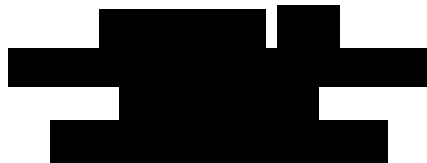


Wim de Vriend

August 5, 2012

U.S. Department of Energy (FE-34)
Attn: Larine Moore and Marc Talbert
Office of Natural Gas Regulatory Activities, Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Via email: fergas@hq.doe.gov

Re: FE Docket No. 12-32-LNG

Dear Mr. Talbert & Ms. Moore:

I am writing in opposition to the application by Jordan Cove Energy Project, L.P. for long-term authorization to export liquefied natural gas produced from domestic and Canadian resources to non-Free Trade Agreement countries.

Unlike most proponents of this project, I am well-informed about the history of its chief advocate, the Port of Coos Bay which, in spite of its lofty pretenses, has a dismal record of failure, deceit, and disregard for the health and well-being of its constituents in the port district. Recently I published a book titled "The JOB-Messiahs." The product of twenty years of work, it documents the sad and sordid history of the port's "economic development" programs during the last 35 years. Rather than achieving economic development, the Port has specialized in all manner of swindles, secretly selling assets belonging to the federal government, committing election fraud to make the Port Commission unanswerable to its voters, and telling all sorts of lies to the public to promote its harebrained "development" schemes, of which the LNG terminal is merely the most recent example. If any of the Port's shenanigans had produced local prosperity one might be inclined to overlook them, but their net effects have been stagnation and impoverishment. For decades Coos County has been the only part of western Oregon whose population has declined, it has consistently had the highest unemployment rate, and the Coos Bay area's real estate values are 20 to 25% lower than in smaller, neighboring coastal towns that have had more sensible development policies. Jordan Cove's advocates have recently circulated a suggested letter of support on behalf of Jordan Cove; this letter is attached as an Appendix to mine. Is there, as they claim in this letter, a connection between our local economic problems and the "reduced timber harvests" in the area? Yes, but it's not a real excuse. Timber production has declined all over Oregon, yet while Coos County declined in all kinds of ways during the last three decades, the state as a whole boomed and its population increased by 45%.

I need to apologize for not knowing the exact criteria on which the Department of Energy will base its advice to FERC. Neither do I know if you have the patience to read this letter in its

entirety. I would therefore first like to explain my reasons for opposing Jordan Cove's proposal. Assuming I have held your attention, I would like to use the final part of this letter to deal more thoroughly with the arguments of Jordan Cove's proponents, for they hold precious little water. So first, these are the reasons for my opposition:

1. **SAFETY**: The LNG terminal would pose a huge risk to the local population. Siting standards published by SIGTTO (Society of International Gas Tanker and Terminal Operators) recommend that LNG ports should be located where vapors from a spill or release cannot affect civilians. Instead, tens of thousands of people live inside the recommended "hazard zone" surrounding the terminal and its access route, with potential exposure to catastrophic gas holocausts. The SIGTTO standards also recommend that LNG ship berths should be far from the ship transit fairway, that long, narrow inland waterways are to be avoided due to greater navigation risk and that, for the same reason, berths not be located on outside curves in the waterway.

<http://www.lngtss.org/standards.html>

All these recommendations are designed to minimize the risk of ship collisions. It's true enough that LNG's short history has seen no major shipping accidents involving tankers and terminals, but that is no justification for the designers of Jordan Cove's terminal to ignore SITTGO's recommendations. In addition there is a unique, undeniable risk facing the Coos Bay proposal, one that goes well beyond shipping mishaps and could happen at any time. The local geology is a virtual mirror-image of that off the northeast coast of Japan where a devastating earthquake and tsunami struck early last year, causing not only massive loss of life and property, but meltdowns at the Fukushima nuclear power plant. An offshore earthquake of similar strength, and its accompanying tsunami, have a 40% chance of striking Coos Bay within the next fifty years, and by some calculations such an event is already overdue. <http://ca.news.yahoo.com/high-chance-major-oregon-quake-study-221238959.html> The LNG terminal is proposed to be built on Coos Bay's North Spit, which geologically is a glorified sand shoal. Geologic evidence shows that in the past 10,000 years 41 quakes of magnitude 8 or larger have hit this part of the coast, lifting, lowering, liquefying, breaking and tilting sections of it; moreover, as proved by a succession of ancient sand deposits, they were followed by huge tsunamis. There is no disagreement that the inevitable quake will cause massive destruction of roads, bridges, utility lines and other infrastructure; we have been told by earthquake experts that such an event may leave the coast without power and transportation for months. Power is essential to the safe operation of the LNG terminal, which may already have been compromised by the earthquake, and whose own power plant could be disabled by the tsunami as well.

