
Many lives of Jordan Cove may have come to an end (Opinion)



The proposed Jordan Cove Energy Project, seen in this artist's depiction, has struggled to succeed many times. The authors wonder whether the project could ever make it through the regulatory process and survive the "dour market and more efficient competitors." (Photo courtesy of Jordan Cove)



By **Guest Columnist**

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Liquefied Natural Gas (LNG) facilities, like cats, are known to have many lives. They also have a tendency to land on their feet after a fall. The announcement last week that the proposal for Jordan Cove's LNG export terminal will be altered and resubmitted to the Federal Energy Regulatory Commission (FERC) is a case in point. The Jordan Cove proposal has survived many regulatory and market setbacks in its thirteen-year life. However, the question remains: Can it survive a dour market and more efficient competitors?

Jordan Cove's original proposal in 2003 was to import LNG to supply a plant outside Coos Bay and sell natural gas to West Coast markets. Its timing was not favorable. In 2008, Senator Ron Wyden's staff asked us whether Jordan Cove was likely to compete with burgeoning production in Wyoming. Since U.S. market prices were so low, we replied that the project had little chance of survival.

In 2011, Jordan Cove abruptly changed course and proposed exporting LNG to Asian markets. This is a more logical use for the Coos Bay site, since North American discoveries of natural gas have continued to dramatically reduce market prices. Unfortunately, the same logic also applies to competitors in British Columbia, which boast the shorter route to Asia. Today, Jordan Cove competes with 20 other potential LNG terminals in that province.

The project itself faces many inefficiencies. Its three major components are mismatched: A small 6 million tons per annum (mtpa) liquefaction facility, a large new pipeline and an oversized power plant. Using electricity to compress the gas into a liquid is more efficient than using natural gas. However, Jordan Cove's power plant is roughly twice the size the industry would normally

build.

On the regulatory front, the 20 projects proposed in British Columbia have significant advantages. Canadian environmental and energy export policies have traditionally been more lenient than those in the United States. Seventeen of the LNG terminals there already have received export permits. The most significant of the pipeline projects also has received conditional permits.

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Beyond the Northwest, a more formidable competitor is Cheniere Energy, which has projects in Louisiana and Texas. Some are already in operation. Further, the company's expansion projects have permits and are under construction. Cheniere also has existing contracts with Asian customers, and recently announced another major deal.

Meanwhile, Jordan Cove plods along. FERC denied the permits for the project and its associated pipeline in March 2016. Jordan Cove lobbied unsuccessfully for a rehearing, and was turned down last week.

As time presses on, the economics of the project continue to fade. When Jordan Cove proposed the export terminal in May 2013, the differential between landed Japanese LNG prices and U.S. natural gas prices was \$12.45. Today, it has fallen to \$3.25.

Jordan Cove's response to its unsuccessful application at FERC was to terminate the regulatory process for the power plant, apparently planning to use less efficient (and more costly) gas compressors.

It is still unknown how likely it is that Jordan Cove will actually enter service. Can it compete with the many projects further down the approval process in British Columbia, or the U.S. projects that are actually up and running on the Gulf Coast? And while Trump is likely planning to restructure FERC, he has also appointed an energy secretary from Texas who is more likely to support established projects in his home state than speculative projects in Oregon. Perhaps, after thirteen years, the Jordan Cove project has finally lived the last of its nine lives.

Robert McCullough is a Portland economist who consults widely on energy issues across the U.S. and Canada. He is best known for advising public power agencies in their case against Enron in the aftermath of the California energy crisis. Charles Noble and Jacob Gellman are analysts for McCullough Research.

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