

Thomas D. Elias: Ignoring facts, LNG backers plunge on

November 10, 2006

Through most of the early years of this decade, backers of liquefied natural gas (LNG) in California justified their push for hyper-expensive import terminals and tankers by claiming a perpetual shortage of natural gas was upon America.

The corollary, of course, was that the super-high prices of those years would never come down.

Never mind that only one study ever concluded all this was true; never mind that this study was made by and for Sempra Energy, the San Diego-based parent company of both the Southern California Gas Co. and the San Diego Gas & Electric Co. And never mind that Sempra planned to build an LNG plant in Baja California, now well along in the construction phase, and sell much of the gas it processes to its own subsidiaries in this state.

LNG is natural gas frozen into a liquid state near its source, brought here by large ships and then re-warmed to a gaseous form before being piped to homes and businesses.

Believing the Sempra estimates, a belief perhaps helped along by the fact that campaign donations to him from Sempra and its executives now total well over \$250,000, Gov. Arnold Schwarzenegger became a steady supporter of LNG and so did his appointees to state commissions that regulate energy companies.

Now come facts that flatly debunk the presumed oncoming large-scale national shortage of natural gas. U.S. government data released this fall show record natural gas supplies on hand across America. Rather than a shortage, there's more of a surplus than ever, helped along by last year's fairly warm Eastern winter and the return to production of Gulf of Mexico drilling rigs disabled last fall by Hurricane Katrina.

At the same time, the spot price of natural gas in early October fell to \$3.655 per million British thermal units in Louisiana, the first time in more than four years that the price dropped below \$4.

This is why officials of Southern California Gas and Pacific Gas & Electric Co. are saying California heating bills should be down this winter. Sure they should;

the price of gas now is less than half what it was a year ago. So much for the expectation of perpetual short supplies and high prices.

But none of this figures to help most Californians in the long run if Sempra's plan to sell gas from one of its subsidiaries (the LNG terminal) to two others (SoCal Gas and SDG&E) continues.

For LNG will without question cost more than gas now reaching California through the major pipelines bringing it here from Texas, Oklahoma, the Rocky Mountains and the Canadian province of Alberta. The cost of building LNG terminals like Sempra's and one planned off the Ventura County coast by the Australian energy giant BHP Billiton guarantees this. Add to that the multi-billion dollar price of the tanker fleet needed to supply those terminals. There is no way LNG can possibly cost as little as the October spot price. So prices in California are sure to rise if and when this state's utilities begin using LNG.

But the new facts do not even appear to have dented the consciousness of Schwarzenegger and his appointees. The state Public Utilities Commission shows no sign of reversing one previous order allowing Sempra to sell gas to itself and another that allows California utilities to give up one-fourth of their reserved space on the El Paso and Transwestern pipelines that now bring domestic natural gas to California. That gas, the PUC figures, will be replaced by LNG.

For both the PUC and the state Energy Commission, also doing all it can to facilitate LNG development, the thinking is a bowdlerized version of Civil War Adm. David Farragut's famous order: "Damn the torpedos, full speed ahead." These officials are now saying "Damn the facts, full speed ahead."

Where Farragut's order produced a Union victory in Mobile Bay, the result of the current official thinking is likely to be a future of guaranteed huge profits for the companies bringing LNG to California along with ever higher utility bills for residents of this state, who will be condemned to watch enviously forever as cheaper domestic gas that now comes here is shipped instead to other places.

Thomas D. Elias is a syndicated columnist who writes about California issues. Contact him via e-mail at tdelias@aol.com.