2. **THE NATIONAL INTEREST**: When this LNG terminal was first proposed in 2005, it was to import natural gas because a domestic shortage seemed to be developing. During the few years since then, "fracking" technology has completely turned around our supply situation, so that the national-interest-argument can no longer be made. On the contrary, it may well be in the national interest to keep our natural gas here because of its tremendous potential for reviving America's manufacturing base. Natural gas is essential for fertilizer production and other chemical processes; it is vital as a replacement for coal-fired power plants, and it could be widely used as a transportation fuel, replacing gasoline and diesel. The technology for such a conversion already exists, and could be applied at reasonable cost.

3. **PERSONAL PROPERTY RIGHTS:** Jordan Cove’s proposal would necessitate the construction of a 3-foot diameter pipeline, over 200 miles long, to supply the gas for the terminal, so its approval would imply a grant of eminent domain for the gas exporter, much of it through private land. I can see how seven years ago, the then-looming gas shortage might have justified such an intrusion on private land in the national interest, but not today. This time around, property owners would be inconvenienced and harmed for the benefit of a private, foreign-owned gas company.
4. **THE ENVIRONMENT:** Nine years ago Oregon officials turned the celebratory shovels of dirt to inaugurate the construction of a 1-foot diameter natural gas supply line from Oregon’s interior to the Coos Bay area, which had not had access to the gas before. This taxpayer-funded project had been sold with the promise of 2,900 new local jobs, since the availability of natural gas would bring all sorts of new industries to the area. As was true of so many preceding boondoggles, these expensive promises failed to deliver any new jobs, and the construction of the pipeline turned into an environmental disaster due to the difficulty of the terrain and the apparent carelessness of the contractor. In the end the Coos County Commissioners, faced with a half-million dollar expense for repairing local streams, fired the contractor and got someone else to finish the job. Now Jordan Cove needs a 3-foot new pipeline built, and one twice as long. Many people shudder at what this is going to do to the water-rich Coast Range, and what for?

As I mentioned, from local proponents of the LNG export terminal I received a suggested letter to your office advocating approval of Jordan Cove’s application; this letter is attached. Sounding somewhat desperate, it letter makes several claims.

One claim paints the LNG project as “an unprecedented economic opportunity for Coos County and the region.” On the contrary, Coos County’s economic development lobby wouldn’t recognize an economic opportunity if they tripped over it. For a long time they have had an aversion bordering on hostility to developments that would capitalize on the real strengths of this area. Coos County’s scenic assets and mild climate make it an ideal place to attract tourists, retired people and other new residents, most of whom would bring money, and some of whom would start or bring new businesses. But instead of being friendly to such sustainable economic developments, the local Kommissars have on many occasions during the last thirty-five years promoted dirty and/or dangerous industries that scared people off. Almost all were planned for the same general area that is to receive the Jordan Cove plant, which is Coos Bay’s North Spit, a low-lying strip of beaches and dunes that on the East Coast would be called a barrier island. Most of the year it is directly upwind from the county’s main population center, the peninsula that holds the cities of North Bend and Coos Bay, about half a mile away across the water. Although none of these things ever happened, in chronological order, the Port has promoted and/or subsidized the building on the North Spit of:

- A large fish processing complex in 1979. To attract processors the port built a new dock that cost \$2.5 million, but no processors ever came.
- In 1981 the port offered to sponsor \$150 million of tax-free bonds to build a huge coal shipping terminal promoted by speculators who also sold shares to local investors. The ill-researched plan collapsed, and the terminal was never built.
- In 1985 the port dug a \$ 1.5 million barge slip on the North Spit. It was supposed to attract fabricators of large equipment for Alaska’s North Slope oil fields, but no fabricators ever came.

