Safety before LNG

Protecting the Shannon Estuary and its people

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Mr. Stuart Coleman,
The Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24: scoleman@cer.ie, info@cer.ie

Re: SBLNG submission on the regulatory treatment of the BGÉ Interconnectors

Dear Mr. Coleman,

Safety Before LNG, in full support of option 4, is opposed to any diversity premium at all because it is anti-competitive, not in the interests of consumers and is putting the interests of Shannon LNG (owned by the Cayman-Island registered Hess LNG) before the interests of state-owned Bord Gáis by promoting market share for Shannon LNG rather than security of supply.

As long ago as October 17th 2008[1] we highlighted to the CER in our public submissions on the matter, media reports on the revelation in an internal CER memo that the gas prices for the consumer would increase by about 15% if Corrib and Shannon LNG start production[2]. It has more recently been reported in the media that the CER could charge Shannon LNG as little as €10 million a year[3]. It is also stated that Shannon LNG claims it can supply up to 45% of Irish gas needs and that the €50 million fixed annual cost of operation of the Interconnectors is currently footed by Bord Gáis, ESB and Airtricity[4].

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[1] http://www.safetybeforelng.ie/licensing/cerpipeline/short_cer_shannon_lng_pipeline_decision.pdf
[2] www.independent.ie/national-news/thats-gas--bills-up-15-after-corrib-field-opens-1462172.html
[3] "The Kerryman" newspaper, Wednesday May 18th 2011
[4] "Sunday Business Post" , May 15th 2011 http://www.sbpost.ie/news/ireland/major-shannon-energy-project-is-under-threat-56314.html

1. If the costs of the Interconnectors are not shared by all shippers then Bord Gáis will never be able to compete on price with Shannon LNG as the Interconnectors tariff will be the benchmark on which Irish wholesale gas prices will be based. This would make Shannon LNG an immediate windfall winner which is not fair or equitable. Shannon LNG would then be able to supply as much gas as it liked to the Irish market with the marginal profit increasing as it gained more market share due to the fact that the fixed costs of the Interconnectors would be shared out among a decreasing proportion of the Irish market. The only criteria that would effect Shannon LNG's percentage of the Irish market in this unacceptable scenario would be the logistical issues involved and the possibility of gaining higher profits elsewhere by changing the direction of LNG container ships at the last moment as market prices and conditions changed. For example, the last few weeks has seen more LNG currently being diverted from the Atlantic to the Pacific market. In fact, global energy trader Gunvor is even delivering gas loaded in Europe to the Pacific market later this month as it plays the increasingly attractive Atlantic-Pacific spread as rising Japanese demand makes the play with Asia profitable even after shipping, the Reuters news agency reported last week.[5]

2. We believe that Shannon LNG should be considered as a competitor in Ireland, not of Bord Gáis, but of the suppliers to the Milford Haven and other LNG terminals in the Great Britain. If Shannon LNG is forced to contribute equitably and proportionate to its market share to the Interconnectors cost then the suppliers of all LNG-sourced gas to the Irish market would be in direct competition with each other with the IC tariff costs removed from the calculation and this should force a downward pressure on gas prices in Ireland. Indeed, in 2007, a report jointly commissioned by the Department of Communications, Energy and Natural Resources and the Department of Enterprise, Trade and Investment Northern Ireland found that:

   "The island of Ireland has effectively become part of the GB market, from both a supply and a price perspective. The island of Ireland, is fed from one of many exit points from the National Grid Transmission System and the island of Ireland price of gas is closely linked to the GB National Balancing Point (NBP). This British Isles gas market has a diversity of supply sources including its own production from the North Sea, pipelines from the Norwegian sector and the continent, and LNG terminals either in operation or under construction that can access supplies from around the world."[6]

Direct or indirect decoupling from this market has inherent risks which we believe have

[5] http://uk.finance.yahoo.com/news/More-LNG-diverted-Atlantic-reuters_molt-1978623512.html?x=0

[6] The All-Island Strategy document for Gas Storage attached - "Study on Common Approach to Natural Gas Storage and Liquefied Natural Gas on an All Island Basis –November 2007" jointly commissioned by the Department of Communications, Energy and Natural Resources and the Department of Enterprise, Trade and Investment, Northern Ireland - http://www.dcmnr.gov.ie/NR/rdonlyres/8AD0EDDB-3237-4157-B230-2D467A3C1F9C/0/4DCENRGasStorageExecutiveSummary.PDF page 8

not yet been adequately assessed to date. Shannon LNG itself admits in its submission to the CER[7] on this issue that:

> *"If Shannon LNG charges the same price as UK imports of gas to Ireland, then Shannon LNG cannot gain market share".*

Allowing a diversity premium to exist would place no incentive therefore on Shannon LNG to compete directly with its real effective competitors - namely other suppliers of LNG-sourced gas.

3. We believe that it is important to make the clear distinction between indigenous gas producers on the gas fields at Corrib and Kinsale and the proposed Shannon LNG project. Shannon LNG is not an indigenous producer. Rather it is a merchant company proposing to import gas in liquid form and re-gasify it at the mouth of the Shannon Estuary at the enormous unmeasured cost of sterilising the Shannon Estuary for sustainable economic development in other areas. It will add no value to the product in Ireland. No new wealth would be created by Shaannon LNG; rather a transfer of wealth will be created via market share from Bord Gáis. Depending on the write downs of costs and the transfer pricing mechanism used by Hess LNG it is also a matter of debate whether or not the exchequer will receive less overall tax from the gas market.

