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news



COVER STORY

WELCOME TO GASTORIA!

How the economic boon promised by liquefied natural gas would bring mega-tankers, terror alerts and environmental threats to the Columbia River.

BY NICK BUDNICK

One recent evening in a small concrete building in Astoria, 10 people-many sporting Birkenstocks and munching on apples and chocolate cookies-sat watching Mel Gibson as Mad Max in *The Road Warrior*. The film, a cult favorite for its graphic violence, might seem a strange one for granola types to watch. But the larger message of the movie, the apocalyptic scenes of a world that has run out of oil, had the group transfixed.

"Without fuel, they were nothing," the narrator intoned in a somber introduction. "They'd built a house of straw ... Machines sputtered and stopped. Their world crumbled."

"It's a stupid movie," observed Tom Duncan, a family doctor who organized the viewing. But the symbolism of a society gone mad in pursuit of dwindling petrol supplies is, Duncan believes, a message that has significance today in Oregon's northwest corner.

The trim, gray-haired Duncan does not fancy himself a hunky hero à la Mad Max. But he does believe his group is battling the overwhelming forces of the global energy industry, forces he says threaten to turn Astoria-a sleepy coastal community that has seen a recent rebirth in both its tourist trade and its sardine business-into an industrial zone and a terrorist target.

Specifically, four separate companies want to build terminals on the Columbia River-two further upriver, and two just downriver of Astoria. Each would cover 50 to 75 acres-more than 40 football fields-and sprout storage tanks as high as a 17-story building, to receive imported liquefied natural gas, also known as LNG. (There is a fifth terminal proposed to the south, in Coos Bay.) One project, requiring condemnation of private land, is on the agenda of the Port of St. Helens this week, while a federal public hearing on another, near Puget Island in the river, will occur the day after.

Much of Portland may be focused on a battle of environmental vs. economic development involving a proposed casino in the Columbia River Gorge, 40 miles to the east. Far less attention, however, gets paid in the other direction, 90 miles west, where a fight of greater import and drama is playing out.

"The people that use Astoria and Cannon Beach as a playground don't understand what LNG means to them," says Duncan. "But people in Portland should care, because Astoria is very close to them, and LNG will affect the way they use the river and the coast."

Perched on a hill capping the northwest tip of Oregon, Astoria looks much like it always has: a coastal town of extraordinary, if slightly run-down, beauty. There are quaint old Victorians; cute shops; Finnish saunas; museums and bookstores commemorating the town's shipping past as well as Lewis & Clark, who ended their westward journey here two centuries ago. The oldest American settlement west of the Rockies, Astoria was once described by Thomas Jefferson as "the germ of a great, free and independent empire."

This city of 10,000 has suffered since the '80s with the decline of the timber and fishing industries, but it has lately seen a renaissance fueled by second-home buyers, California refugees, a revived tourist industry, a rebuilt downtown and a resurgent sardine harvest. The unemployment rate, at 6 percent-a half-point better than the state average-is the lowest it's been in years, and the city's Sunday market, extending four city blocks with more than 200 vendors, claims to be the second-largest open-air market in the state.

But in the past 10 months, a proposed bit of economic development has divided the town.

The spark igniting that division: liquefied natural gas. As the permanent end of cheap oil seems to get closer every day, the energy giants and the federal government have been pushing to expand the use of natural gas, a fossil fuel that is often found in the same locales as oil but is cleaner-burning and more abundant. British Petroleum claims the world has a 67-year supply of natural gas, compared with 41 years for oil.

While natural gas can't be used in most cars, it can heat homes and power plants. Currently, 23 percent of energy

consumed in the United States comes from natural gas, but the output from wells in the United States and Canada is dwindling fast, and local utilities like NW Natural are now looking thousands of miles overseas to countries like Iran, Qatar, Indonesia, Australia and Russia.

