" Given the company's relationship with the governmental agency, the beseechment was almost prescient. The call to action brought into play the reality that what is offered publicly in one hand has no bearing on what the other actually provides.

If the company's financial offer left Lambert and the city cold, and if the company's behind-the-scenes dealings were set to pull the rug out from under the very public, seemingly sincere negotiations with Fall River, it would hold true, then, that when it came to safety, the company's story should also merit serious scrutiny.



Presenting his testimony to a Rhode Island Senate task force in March, on the risks of shipping, storing and pumping large amounts of flammable material, Shearer called his opponents' claims "overwhelmingly inaccurate" and took umbrage at Rhode Island Attorney General Patrick Lynch by saying that he was

spreading "rhetoric and misinformation." Rhode Island Senator, Charles Levesque (D-Portsmouth), who headed the task force, countered, "I have never been real confident in the methodology used by any oil company. I don't trust them. I don't believe them. I don't respect the folks in the industry."

Why?

Above all else, safety has been at the heart of the LNG debate pertaining to the communities touched by Hess's proposed plans: safety, while LNG tankers go under the Pell and Mount Hope Bridges; safety to other water craft during the tanker's entry into and exit from Narragansett Bay; prevention against terrorist attacks, collision and what to do if a spill or fire occurred. Throughout these discussions, Shearer has maintained the industry's stellar safety record, and rightly so. Some skeptics have made the comparison to a nuclear explosion: a bomb or a rocket-propelled grenade fired into the cargo could detonate the liquid fuel and touch-off a scenario of apocalyptic proportions. Not true. LNG burns. Shearer calls these infernos "heat events." He has also described a tanker filled with LNG catching fire as "the world's largest Roman candle." According to the accepted FERC standard for public exposure to thermal radiation, Shearer's "Roman candle" equates to second-degree burns to bare skin in 30 seconds for anyone living within a mile, or as Boston Deputy Fire Chief Joseph Fleming put it, it "will cause severe pain in 13 seconds and be fatal to one percent of the affected population in 50 seconds." In Fall River, that equals 9,000 people.

The heat level producing this effect

is 1600 Btu/hr/ft² and is the standard used by the National Fire Protection Association for LNG exclusion zones. This figure is more than three times the American Petroleum Institute, Society of Fire Protection Engineers and Department of Housing and Urban Development standards. This discrepancy, according to Fleming, comes from the industry setting its own standards.

How?

The members comprising the NFPA LNG Committee are representatives from BP Amoco, Distrigas, ExxonMobil, Weaver's Cove Energy, the American Gas Association and the contracting industries that serve them. When questioned what should be done during an LNG fire, as well as the weak standard used by FERC, a former head of the FERC LNG program said, "You'd simply walk in another direction. Your skin ain't burnin' or anything like that. And that 1,600 assumes you're nude. You have a layer that's helping you already." The science determining exactly what happens when LNG ignites comes under the nebulous heading of "The Best to Anyone's Knowledge." Or, as Shearer says, quoting Yankees legend, Yogi Berra at a forum at Community College of Rhode Island, Newport campus, in March, "Predicting the future is a hard thing to do." But as is becoming increasingly clear in the Gulf of Mexico, guesstimates and best predictions by energy companies can lead to disaster, and, more often than not, they are not "oops" moments that can be easily rectified.

Lambert isn't so vague. "Are the lives of some Americans worth more than others? Can we suggest that the lives of blue



collar, working class Americans, low-income, low-educational attainment are less than some others? Thirty years in politics ... never has an issue evoked more passion and fight in me. I've said from the start that they select a community like Fall River for their own benefit, clearly because it is significantly inland. It reduces their costs tremendously in tying into the grid. So I understand the logistics. But, with the same logistics, they would never have proposed it for Kennebunkport, Maine."



Maria Montiero is a 45-year-old mother of two. In the six years that she and her family have lived on School Street in Everett, the LNG facility owned by Distrigas has impacted their health just like the contaminated river fringing the city where people still fish. In the city of Everett there are no warning signs against the pollution, because admitting to a problem would give citizens the power they've been denied.

Montiero lives two blocks from the facility, and like so many in the community, she and her family live with a set of ailments that never existed before. Her symptoms of asthma are perpetual, her 13-year-old son's angina abnormal for a child his age. "It is at night when it's worse," she says, crinkling her nose. "That's when they put the pumps on and the bad smell comes." Montiero's son is a regular absentee from school because he is a frequent visitor to the emergency room. "It's interesting that

the local schools don't make the connection between students staying home sick and what's in the air," says Montiero, who can no longer work because of her daily breathing issues. "My children wake up in the morning with red eyes. It is like you are smoking in the neighborhood with no cigarette."

At the time of the regasification terminal's siting, in 1971—the country's first—Everett represented what the energy industry could achieve with the absence of city ordinances regarding mixing with residential areas. In today's safety conscious society, Everett is in the basement of the prevailing civic attitude that works to put people first. Boston Mayor Tom Menino, along with many of the state's top lawmakers, would prefer to see the plant receive its deliveries off-shore so the city would not pay out of pocket for the Coast Guard detail to shadow the tankers and, most of all, not become a terrorist threat. "I know public opinion is dead against the LNG tankers going into our port," Menino told the Boston Globe after the first shipment of LNG reached Everett from Yemen. "Offshore is the safest option. Why doesn't a company like Distrigas make safety number one? Why aren't they willing to invest in an offshore site?"