4. The amount of money invested by Hess LNG in the Shannon LNG project to date, as highlighted several times by Shannon LNG in its submission to the CER should not be relevant to this issue as that money, which has not been detailed out, is borne at their own risk. No corresponding concern has been expressed by this same company for the proposed loss to the Irish taxpayer and consumer of effectively stranding the Interconnectors and allowing the diversity premium to remain in place.

5. *Safety Before LNG* is also deeply concerned about what it perceives as biased political interference by Minister Jimmy Deenihan T.D. in the workings of the Commission for Energy Regulation (CER) in its setting of the contributions to be paid by Shannon LNG for the fixed costs of the gas Interconnectors from the UK. Mr. Deenihan says that Hess LNG should not have to pay any money to the CER for the Interconnectors[8].

   The CER is supposed to be an independent body and should be allowed to complete its work in a transparent manner without unfair political lobbying from powerful and influential local politicians. Minister Deenihan has indicated to the local media in recent weeks that he is responsible for arranging high-level meetings between the

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[7] Shannon LNG letter to the CER dated a5th June 2011, page 2, point 3.

[8] Limerick Leader - May 21st 2011.

independent energy regulator, Shannon LNG and Ministers Rabbitte and Noonan as well as the Taoiseach Enda Kenny. We are concerned that the CER makes an independent decision on this issue and not be influenced by the implied threats of a sitting member of Cabinet, the Minister for Arts, Heritage and the Gaeltacht, Mr. Deenihan (who does not even have an energy portfolio) who stated:

> *"if we lose this project, there will be a major issue over the role of the regulator and how it was established"* [9]

6. We believe that each energy supplier should incur a levy to cover the current €50 million fixed operating charges of the Interconnectors proportional to its share of the gas market in Ireland. In the case of Shannon LNG providing up to 45% of the country's gas this would amount to a levy up to €22.5 million per year. This is equivalent to a state subsidy of €450,000 per year for each of the 50 long-term jobs to be created at the proposed plant if this levy is waived.

7. We believe that only a €10 million levy on Shannon LNG, representing less than half of its share of the actual operating costs would still be anti-competitive and force increased costs on the final consumer. We believe that this would amount to price fixing and an abuse of a dominant position – both of which are anti-competitive practices contrary to EU law. Shannon LNG has stated that its gas will be sold at free market prices[10]. Shannon LNG will not charge less for gas than Bord Gáis would be forced to pay via the Interconnectors even though Bord Gáis would then have the added burden of the same fixed costs for the pipeline. This is equivalent to holding the country to ransom. If this proves to be the case then we will make a formal complaint to the Competition Authority of Ireland once a final CER decision on this matter is made public.

8. We have already highlighted the fact that any conversion of the Endesa power plant at Tarbert to gas with only a pipeline from the proposed LNG terminal would also hold power generation in the region hostage to Shannon LNG. This situation would be compounded if, as we already raised with the CER, Shannon LNG becomes pivotal supplier to two power stations controlling at least 700 megawattts in Tarbert by building its own gas-fired power plant adjacent to the proposed terminal and managing to jump the GATE grid access queue[11]. Since August 3rd 2011, this figure has climbed to 900 megawatts as Shannon LNG claims it will now build a €400 million 450MW

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[9] "Limerick Leader" May 21st 2011.

[10] Shannon LNG submission to the CER workshop, August 3rd 2011

[11] There is a Plan for an intensified electricity-generation hub on the Estuary given the proposed minimum 230 MW gas-fired power generation plan proposed by Shannon LNG adjacent to the proposed LNG terminal at Tarbert - separate to the proposed 450 MW Endesa plant at Tarbert island - under the name "Ballylongford Electricity Company" - http://www.safetybeforelng.ie/pressreleases/pressrelease20100415cerexemptiondecision.htm

CHP plant providing waste heat to the proposed terminal and electricity to the Grid.[12]

9. The Report of the Review Group on State Assets and Liabilities (the second McCarthy Report) of April 20th 2011 stated:

   "*if security of supply is the goal, policymakers and the regulator should facilitate the development of liquefied natural gas importation capacity in Ireland on a commercial basis*"[13].

   However, if the goal of Shannon LNG via the diversity premium is to gain market share then quite evidently security of supply is no longer the goal and therefore the conclusion from the McCarthy report cited above is that the policymakers and the regulators should not be facilitating the development of an LNG terminal in Ireland.

10. The Economic and Social Research Institute's 2011 Energy Review stated that importing LNG " *would have some value in enhancing security of supply if it were provided by the private sector without state support*"[14]. We believe therefore that any levy other than a levy based on market share amounts to state support and would therefore run contrary to the findings of the ESRI report.