For natural gas to be shipped across the seas economically, it must be condensed to a liquid, one-six-hundredth its normal volume, and transported in refrigerated tankers at 260 degrees below zero Fahrenheit. Despite that challenge, industry representatives say tanker loads can be offloaded at less than a third of the current wholesale price—meaning big profits for the oil companies who control much of the world's supply, as well as potentially lower prices for consumers.

For decades there have been only four liquefied natural gas terminals in the United States—in Louisiana, Georgia, Massachusetts and Maryland—all built in the '70s. But now the rush is on for more. Encouraged by rising natural-gas prices, as well as a promise of streamlined siting by the Bush White House, energy companies, investors and wildcatters have proposed almost 60 new LNG terminals around the country, most of them on the East Coast.

Since late last year, however, five different companies have pursued locating a LNG terminal in Oregon (see sidebar, page 23).

With the prospect of 14-story high tankers floating by twice a week, there seems to be little else to talk about in Astoria. *The Daily Astorian* has not taken an official editorial position on LNG but has covered the issue comprehensively, amassing stories on its website detailing boosters' promises for the terminals, as well as critics' fears: spoiled views, a mucked-up environment, terrorist attacks. Blogs have sprung up as well. And around Astoria, pro- and anti-LNG signs have sprouted on lawns. The white one with an LNG logo struck through with a red line, saying "The Columbia River Deserves Better!" seems to outnumber its counterpart, in yellow, "LNG Works for Us."

Spreading the pro-LNG gospel in Astoria is 70-year-old John Compere. He speaks with a soothing North Carolina drawl and a professorial manner honed teaching psychology at Wake Forest University before his retirement to Astoria, with his wife, Joyce, an Astoria City Councilwoman.

Until recently, he used his rhetorical gifts as an official with the local chamber of commerce, but now he deploys them as a paid spokesman for Calpine, the power-plant firm proposing an LNG terminal for a site south of Astoria in Warrenton, on the other side of Youngs Bay.

"This is just what we've been hoping for," he says of LNG. "From an economic standpoint, there is no question that it is a boon, it is serendipity for this area."

He says that while Astoria and Warrenton are becoming a destination for tourists and river lovers, the area's lack of a major highway keeps away industry or some other non-retail payroll.

Besides a short-term surge of as many as 500 construction jobs, each LNG plant, costing roughly a half-billion dollars, promises 50 to 75 long-term jobs as well as a potential \$6 million annual property-tax benefit to local governments and schools.

Compere says none of the critics' arguments fly. He dismisses aesthetics concerns stemming from Calpine's proposed 15-story tank farm by saying, "It's three miles across Youngs Bay, and even though they are large tanks, they are not going to ruin our picturesque view at all."

Nor, he says, does the environmental argument stand up.

"I am an environmentalist...and I look forward to the day when we have an energy economy that's not fossil-based," he says. "[But] between now and then, we need to produce power as cleanly and as responsibly as we possibly can, and the way to do that is with natural gas."

He likewise rejects terrorism fears as greatly exaggerated.

"In 40 years of transporting LNG, there has not been one life lost in this type of operation." As for the terrorists, "If you wanted to cause a lot of carnage, I don't think an LNG ship would even be in one of your top 100 targets."

Unlike Compere, 62-year-old Tom Duncan speaks in clipped tones and a blunt manner. He likens the flurry of LNG proposals in Oregon to "a blitzkrieg." He's worried a terminal in Warrenton would open the door to other industrial facilities. And he echoes the fear held by some observers that just as oil production is believed to be peaking—headed toward an inevitable decline—natural gas is not far behind.

"At the very best there's 30 years of hydrocarbon energy if we switch to LNG," he says. "And yet we're tying up billions in this thing."

Duncan points to a recent federal government report by Sandia National Laboratories, which said a terrorist attack on an LNG tanker could produce a fireball of such intense heat it could damage buildings and burn skin up to a mile away. Respected experts such as LNG safety guru James Fay of MIT have said that study may underestimate the damage by a factor of five.

