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Jun 4, 2019

Another mirage?

By THE DAILY SENTINEL

It's starting to feel like the Jordan Cove project — and the economic benefits it would extend to western Colorado — just isn't going to happen.

Until recently, the proposed liquefied natural gas processing plant on the Oregon coast faced strong regulatory headwinds. But now an oil and gas consultant with experience in LNG says even if the controversial project managed to get past the permitting stage, it would be hardpressed to compete with existing and planned LNG export facilities in Canada and on the U.S. Gulf Coast.

In Monday's paper, the Sentinel's Dennis Webb outlined the economic factors that put Jordan Cove at a 25% cost disadvantage, according to Portland-based McCullough Research. Consultant Robert McCullough's energy research firm gives the project a no more than 34% chance of reaching the operational stage.

Which, of course, is bad news for the Piceance Basin. All along, Jordan Cove has been a tantalizing prospect — a way for gas produced in the U.S. Rockies to be exported to Asian markets. Project boosters have envisioned long-term contracts with foreign buyers that would ramp up and stabilize local production.

In fact, a project spokesman said Jordan Cove has nonbinding commitments from buyers for 11 million metric tons per year of LNG. That's more than the project's planned annual production capacity.

But it's deja vu all over again. Recall the oil shale boom and subsequent bust. All that potential energy bound in the shale was trapped by the expensive process to liberate it. This isn't much different. The Piceance has abundant gas — the second-largest gas field in the country — but no cheap way to get it to foreign markets. Selling it domestically through available pipelines provides thin margins. We're trapped, again, by being resource-rich but having no way to exploit the bounty.

Stuck looking at a mirage.

We thought President Trump's energy dominance agenda might grease the skids on the regulatory front, but McCullough's analysis suggests it's a much heavier lift because of market conditions.

Pembina Pipeline Corp., the Canadian company that owns the project proposed to be built at Coos Bay, Oregon, said it had suspended spending on non-permitting-related activities in connection with the project this year. That announcement came just before the state of Oregon last month denied issuing a water quality certification permit.

But as Webb noted, the company said it has approved "incremental funding" of about $50 million this year in support of regulatory and permitting work. So, the project remains alive — until Pembina makes a final decision on whether to move forward.

The project still requires numerous approvals, including critical ones from the state of Oregon and the Federal Energy Regulatory Commission. FERC has denied the project before because of concerns about a lack of definitive customers overseas for a project that would require condemnation of some properties on the route of a proposed pipeline in Oregon to reach the terminal.

We don't want to write off any chickens while the eggs are still in the nest, but there's a lesson here about keeping our nose to the grindstone to hone economic diversity. Betting on extraction to gin up the economy is always risky. We can hope for the best, but let's plan on the probability that Jordan Cove isn't going to pan out and continue to develop our other plentiful natural resources — namely the great outdoors.