11. The CER is quoted in the media as stating that "*CER will seek to balance the interests of gas customers while, at the same time, keeping Ireland as an attractive location for gas producers. It has to be considered whether these companies [LNG and Shell] will use the Interconnectors in the future, or if the other suppliers will incur extra costs by paying for the Interconnectors.*" [15]

   To this we state:

   a. Regarding using the Interconnectors in the future we believe that Shannon LNG would never export via the Interconnectors as it would not be able to compete in GB with the LNG suppliers to the two LNG terminals now operating at Milford Haven in Wales. This is because the extra charges the future probable UK importers of Irish LNG-sourced gas would have to pay to import via the Interconnectors could be avoided completely by directly purchasing from the LNG terminals at Milford Haven. The same would not be the case for indigenous Irish-sourced gas such as Corrib which would have no choice but to use the Interconnectors. That is why we

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[12] Shannon LNG submission to the CER workshop, August 3rd 2011

[13] http://www.finance.gov.ie/viewdoc.asp?DocID=6802

[14] http://www.esri.ie/UserFiles/publications/RS21.pdf , April 2011 page 42

[15] "Sunday Business Post" , May 15th 2011 http://www.sbpost.ie/news/ireland/major-shannon-energy-project-is-under-threat-56314.html

equally state that it will be a strategy of Shannon LNG to lobby for increased gas-fired power generating stations in Ireland, creating an even heavier dependence on imported fossil fuels contrary to Ireland's climate change commitments under the Kyoto protocol, not to mention a risky energy fuel mix on the island over-dependant on gas. As Shannon LNG will not use the Interconnectors in the future, the other suppliers will therefore incur the *"extra costs by paying for the Interconnectors"*.

b. The direction of the Interconnectors from the UK will also therefore only ever be changed if more sustainable gas fields are discovered and developed in Ireland such as at Corrib.
c. In any case it is not unreasonable to charge Shannon LNG the levy now because any costs for the improbable future use by Shannon LNG of the Interconnectors can be dealt with at that appropriate time, if it ever happens; the costs incurred by the consumer in the short to medium term must have a bearing on the CER decision on the levy to charge in the short to medium term..
d. As already stated, Shannon LNG would not be an indigenous gas producer as the CER spokesperson seems to imply. Unlike Shell at Corrib, Shannon LNG would be an importer of foreign gas and is therefore not a gas producer. They are only merchants seeking a niche in the Irish market with government support.

12. We do not trust the bona fides of Hess LNG which has never managed to develop an LNG regasification terminal anywhere in the world. It has been mired in two highly contentious and increasingly acrimonious planning applications in the USA at Crown Landing in New Jersey on the Delaware River[16] and at Weavers Cove at Fall River in Massachusetts on the Taunton River[17]. It is now willing to play strong arm tactics when necessary by threatening to pull out of Ireland if it does not get its way with the CER levy.

13. We remind the CER that it was a legal pre-condition for the CER in giving a licence to Shannon LNG to construct an LNG pipeline on December 8th 2009 that Shannon LNG was capable of paying any levy to the CER (criterion G)[18].

Section 2(g) of Section 39A of the Gas Act 1976, as amended stated:

"2. The criteria in accordance with which an application for a consent

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[16] http://www.lngworldnews.com/usa-hess-delays-crown-landing-lng-project/ (LNG World News, May 6th 2011 - "USA: Hess delays Crown Landing LNG Project"

[17] http://www.tauntongazette.com/news/x1860264485/FERC-officially-ends-Hess-LNGs-Fall-River-terminal-proposal July 6th 2011, FERC officially ends Hess LNG's Fall River terminal proposal

[18] http://www.safetybeforelng.ie/licensing/cerpipeline.htm and http://www.irishstatutebook.ie/2002/en/si/0264.html Gas (Interim)(Regulation) Act 2002 (Criteria for Determination of Consents) Regulations 2002

given under section 39A(1) (inserted by section 12(1)(a) of the Gas (Interim)(Regulation) Act 2002) of the Gas Act 1976 may be determined by the Commission are that the Commission is satisfied that - []
g) the applicant will be capable of paying any levy charged by the Commission"

The CER's opinion on this is stated in its decision:

"The CER has no reasonable grounds for doubting Shannon LNG's ability to pay any levy charged by the CER and has received no reliable evidence to the contrary. Accordingly, this criterion is met".

We therefore find it strange that despite the fact that the issue of the Interconnectors tariff, the subject of this consultation process, was raised by us publically as far back as 2008 and despite the fact that Shannon LNG had to accept under the CER licensing process for the pipeline from the proposed LNG terminal that it would be capable of paying any levy charged by the Commission that Shannon LNG now no longer wants to pay this tariff. We also note with some cynicism that while Shannon LNG criticises the CER proposals as contravening EU law, it is nevertheless engaging in the process and proposing its own ready-made tariff design. This is akin to saying that they will agree with the process if they gain financially with their own tariff proposals but will threaten legal redress if the CER does not do as they wish.

14. We ask if this is how Hess LNG acts now then how will it act if it finally starts production and obtains an abusive dominant position in the Irish gas market? We say that Shannon LNG is yet one more company who, with the help of biased political lobbying, is intent on taking advantage of the Irish taxpayer and consumer in what is another all-too-familiar round of horse trading at the Irish taxpayer's expense.

