The Quoddy Tides

Eastport, Maine

2010 January 8

LNG firm files plan with FERC for Calais site

by Edward French

The third proposal for a liquefied natural gas (LNG) terminal on Passamaquoddy Bay is now moving forward, with Calais LNG and Calais Pipeline Company filing their applications with the Federal Energy Regulatory Commission (FERC) on December 18. The applications are for an LNG terminal on the St. Croix River in Calais, north of St. Croix Island and just south of Devil's Head, and a 20.7-mile pipeline to the Maritimes & Northeast Pipeline in Princeton. FERC is now accepting comments from the public on the applications.

With a proposed maximum throughput of 1.0 billion cubic feet per day (bcf/d), the terminal would be able to handle twice the capacity of the proposed Downeast LNG terminal in Robbinston. The Canaport LNG terminal in Saint John, which began operating this summer, also can handle 1 billion cubic feet per day. FERC does not have a projected date for issuing a final environmental impact statement for the Downeast LNG proposal, after requesting additional data from the company in November. The Quoddy Bay LNG application was dismissed by FERC in October 2008, and the company has not refiled.

While the need for new LNG terminals in the U.S. is now being questioned, with increases in domestic gas supplies, Art Gelber, one of the four partners in Calais LNG, maintains, "The demand today is greater than it's ever been" in the northeastern U.S. With current high prices for natural gas and heating oil, there is "an ample marketplace for natural gas," both for residential use and for producing electricity. "Calais LNG will service the growing markets of the region," Gelber says. Other possible markets can be developed through initiatives to burn cleaner fuels and to provide backup fuel for wind power projects.

The application also argues that there is a need for the facility, stating, "Given high fuel oil prices and a policy push for cleaner energy, Calais LNG estimates that providing an additional 1 bdf/d of natural gas capacity will facilitate approximately 0.5 bcf/d of fuel switching from oil to natural gas in New England."

Concerning competition from the Canaport LNG terminal, which has been receiving one to two ships a month since its commissioning in June, Gelber says that the Calais LNG partners "always anticipated it would be in business. We're pleased with the sendout they are able to achieve. It's reassuring that there's a robust market there."

Many industry journals and experts, though, are reporting that natural gas reserves in the U.S. and Canada are sufficient to meet the demand for more than 100 years and that the U.S. LNG import terminal sector is overbuilt. However, Gelber maintains that it will be difficult to bring LNG from shale gas reserves in the U.S. to New England markets, because the pipeline capacity is "bottlenecked."

Another challenge facing LNG terminal proposals is finding suppliers, but Gelber says Calais LNG has had "in-depth discussions with suppliers" and that there is "an abundant amount of LNG available today, unlike two years ago." Suppliers for the Atlantic basin markets of North America include companies located in Norway, Qatar, Egypt, Nigeria, Equatorial Guinea, Trinidad and Russia. "We have some signed paperwork for LNG supply," says Gelber.

Gelber adds, "We're excited about bringing new jobs and tax base" to not only Calais but areas of Washington and Charlotte counties. An estimated 100 jobs would be created at the LNG facility and marine terminal, with some 600 jobs during the construction period for the project, which is estimated to cost between $800 million and $1 billion.

Another project partner, Ian Emery of Cutler, notes that although the proposal "stumbled some" in the past, experts in the natural gas industry have been brought in to help move it forward. Along with Emery, who is a commercial fisherman who served in the state legislature, and Gelber, who is founder of Gelber & Associates of Houston, Texas, an energy consulting and advisory firm, the other partners are Carl Myers, the principal member of Fuel Gas Solutions, a professional services firm that provides analysis to large fuel suppliers, and Goldman Sachs, a leading global investment banking, securities and investment management firm based in New York City. Gelber says Goldman Sachs is the primary investor and is committed to providing funding for the project. In addition, James Lewis, who has more than 50 years of experience in the energy industry, including LNG and petroleum facilities, is providing assistance.

Trucking option proposed

If the Calais LNG terminal is built, the Maritimes & Northeast Pipeline would likely need to be expanded to handle the additional amount of LNG. In addition to moving the gas through the existing pipeline, a proposed truck-docking station at the Calais LNG terminal would allow for the transportation of LNG via truck. Emery says that Lewis "impressed on us the idea of trucking LNG as an option, to reach customers not on a natural gas pipeline." He says that trucking the natural gas would allow pulp and paper mills that are not near the Maritimes & Northeast Pipeline to convert to natural gas. Natural gas also could be trucked to serve communities, he says. The application notes, "In the longer term, Calais LNG could support incremental residential distribution infrastructure supporting home heating conversion needs."

According to Gelber, trucking natural gas to rural areas that have no connection to a gas pipeline is being done from other LNG terminals. The LNG can be brought to satellite storage tanks and used for either industrial or residential purposes through a local pipeline system. Calais LNG, though, would not distribute any gas locally, leaving that possibility to other businesses to consider developing.

FERC issues notice for public comment

On January 6, FERC issued a notice to the public seeking comments, by January 27, about the Calais LNG application. Members of the public, organizations, municipalities and others can request to become intervenors in the FERC process, and anyone may file comments, using the "e-Filing" link on the FERC website. The docket numbers for the pipeline and terminal proposals are CP10-31 and CP10-32.

According to FERC spokesperson Tamara Young-Allen, FERC staff then will prepare a draft environmental impact statement (EIS), which the public will have an opportunity to comment on, before a final EIS is issued. The commissioners then will make a decision on the application, and Young-Allen says the process usually takes 12 to 18 months.

Calais LNG also will be filing for its state permits soon, according to Gelber. The Calais LNG partners are hoping that construction could begin in early 2011, with the terminal operating by early 2014.

The Calais LNG terminal would receive one to two LNG vessels per week. Vessels would be moored at a single-berth marine trestle that could extend less than 1,000 feet from the shore to provide the necessary depth for the LNG tankers. Three 160,000-cubic-meter storage tanks are proposed, with two tanks to be built during the initial construction period.

A 20.7-mile send-out pipeline would connect with the existing Maritimes & Northeast Pipeline in Princeton. A total of 154 properties would be affected by the 36-inch natural gas pipeline, with a 50-foot permanent right-of-way and a 100-foot temporary construction right-of-way.

Four alternatives were considered for the pipeline route, with the preferred alternative crossing Route 1 near the terminal site, proceeding around the Moosehorn National Wildlife Refuge to the north of Magurrewock Mountain and crossing Route 1 again to parallel the Calais industrial track railroad right-of-way that runs along the St. Croix River. In Baring, the route would bear south and then parallel the Route 1 right-of-way, set back behind homes and businesses. It then would follow the Eastern Maine Electric Cooperative electrical transmission line corridor to Princeton, except for a portion about a mile beyond Baileyville to avoid several residential lots.

Top