Like Shearer's handful of pros and perks accompanying his proposals, Distrigas makes contributions for having its industry operate without restriction. It sponsors the city's Babe Ruth baseball league, school science fairs, city festivals, literacy programs,

organizations like the Chamber of Commerce and the Rotary. It also pays upward of \$1M each year in property taxes to the city's 38,000 inhabitants. But for people like Montiero, there is no compensation for what ails her and no public forum or elected official to voice her complaints about the practices of the city's biggest benefactor. The non-profit La Comunidad Inc. is one of the organizations in Everett that provides people with a place to talk. Its executive director, Antonio Iraheta, says Distrigas negotiates with the city, not with the community. Any request or complaint directed toward it is pointless.

Rafael Mares is an attorney for Boston's environmental advocacy group, Conservation Law Foundation and says of Distrigas's financial contributions to Everett: "If a community was bought out, wouldn't it look bought out? Where's the payoff? You'd think they'd have the best schools, the best roads and all the rest of it." Instead, potholes pockmark the roads and broken curbs give the sidewalks a mauled appearance. Air stings the eyes, possibly from the stringent odor that floats by, and the playground and baseball field beside the plant are empty.

There is much in common between the Everett site and the proposed site in Fall River: similar size, similar riverfront location in the center of a heavily developed area and the distance that the LNG tankers travel from ocean to terminal similarly goes through other cities, under major bridges and past residential and business districts.



For the residents of Narragansett Bay, the bay is the standard by which life is measured. In Fall River, the same is measured by respect ... something in its history that has been in short supply.

But unlike Everett, Fall River and many Narragansett Bay communities have their elected officials' full attention. "In looking at Everett, which we did, we never tried to suggest that we would become an 'Everett,'" says Lambert. "We looked at the siting in Everett as a tragic mistake that imperiled the lives of people living in that working-class community. We cited a "60 Minutes" piece made in the late 1970s as evidence that rational people saw the siting, there, as a mistake. We believe the piece helped spur the language adopted in Congress, shortly thereafter, that prohibited the siting of these facilities in densely populated areas."

In making a case for siting a LNG gas facility and receiving terminal, Shearer would like to be believed when he characterizes Hess's generosity as a "boon" to the region. Will New Englanders see a decrease in their electric bills? Damien Gaul, an expert on LNG at the U.S. Energy Information Administration in Washington D.C., says, "It is a temporary affect. Once the regional supply flows into the aggregate [national] supply, it levels out." And of the \$80M which would generate an estimated \$400M in spin offs as well as the tax payments? In 2003, Shearer went on a local Fall River radio station to appeal to the people that Hess's offer would be rescinded if the city didn't accept the terms of the proposal, and that the company would conduct their business with zero assistance to the community. As for the workforce Lambert described as "light," how many

jobs will come to Rhode Island? And is this promise worth becoming a thruway where the cars crossing Pell Bridge all pay tolls, but a 900-ft. tanker traveling underneath it is exempt? And what of those tax payments to local cities and towns? Which ones, exactly? "They [Hess] look at a low-income community and they think they can dangle benefits, and quite honestly they weren't dangling any benefits," Lambert says. "They were just translating for us what their costs would be, anyway, in a community that already has low property taxes."

So why is Shearer's hand still out? There are the U.S. Senate elections in November, which may give Hess back the edge it lost when the Obama presidency took power. There is still a profit to be made. And the logistics remain workable. Lambert brings up a possible reason that has much to do with a certain big business attitude that is invoking more and more public ire. "Arrogance," he says. "Gordon didn't understand what it meant for him to come to a public hearing in Fall River and park his Jaguar out front. He did not get it. To come into this community and to say, 'We're going to have our way with you guys, 'cause we've got more money, we've got more brain power and you folks don't have a lot of self esteem anyway, you have the largest landfill in the state, you got all this public housing, you been put on for years'... and that's not untrue. But, I often thanked Gordon Shearer at public hearings because he did more to galvanize the community than anyone in local politics could have done. He gave people

a reason to say 'enough is enough' and you really embody the spirit of what has been pushing this community around for years."

For the residents of coastal Rhode Island, the bay is the standard by which life is measured. In Fall River, the same is measured through respect ... something in its history that has been in short supply. NIMBYism isn't a prudent attitude for communities that could do with a boost. It is the attitude with which the negotiations are being done. After all, "it's just business" is a disclaimer big business likes to use to describe doing business. People shouldn't take it personally. Yet they do.



Where proponents of this kind of fuel are correct is that natural gas power plants emit approximately half the carbon dioxide of an equivalent coal power plant. Most people see it as cheap and clean. But factor in the entire carbon footprint and the reality grows from small to extra large as 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. When the extraction, processing, chilling transportation and conversion back to a usable form is considered, LNG is a major source of greenhouse gases. And as with the Hess proposal that, if it goes ahead, will affect people across two states, what appears to be a boon is only half of a long and cautionary tale. ♣