15. We have continuously argued that the lack of a Strategic Environmental Assessment (SEA) for the Shannon Estuary is at the root of the problem due to the fact that issues which would have been highlighted at the early SEA stage are now only being assessed. These come under the heading of effects on Material Assets which would have been considered in any SEA. The EU Commission has already agreed with our assessment in an interim ruling on the matter and we believe that this message is now finally hitting home in the wider estuary region. We believe that the new inter-jurisdictional "*Strategic Integrated Framework Plan*" for the entire Estuary being spearheaded by Clare County Council should be prioritised as it seeks to investigate and analyse competing alternatives for the sustainable development of the estuary. We now ask the CER to go back to basics in order to strategically and holistically assess the Shannon LNG project in the light of the Clare County Development Plan 2011-17 *Strategic Intergrated Framework Plan* objective which states:

"CDP 14.2 Development Plan Objective: Strategic Integrated Framework Plan
It is an objective of Clare County Council:
a) To facilitate the carrying out of an inter-jurisdictional Strategic Integrated Framework Plan (SIFP) for the Shannon Estuary in conjunction with the other relevant local authorities and agencies, in accordance with the SEA Directive and Habitats Directive. The SIFP will identify both the nature of the development, economic growth and employment that can be sustainably accommodated within the Shannon Estuary and the location of the sites that could accommodate specific types of development. The SIFP will ensure that the habitat status of the areas within the Estuary designated as Natura 2000 or other environmentally sensitive sites would not be reduced as a result of the short-term or long-term impact of such developments, considering alternatives, cumulative impact, or impact in-combination with other proposed or planned developments outside the area of the Estuary.[19] *"*

16. Finally, in its letter of March 4th 2011 to the CER Shannon LNG has threatened to seek legal redress from the CER as follows:

> *"The CER cannot arbitrarily introduce a guaranteed annual payment structure to benefit one market player and subsidise the current market incumbents without forcing Shannon LNG to seek legal redress".*

Shannon LNG in its entire one-sided argument has completely ignored other obligations the Irish State (and by extension, its statutory bodies including the Commission for Energy Regulation) has under the EU EIA, Birds and Habitats Directives in the assessment of the Shannon LNG project and which include the following:

A) The pollution from <u>alternative</u> LNG sites was not and cannot currently be legally assessed in Ireland - thereby representing a clear-cut regulatory gap in Ireland. We ask that the ECJ rulings of C50-09, C-418/04 and C308-08 be therefore applied to this assessment because of their relevance to the Shannon LNG development consent process. It is not enough to get information on cumulative impacts such as pollution - the alternatives must also be assessed. In addition, Article 5 (3) of the EIA Directive states:

> *"The information to be provided by the developer in accordance with*

[19] http://www.clarecoco.ie/planning/publications/clare-county-development-plan-2011-2017-volume-3-strategic-environmental-assessment-environmental-report-9181.pdf Clare County Development Plan 2011-17 Environmental Report

paragraph 1 shall include […] - the data required to identify and assess the main effects which the project is likely to have on the environment, - an outline of the main alternatives studied by the developer and an indication of the main reasons for his choice, taking into account the environmental effects".

As the Shannon LNG project is in an SAC (and SPA) designated area, paragraph 261 of ruling C-418/04 is clear that any public interest argument in support of a project

"can justify a deterioration of the SPA within the meaning of Article 6(4) of the Habitats Directive only if there are no alternative solutions".

So, not only do alternative gas storage sites exist (such as at Kinsale or at the proposed "Port Meridian Offshore Morecambe Bay" LNG storage project by Hoegh LNG in the Irish sea), but EU law obliges the pollution and environmental impacts of alternative sites to be assessed according to the EIA, Birds and Habitats Directives.

B) The cumulative impacts of other projects and plans for the estuary have not been assessed.

C) No risk assessment of an LNG spill on water has ever taken place.

D) Decommissioning of the Shannon LNG project at life end, we believe, was not adequately assessed. The ECJ ruling on case C-50/09 stated that demolition is also a project which cannot only be noted but must also be assessed.

F) The Irish Commission for Energy Regulation (CER) is only now assessing the impacts of the proposed Shannon LNG project on gas prices to the consumer in Ireland, and assessing if the Shannon LNG should be considered a strategic supplier on an equal footing with the existing Interconnectors pipeline from the UK proving that all the cumulative impacts of this project have not been assessed to date.

G) On June 3rd 2011, the area surrounding the proposed LNG project was declared a proposed Special Protected Area (SPA) under the EU Birds Directive as part of an extension of the River Shannon and River Fergus Estuaries SPA (Site Code 004077). Full development consent for the project has not yet been obtained (the EPA has not yet given a licence) which means that the impacts of this LNG project in an SPA area will not have been properly assessed in the development consent process. In addition, we find it disturbing that the government awaited the planning permission for the LNG terminal before declaring the area a proposed Special Protected Area.

H) The Irish Supreme Court has equally referred to the European Court of Justice a preliminary ruling request on the definition of the <u>integrity</u> of a Habitats Directive area. We assert that An Bord Pleanála acted beyond its powers in allowing the destruction of part of a Special Area of Conservation (SAC), and now SPA, zones adjacent to and surrounding the massive Shannon LNG project, posing, for example, a serious risk to the only resident Bottlenosed dolphin population in Ireland and over 50,000 wintering birds.

Please find attached media reports on the issues mentioned in this submission (17 Pages).