- In 1987 the port organized a package of “incentives” for the promoter of a chromium smelter. Smelters have a dismal pollution record. Apparently this promoter’s real agenda was to manipulate his stock price; he continued his trek up the coast, trying to interest small towns like Coos Bay in his scheme until it was finally revealed that his “non-polluting” production process was a myth, and he didn’t know what he was talking about.
- In 1989-90 the port wasted millions on water supply studies to lure a Japanese Kraft pulp mill that never came. As has been true in other cases, the promoters were never seriously interested in Coos Bay and were merely playing one town against another.
- In 1998 the port spent a million on studies for a new 500 Kv powerline to serve a steel mill, while threatening to use Eminent Domain to obtain land for it. Like others, this episode raised doubts about the seriousness of the steel company, and none of it happened.
- And since 2005 the Port has been promoting a container shipping terminal that will never materialize, and the present Jordan Cove project which may or may not cause pollution, but will definitely generate widespread fear. For this the Port has already spent several million dollars.

In addition to these industrial schemes for the North Spit, the Port has hatched many others that also failed and/or turned into financial disasters. But all these flops have elements in common. They were based on a local belief in Coos Bay’s vast industrial potential, a belief that may seem quaint to people who live elsewhere. Although it does have a harbor and an industrial history, Coos Bay is a remote place with poor inland connections, its harbor was only ever useful as a place to ship out local lumber products, and like many northwest ports, it has a good chance of falling into disuse; global shipping has increasingly become concentrated in larger but fewer ports. But of all places on the Oregon coast, Coos Bay had the largest body of loud-mouthed opinion that denigrated alternative development opportunities and insisted on re-creating its faded industrial past, albeit with different names on the factory gates. This obsession with bringing back heavy industry has cost the area dearly, not only in wasted money but in wasted opportunities. The recurring threat of heavy, obnoxious industries coming in – even though they never came – has diverted potential new residents to smaller communities up and down the coast, places that had come to terms with a changed world. It has also physically blocked beneficial re-development of Coos Bay, notably of its neglected, abandoned waterfront.

The proponents’ letter brags about the temporary jobs tht will be created by the construction of the terminal and the 3-foot pipeline. The numbers of construction jobs appear impressive, but they are very temporary, like a high-potency drug. It also states: “The terminal and pipeline will create 150 permanent jobs with an average annual salary of \$75,000.” This is a weasel-worded claim since only one or two dozen permanent jobs are expected to be associated with the terminal; the remainder must be located inland, for managing the pipeline.

The letter also claims that “Jordan Cove will pay \$25-30 million per year in local taxes.” Not exactly. Like all North Spit industrial land, Jordan Cove will be located in an Enterprise Zone, which means the company will get a 3 to 5 year tax exemption first off. The facility will also be located in an Urban Renewal District run by the Port, which means all of its property taxes may legally be diverted to the Port’s projects; and when it comes to wasting UR funds on boondoggles, few organizations can match the Port.

Jordan Cove’s advocates also predict that their project will “revitalize the Port of Coos Bay, a naturally deep-water port that is under-utilized. Port facilities will be improved, making the Port of Coos Bay more attractive to importers and exporters.” They also claim that the new pipeline

will bring in more gas for local use, thereby making “the region more competitive in attracting industries.” To take these claims in sequence, the Coos Bay harbor started out with a “natural” depth of 10 or 12 feet, and nature has undergone many amendments to accommodate today’s vessels; these days maintenance dredging runs to \$5 million annually. And the fact that the port is “under-utilized” is for a reason: not enough freight to ship out. The claim that “Port facilities will be improved” refers to the anticipated income stream from Jordan Cove to the Port, which the latter plans to use to build and subsidize a money-losing, new general-cargo dock nearby. This was chiefly to placate the local ILWU which, just like the Port, doesn’t care if such a dock could never pay for itself, the real object being to keep itself in business.¹ As a matter of fact, three years before this plan was hatched the port had spent \$200,000 for two feasibility studies for such a new cargo dock. Both strongly advised against it, politely calling it “a very high business risk.”² The claim that this way Coos Bay could become more attractive to importers is risible too; it never was in its heyday, when all the ships coming in to pick up lumber arrived empty. Besides, I have already mentioned the lack of good inland connections, and no importer in his right mind would bring his goods to an area with a total county population of 63,000. And finally, the existing, 1-foot gas pipeline was paid for by the public because the local gas company, Northwest Natural Gas, never considered such a project economical. Regardless, its presence has not attracted any new industries, so it’s hard to see why a bigger pipeline would.