While the odds of such an attack are low, the Department of Homeland Security does require exclusion zones around each LNG tanker, patrolled by a mini-flotilla of machine-gun-mounted Coast Guard boats. In Boston and Alaska, where the 1,000-foot-long LNG tankers dock on the Kenai peninsula, the exclusion zone extends two miles in front, a mile behind, and 1,000 yards to either side of the tanker. That could pose a problem in the Columbia navigation channel, which is only 600 feet wide.

Compere maintains that four-fifths of Astorians support LNG. Duncan disagrees. Josh Marquis, the Clatsop County district attorney, says that speaking for himself, Duncan appears to be closer to the truth. "Eighty to 90 percent of the people I know are strongly opposed, at least to the Calpine proposal," says Marquis. "This is a big deal in Astoria. What they want to do is basically turn one of the most beautiful, bucolic and historic waterfronts into an industrial park."

So Astoria *is* caught in the headlights of America's energy future. But why should Portlanders care?

On the pro side, the argument is simple. NW Natural raised its rates 18 percent last year and this year is going to raise them another 15 percent, with more hikes likely to follow. And PGE gets 10.4 percent of its power from gas-fired plants, meaning its rates are likely headed up as well.

"Unless the state increases its access to natural gas, it's going to see rate increases year after year, and I think that's quickly going to become unacceptable for Oregonians," says Calpine spokesman Kent Robertson. "The longer the political process [of LNG permitting] takes, the longer everyone's going to pay more for gas unnecessarily."

But there are other potential impacts, including to the Port of Portland, a significant economic engine for the economy, as well as the fishing industry.

Though the Coast Guard has said it will interpret the tanker exclusion zones loosely enough not to impose a hardship on commercial vessels, LNG foes say those zones will be tightened if there's another 9/11-type attack.

The Port has not taken a position. But Captain Lonny Rogers, a member of the Columbia River Pilots, says the Port should be concerned—depending on how strict the exclusion zones are—because certain narrow points along the Columbia could become designated for one-way traffic. That would wreak havoc on industries that rely on a tight schedule.

"If the Coast Guard insists on one-way traffic, I think it would kill [the LNG project]," says Rogers. "We're not going to close this river off to all other users for just this one."

There's also the question of how the various projects might affect the fishing industry, as well as ancestral tribal fishing rights.

Gary Soderstrom, president of the Columbia River Fisheries Protective Union, says his group of commercial fishermen opposes LNGs on the Columbia. He says an LNG site proposed for Port Westward, north of Clatskanie, would wipe out the best fishing spot in the river. And his trips to the LNG port in Alaska leave him believing security zones would interfere with fishing and recreation on the river.

Another group concerned about fish is the Columbia River Inter-Tribal Fish Commission, which in July sent a letter to the feds blasting the LNG site proposed for Bradwood Landing, about 20 miles upriver of Astoria, based on its requirement for annual dredging in a sensitive area called Cathlamet Bay. Commission biologist Rob Lothrop calls the area "a very special place" and "the last best estuary habitat for salmon-rearing on the lower Columbia."

In the past month, the state's larger environmental groups have been waking up to the LNG question, in part thanks to the efforts of Brent Foster of Columbia Riverkeeper, a nonprofit working on river quality. "Everyone who's a taxpayer should be worried," Foster says. "We're spending tens of millions of dollars on protecting and restoring the Columbia. To do something like let LNGs in doesn't make a lot of sense."

Gas-industry officials say only one or two LNG terminals are likely to be sited on the Columbia, as well as the one in Coos Bay. To be first, the LNG proponents are taking very different tacks, ranging from soft-sell wooing of the locals by Calpine to big-money PR and lobbying by the Northern Star group further upriver at Bradwood Landing, to the arm-twisting of landowners and opponents by the Port Westward proponents even further upriver.

The odds are in proponents' favor: In August, Congress approved language in a major energy bill intended to

remove any state and local authority to site-or block-an LNG plant. (With the exception of Republican Rep. Greg Walden, the rest of Oregon's delegation voted in favor of amendments to protect states' rights.) That siting power mainly lies in the hands of the Federal Energy Regulatory Commission, an agency that is quite cozy with big LNG interests, according to an investigation last year by the Center for Public Integrity, a national watchdog group.