Yours sincerely,

Johnny McElligott

Media reporting on the issue:

The Sunday Independent reported it as follows on August 24th, 2008 [20]:

That's gas -- bills up 15% after Corrib field opens

Less fuel imported but higher costs mean prices will soar again

By MAEVE SHEEHAN

Sunday August 24 2008

ONCE gas production comes on stream from the Corrib Gas fields off Belmullet, Co Mayo, next year the price of gas to Irish users is set to shoot up by 15 per cent.
Consumers are already facing a 20 per cent increase in gas bills from September. However, an internal memo from the energy regulator warns that the price will soar even higher once production starts at the Corrib gas fields next winter.

The memo attributes the rising cost of gas to the declining use of two inter-connectors linking the UK's gas supplies with Ireland.

At the moment, Ireland gets 90 per cent of its gas from the UK. Once production starts at Corrib and a second producer, Shannon LNG, starts distributing gas from 2012, less gas will be imported.

The inter-connectors, which must meet fixed costs, will consequently become more expensive.

The energy regulator is currently considering whether the consumer shoulder the burden of that extra cost -- which is estimated to represent a 15 per cent rise in the price of gas.
Consumers currently foot the bill for the inter-connectors, with the price built into the twice-monthly gas bills. Bord Gais invested in two inter-connectors in Scotland to import gas from the UK when Irish gas supplies started running out. The company passed the cost on to its customers.

A memo, circulated in July, sets out several options under consideration.
The first is a "do nothing" scenario, in which the price of gas would increase dramatically and consumers would shoulder the increased gas prices. A second option is for the Government to cover the additional cost to Bord Gais, thereby protecting the consumer from an immediate price rise.

A third is to allow the gas suppliers to share the extra cost between them. Gas suppliers are likely to resist this option, however.

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[20] www.independent.ie/national-news/thats-gas--bills-up-15-after-corrib-field-opens-1462172.html

Ireland is anxious to decrease dependence on UK gas supplies by generating its own supply. That means encouraging production in the Irish market. Charging gas suppliers for the cost of the inter-connector could be seen as a deterrent.

The supply of indigenous gas is unlikely to mean cheaper prices for consumers. Shell and Statoil are scheduled to begin producing gas from the Corrib field off the west coast in 2009. Shannon LNG is due to come on stream in 2012. That company will ship liquefied gas to Ireland and restore to its gaseous state for distribution on the Irish network.

According to the memo, Corrib and Shannon will not provide enough gas to supply the Irish market so gas will still be imported from the UK and priced at world market levels. The indigenous gas producers are likely to set their prices at those market level, even though their costs may be lower.

Simon Coveney, the Fine Gael spokesman on energy, said the regulator's job is ultimately to protect the consumer and businesses by ensuring that gas is provided as cheaply as possible.

"The onus is on the regulator to ensure there is a pricing structure in place so that Ireland's consumers benefit from Ireland producing it's own gas and not having the extra costs associated with importing gas," he said.

"What is required is a new formula for regulating gas prices in Ireland that can differentiate between imported gas and gas produced off the coast of Ireland."

The Sunday Business Post:

Major Shannon energy project is under threat

15 May 2011 By Nicola Cooke

Industry Correspondent A €600 million energy project on the Shannon Estuary which could create 450 jobs is under threat.

Shannon LNG has already invested €50 million in a project to construct a liquefied natural gas regasification terminal between Tarbert and Ballylongford in Co Kerry.

An Irish subsidiary of Hess LNG, the company initiated the planning application in 2006, and had secured an onshore licence for a pipe and planning permission from An Bord Pleanála.

But it is now believed Shannon LNG is considering not proceeding with the project, or moving it to Britain as a result of extra costs it might be forced to pay for gas Interconnectors.

The company wants to import frozen natural gas, mainly from the Middle East, and then process it at the terminal here. It claims it can supply up to 45 per cent of Irish gas needs, and the pipe would connect to the national grid.

The company had hoped to begin construction work on the terminal this year, creating 450 jobs during construction and eventually 100 full-time jobs.

CER announced a public consultation last January on the regulatory treatment of Bord Gáis's two Interconnectors to Scotland. It is now considering whether Shannon LNG and other processors such as Shell (at the Corrib gas field off Mayo) should have to pay some of the operational costs of the Interconnectors pipes.

The €50 million annual cost of operation is currently footed by Bord Gáis, ESB and Airtricity.

Hess LNG does not believe it should have to pay a significant sum towards Interconnectors that it will not be using. Shannon LNG representatives have met the CER twice since the consultation process began to express these opinions, and the CER has granted the company an extra month for a submission to the process.

Shannon Foynes Port Company (SFPC), which would benefit economically from the shipping fees Shannon LNG would have to pay to use the port and estuary, described the delay in sanctioning the facility as unacceptable.

‘‘All three consents have been granted but, to our dismay, a regulatory review could delay the start of the project for another year. If this review is not expedited, this massive investment could simply go to another nation with a more streamlined regulatory and planning framework," port chairwoman Kay McGuinness said.

A CER spokesman said that it welcomed and supported the LNG project, and a final decision was expected in September.

‘‘CER will seek to balance the interests of gas customers while, at the same time, keeping Ireland as an attractive location for gas producers.

It has to be considered whether these companies [LNG and Shell] will use the Interconnectors in the future, or if the other suppliers will incur extra costs by paying for the Interconnectors."