A healthy economy needs to move with the times. If a substantial industrial development alters our environment and causes some inconvenience, we should accept it if the pay-offs are there. But are they? Claims that the Jordan Cove Energy Project and its associated Pacific Connector Pipeline will provide a long-term economic benefit to our area are largely spurious, and the project poses a danger to the local economy as well as the public health and safety. For these reasons I suggest you refuse to approve Jordan Cove Energy Partners, L.P.’s application to export LNG to non-Free Trade Agreement countries.

Sincerely,

¹ “Port, Weyco near land deal. Discussion opens possible path to new cargo terminal and hundreds of Bay Area jobs.” *The World*, October 21, 2005.

² “Evaluation of Marine Cargo Opportunities for the Port of Coos Bay, Oregon”, April 2002: BST Associates, Bethell, WA; “Feasibility analysis for a Modern Marine Cargo Facility in the Port of Coos Bay, Oregon”. PB Ports and Marine, Inc., May 2003; Report: Building new port facility may not be cost-effective”. *The World*, March 20, 2003.

APPENDIX: Jordan Cove's proponents' draft letter.

Draft

July __, 2012

U.S. Department of Energy (FE-34)
Attn: Larine Moore and Marc Talbert
Office of Natural Gas Regulatory Activities, Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Via email: fergas@hq.doe.gov

Re: FE Docket No. 12-32-LNG

Dear Mr. Talbert & Ms. Moore:

We are writing in support of the application by Jordan Cove Energy Project, L.P. for long-term authorization to export liquefied natural gas produced from domestic and Canadian resources to non-Free Trade Agreement countries. The Jordan Cove project represents an unprecedented economic opportunity for Coos County and the region.

At \$6 Billion, the Jordan Cove project and the associated Pacific Connector Pipeline would be, by dollar value, the largest private sector investments in Oregon. Coos County continues to experience chronic financial distress from reduced timber harvests that have led to greatly reduced revenues, and as a result, public services. This has required Coos and other Southern Oregon counties to make difficult and painful cuts in public services. Even before the current recession, Southern Oregon counties lagged the rest of the State of Oregon and the nation in economic growth and routinely posted unemployment figures higher than the state and national averages.

The Jordan Cove project provides several key opportunities for the region:

1. **Construction Jobs.** Terminal construction is forecast to create more than 2,600 jobs at peak with an average of more than 900 jobs over three-and-a-half years of construction. The pipeline will employ an additional 800 workers over two years of construction.
2. **Permanent Jobs.** The terminal and pipeline will create 150 permanent jobs with an average annual salary of \$75,000, which is twice the average per capita income in Southern Oregon.
3. **Local Taxes.** Jordan Cove will pay \$25-30 million per year in local taxes. Considering the multi-decade projected operations of the Jordan Cove facility, these tax payments would be a large and reliable revenue source for local governments.
4. **Economic Development.** Construction of the Jordan Cove terminal will revitalize the Port of Coos Bay, a naturally deep-water port that is under-utilized. Port facilities will be

improved, making the Port of Coos Bay more attractive to importers and exporters. In addition, the Pacific Connector Pipeline will provide connections to the existing natural gas pipeline infrastructure in Southern Oregon thereby increasing the supply of natural gas. The increased availability of natural gas in Southern Oregon would make the region more competitive in attracting industries that require reliable, large volumes of natural gas. This improvement in natural gas availability will also come at no cost to utility ratepayers because the pipeline will be financed by Pacific Connector's investors, with no ratepayer recovery.

In summary, the Jordan Cove Energy Project and its associated Pacific Connector Pipeline would provide a long-term economic benefit to a region of Oregon that has been suffering from high unemployment and a steady erosion of its traditional natural resource-based industries. It would provide high-wage construction and permanent employment and it would have important spin-off benefits from the improvements made at the Port of Coos Bay and the increased availability of natural gas.

For these reasons, we ask that you approve Jordan Cove Energy Partners, L.P.'s application to export LNG to non-Free Trade Agreement countries.

Sincerely,