Other communities where LNG's have been sited have taken hard-line positions against them. Yet eight of the nine proposals that have made it to FERC have been approved. So public-safety concerns raised by communities elsewhere are unlikely to work in Oregon, says Paul Weimer of the Bellingham, Wash.-based Pipeline Safety Trust. But he says Oregon has something the other sites don't-namely, sovereign tribes with special fishing rights, as well as federal agencies tasked with enforcing special protections along the Columbia River thanks to the Endangered Species Act.

Oregon may have another thing going: Its officials think they may still have the power to deny permits to LNG projects based on the federal Clean Water Act, Clean Air Act and Coastal Zone Management Act.

Gov. Ted Kulongoski has voiced his opposition to the federal preemption of states' rights. But as for whether his office will try to use what power it might have left, spokeswoman Anna Richter Taylor would not say.

"The Department of Justice is looking at that for us," she says. "We expect to hear from them by the end of the month as far as what authority the governor has."

The irony to all this is that despite all the hubbub over LNG terminals, we may not need them, says Robert McCullough, a Portland energy economist and former PGE executive who has been heavily involved in a number of high-profile energy fights.

The natural-gas markets project the new high prices to last through 2010, which in his view means investments in new gas-fired power plants can be expected to cease. That's because photovoltaic cells have suddenly become economical in some parts of the country-i.e., without Portland's rain-and in the others the new generation of "clean coal"-fired plants will be far cheaper to run. Thus, he says, any LNG terminal built in Oregon may wind up being a "white elephant."

If he's right, it would be like *The Road Warrior*-in what Duncan says is his favorite part. In the end, the tanker truck Mel Gibson and everyone have been fighting over turns out to be full of sand. In other words, instead of squabbling over a prize of dubious value, Duncan says we should be focusing on renewables and energy efficiency-not replacing one fossil-fuel habit with another. "The only solution," he says, "is to become less addicted."

FIVE CONVENIENT LOCATIONS TO SERVE YOU

Some LNG terminal proposals in Oregon are just ideas; some are major corporate investments. Here is a rundown:

- * In Warrenton is the Tansy Point site, which has been floated by Martin Nygaard, a local businessman working with international LNG consultants. That proposal has not shown much activity of late.
- * Calpine Energy, a California-based power-plant company, is proposing the Skipanon Natural Gas project in Warrenton across Youngs Bay from Astoria. It hopes to apply for federal approval next year.
- * Northern Star Natural Gas has applied to the feds for a terminal at Bradwood Landing, about 20 miles upriver from Astoria. Northern Star has hired Gallatin Group, a Northwest firm headed by GOP bigwig Dan Lavey, as well as Democratic lobbyist Alan Tressider and Stoel Rives, a top Portland law firm. The company has reached out to potential opponents, such as the Columbia River Pilots, flying three of them to Vicksburg, Miss., to practice tanker simulations.
- * The Port Westward project is about 35 miles east of Astoria and north of Clatskanie. New Mexico entrepreneur Spiro Vassilopoulos and New York investor Bob Ramage have been trying to buy land for a terminal. But two landowners do not want to sell. Today, Sept. 28, the Port of St. Helens will discuss whether to seize the land under condemnation proceedings.
- * In Coos Bay, where opposition has been more muted than along the Columbia River, the Jordan Cove Energy proposal would be more of a boutique project intended to feed local industry using a smaller local pipeline system. The proponents hope to file their proposal with the feds in the next 60 days.

SIZE MATTERS

The new generation of 1,000-foot long LNG tanker is longer than the Titanic (which checked in at 882 feet, 8 inches) and about as long as the longest crude-oil megatanker, or three football fields. But what else would fit in there? Here's a list of some things that would fit in that space if placed end-to-end:

LNG Tanker	1,000 feet	1
Packy the Elephant	At least 11 feet	91
Mini Coopers	About 11 feet	89
iPod nanos	About 4 inches	3,428

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