Limerick Leader - May 7th 2011:

Red tape puts 450-job LNG pipeline plan in jeopardy
Port company boss describes project delays as 'bizarre'

Nick Rabbits

A MASSIVE gas-line project which could provide 450 jobs for the West could be lost if the regulator delays its decision on the project, it has been warned.

Arts Minister Jimmy Deenihan has told the Limerick Leader that Shannon LNG's top brass have indicated to him that if the Commission for Energy Regulation (CER) impose any major delay on making a decision in its €600m plans to open a liquid natural gas terminal on the Shannon Estuary, near Ballylongford, they "may consider concentrating their money and efforts elsewhere."

His fears have been reflected by the chairperson of the Shannon Foynes Port Company, Kay McGuinness, who described the delays to the project, which will provide 40 permanent jobs at completion as "bizarre" - and said that in other territories, the project could have been delivered in half the time.

Although Shannon LNG's parent company Hess has already invested more than €50m in planning and preparation for the project, the intervention of the Commission could set the project back for yet another year.

Now, talks are set to take place between management at Hess and Taoiseach Enda Kenny in a bid to get the project - which has been in planning for over five years - moving.

Their case has been strengthened by two key reports which have come before Government recommending the immediate start to the project, which will supply up to 45 per cent of the nation's gas requirements.

The Economic and Social Research Institute's energy review, and the Report of the Review Group on State Assets and Liabilities have both recommended the scheme be prioritised.

Due to the nature of the project, the project has to go through three separate approval processes - basic planning permission, the obtaining of a foreshore licence, and a licence from the Commission for Energy Regulation.

Two out of these three stages have been completed, but it is now feared Hess could run out of patience and quit West Limerick/North Kerry.

While no-one from the company would comment this Wednesday, North Kerry Fine Gael Deputy Deenihan said: "The destiny of this project is in the regulators hands now. All LNG want is a quick decision, and if this is not right for them, they will consider concentrating their efforts and money elsewhere."

Representatives of Shannon LNG met with Energy ***Minister Pat Rabbitte*** *and Finance* ***Minister Michael Noonan*** *last Wednesday*. *Minister Deenihan said he cannot directly intervene with the Commission, because this process has to be independent of political influence.*

But the delays have angered Ms McGuinness, who called on the government to make an attempt to fast-track the process.

"It is incredible to think that this potential €1bn investment is in the planning/licensing process for over five years. In the UK, for example, this would be done in half the time, if not less. Our regulatory and marine planning system is simply too slow. The concern is that if this review is not expedited, this massive investment will simply to go another nation with a more streamlined regulatory and marine planning framework," she said.

If this was to happen, Minister Deenian said: "We will never get a chance in the region to get a project like this again on the Shannon Estuary. We will never get this opportunity again in our lifetime. We cannot afford to make any mistakes."

Limerick Leader - May 21st 2011:

THERE are major fears over the future of a €600m gas-line project which could provide more than 450 jobs in Tarbert.

Although the Commission for Energy Regulation could rule on Shannon LNG's plans for a liquefied natural gas terminal on the Shannon Estuary as early as September, a requirement to pay for gas Interconnectors the firm may not even use could see the company quitting the area.

Sources close to Shannon LNG's parent company Hess have indicated they may cut their losses here, and proceed with similar projects in the United Kingdom, if more problems are thrown in their way.

The company wants to import frozen natural gas, mainly from the Middle East, and then process it in West Limerick/North Kerry.

The pioneering technology could see the company supply 45 per cent of Ireland's gas needs, with the pipe connected to the national grid.

But since plans for the facility were unveiled in 2006, the project has been beset with delays - and in that time Shannon LNG has invested €50m in planning and preparation with no return.

Now, the company is believed to be considering cutting its losses here, with Arts Minister and ***Local TD Jimmy Deenihan set to hold crunch talks next week with the Commission for Energy Regulation. Taoiseach Enda Kenny*** *is also acutely aware of the importance of this project, and will meet company representatives next month*.

The scheme is currently before the Commission for Energy Regulation. One of the major sticking points is whether Shannon LNG has to help fund two interconnnectors linking the estuary to Scotland.

The €50m annual cost of the pipeline's operation is currently footed by its users Bord Gais, and Airtricity. Hess LNG does not believe it should have to pay towards Interconnectors it will not even be using.

Representatives of the firm have already met the regulator to state their case, and are in the process of preparing an official submission.

This could prove to be the one thing which could see the massive investment lost.

Minister Deenihan says if Tarbert misses out on the investment - which will create 400 jobs over an 18 month construction phase and then another 100 permanent jobs - the way the planning process in this country is going to require examining.

To get to a stage where it can begin operation, Shannon LNG will have had to go through three planning processes: basic planning permission, a foreshore licence, and the approval of the energy regulator.

"**If we lose this project, there will be a major issue over the role of the regulator and how it was established**. You cannot lose a project with this kind of investment, in an area which has not seen investment for years. It just does not make sense. This is the only real tangible project I have seen for the Shannon Estuary since I came into politics nearly eight years ago No other company has spent €50m advancing their project and having a whole team working on it for the last five years, " Minister Deenihan told the Leader.

Asked if he thinks Shannon LNG should pay for Interconnectors which it will not even

be using, he said: "I don't think they should."

County Limerick TD Patrick O'Donovan said he thinks it is "unfair" the issue over whether Hess partly pays for the Interconnectors has been brought up now.

He called on the government to resist any instruction by the regulator to insist LNG pays for the Interconnectors. However, the regulator has to be seen to operate independently from political influence.

"I don't think it is fair issues have been brought to the table that were not there while this project was being designed. It is unfair on the basis of the money which has been spent on the project so far and the commitment given by the company. If the agencies of the state are prepared to move the goalposts, I think it would be very unfair, and its something the government has to resist, " Deputy O'Donovan said.

He said the Shannon LNG project is the biggest development in the West since the advent of Aughinish Alumina over 30 years ago: "We are a small peripheral country at the end of a pipe which can be turned off at the drop of a hat. It is far too important to be tinkered around at the edges with. It needs to be delivered, and delivered in as short a time frame as possible."

Deputy Dan Neville added: "It's amazing the way our system works. The common good seems to take second place to procedures and bureaucracy. I can feel this frustration myself. Having thought things were going to plan, it's now very frustrating to see this is not the case."

A spokesperson for the Commission for Energy Regulation insisted they welcomed the LNG project, and stressed a final decision is due in September.

"CER will seek to balance the interests of gas customers while at the same time, keeping Ireland as an attractive location for gas producers. It has to be considered whether these companies [LNG] will use the Interconnectors in the future or if the other suppliers will incur extra costs by paying for the Interconnectors, " the spokesperson said.

Radio Kerry
19 May 2011

Minister Deenihan organises for President of Shannon LNG’s parent company to meet Taoiseach

Minister Jimmy Deenihan has organised for the ***President of Hess LNG***, the parent company of Shannon LNG, to travel to Ireland to meet with the ***Taoiseach*** in the coming weeks.
The Kerry minister will also attend this meeting to discuss a proposed new charge by the Commission for Energy Regulation.

Shannon LNG plans to develop a 500 million euro liquefied natural gas terminal on the Tarbert Ballylongford landbank.

Last week the Commission for Energy Regulation released a consultation paper suggesting a new tariff scheme for gas inter-connectors owned by Bord Gais.
Minister Jimmy Deenihan says Shannon LNG will withdraw its proposed terminal from the Tarbert Ballylongford landbank, if it has to pay a tariff for rival gas inter-connectors, which it won't use.
The company also says it can't make an investment decision until the issue is clarified by the Commission.

Shannon LNG, an Irish subsidiary of Hess LNG, announced in 2006 it was planning to develop the terminal on the Shannon Estuary providing up to 450 jobs during construction, and 50 long-term posts.

As well as meeting the President of Hess LNG and the Taoiseach, Minister Jimmy Deenihan will hold talks with the Commission for Energy Regulation next week about the matter.

He's already facilitated a meeting between Shannon LNG and the Energy Minister Pat Rabbitte.

The Kerryman newspaper:

North Kerry set to lose promised jobs

By DONAL NOLAN dnolan@kerryman.ie

Wednesday May 18 2011

SHANNON LNG will pull out of its planned multi million euro Ballylongford landbank project, with the loss of hundreds of jobs for North Kerry, if it is hit with massive charges that are being threatened by the Commissioner for Energy Regulation (CER).Local supporters are frustrated that the project, which promises 450 jobs in the short term, has already been massively delayed by red tape.

Now Shannon LNG is on the brink of abandoning the longawaited development after learning that it could be charged a possible €10 million a year to use the national gas pipeline network.

The CER has told Shannon LNG it will have to pay to use the gas pipeline that connects Ireland to the UK. The cost could be as much as €10 million a year. Shannon LNG and its parent company Hess LNG see this charge as unsustainable and are considering the future of the project .

Minister Jimmy Deenihan is to face down CER officials in a meeting next week where he will urge the authority to back down on its demands in the interest of creating vital jobs for North Kerry and West Limerick.

"I will be laying it out that I don't agree with them. I think it will have the opposite affect of protecting gas prices. If Shannon LNG get the plant up and operating it will have the effect of reducing energy prices, including electricity. I would hope that this will be resolved for the sake of everyone.

"It is very serious as this is the only real job prospect for North Kerry and West Limerick and there is a committment to pay €20 million to Shannon Development for the land. These people are totally committed to the project and all they want is to compete on the market to bring down the price of gas," Minister Deenihan said.

Contrary to some reports, Hess LNG, which has already invested up to €50 million in Kerry, is not considering moving the project to the UK.

Minister Deenihan has arranged for the company to meet with Energy Minister Pat Rabbitte in the coming week to discuss their concerns.

"Kerry's Eye" newspaper, 19th May 2011.

Gas terminal delay to be resolved 'by September'

By Owen O'Shea.

The regulatory review which is stalling the development of the new €500m liquefied natural gas terminal in Tarbert is expected to be completed by September, Kerry's Eye understands.

Two weeks ago, a Commission for Energy Regulation review of Interconnectors tarriffs was announced prompting fears that the Shannon LNG terminal would be further stalled by up to a year.

Cost implications for the project are expected to arise as a result of the CER review.

It is also understood that the Minister for Communications and Natural Resources, Pat Rabbitte, is to meet shortly with the head of the US company Hess, to discuss the project.

Shannon LNG is a wholly-owned Irish subsidiary of Hess LNG Limited.

Minister Jimmy Deenihan said this week he was optimistic that the project can proceed once the regulatory review is completed.

"Minister Pat Rabbitte has met with Paddy Power of LNG and the regulator and I believe that it will not be the end of the year before this is resolved," said Deputy Deenihan.

The latest delays have been criticised by the Shannon-Foynes company as "bizarre".

The Shannon LNG terminal was first granted planning permission in April 2008 and will create 400 jobs in construction and 100 jobs on-site.

http://www.lngworldnews.com/usa-hess-delays-crown-landing-lng-project/

LNG WORLD NEWS
The industry's LNG news terminal

USA: Hess Delays Crown Landing LNG Project

Posted on May 6th, 2011

A company hoping to salvage plans for a liquefied natural gas terminal along the Delaware River opposite Claymont has asked federal regulators for a third permit deadline extension, citing delays caused by the discrediting of a key risk analysis model for LNG terminals nationwide.

The company's timetable has been disrupted by a little-known ruling that a widely used model for calculating spill and fire risks at LNG terminals could result in "truly gross underestimates of the hazard."

Crown Landing LLC's owner, Hess LNG said in a letter made public Thursday that it needs another year to develop a location and layout for the terminal and delivery tankers, but faces a June 30 deadline for delivery of the plan to the Federal Energy Regulatory Commission.

No alternative model has been approved for risk calculations required by the federal Pipeline Hazardous Materials Safety Administration, FERC and Department of Tranportation. The DOT barred use of the challenged model on July 16 and has since ordered all pending and approved terminals to submit revised estimates of vapor and fire hazards.

"*Without an approved vapor dispersion model, Crown Landing cannot determine how much land and what land-use restrictions and facility configurations are required to site any land-based LNG facility*," **Crown Landing LLC President Gordon Shearer** said in a letter to the FERC.

"*We also cannot evaluate the viability and attractiveness of the alternative berth locations we are pursuing*," said Shearer, who could not be reached for comment late Thursday.

Researchers have concluded that a catastrophic spill from the largest types of LNG tankers could trigger a flash fire that would emit massive amounts of heat, with blistering conditions reaching for more than a mile.

Storage and pipeline terminals also were viewed as serious hazards, but received considerable credit for safety under studies that used a calculation model called SOURCE5, recently found to overstate the benefit of protective dikes.

"*Generally speaking, I know of no situation where the use of SOURCE5 [models] could do anything other than give you an unrealistically shorter distance*" for vapor hazards, said **Jerry A. Havens, a professor and director of the Chemical Hazards Research Center at the University of Arkansas**.

Havens has warned for years that accepted risk estimating methods were inaccurate.

Cragmere resident Steve Tindall said Thursday he was surprised that Hess was still

pursuing the venture, expected to cost $700 million when it was first proposed for a 175-acre riverside tract in Logan Township, N.J., opposite Claymont, in 2002.
Although business and labor groups and economic development officials in surrounding states supported the project, environmental and citizen organizations argued that huge LNG tankers posed too great a risk for surrounding communities.
"*A lot of people felt very strongly about it,*" Tindall said. "*I understand that you have to weigh the public's unbridled interest in low-cost energy, but there are a lot of people who are very concerned about the proximity to the shoreline and channel*."
Hess purchased the project from energy giant BP in 2009, after the U.S. Supreme Court upheld Delaware's right to block construction of an offloading pier despite support in New Jersey, where on-land portions of the terminal would have been built.
BP planned to build a terminal capable of storing up to 118.9 million gallons of LNG in three large storage tanks, with two to three specially designed tankers delivering gas weekly.
The site was expected to store enough energy to meet the one-day needs of more than 38 million homes after the LNG was warmed and expanded into regular gas, with enough pipeline capacity to send out the daily energy needs for 5 million homes.
BP's delivery pier would have extended from New Jersey's shoreline far into a portion of the river entirely inside Delaware, in waters where bulk transfer piers have been banned since 1971 under the Coastal Zone Act environmental conservation law. Delaware refused to issue a Coastal Zone permit for the project, prompting a failed U.S. Supreme Court appeal by New Jersey.
Hess officials said after their purchase that they would pursue a downsized scheme, possibly with a single storage tank and likely outside Delaware waters.
New Jersey Environmental Federation member Jane Nogaki said her group was concerned that construction of the terminal could increase pressure for a controversial natural-gas production process called fracking in the Delaware River watershed.
Fracking involves the high-pressure pumping of water and chemicals deep underground to break up formations of gas-bearing stone.
The process generates large amounts of toxic wastewater that opponents say can pollute aquifers and surface waters. Although BP originally proposed Crown Landing as an import terminal, industry officials have said in recent years that the fracking boom could spur exports of natural gas from the United States as well.
"*Our position remains the same, that the Logan Township location is inappropriate for an LNG terminal. It's in a congested area of the river, it's unsafe and we need to look to other renewable sources of energy,*" Nogaki said.
(delawareonline)

http://www.heraldnews.com/newsnow/x898069093/GUEST-OPINION-After-long-fight-is-won-anti-LNG-group-hopeful-vigilant

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GUEST OPINION: After long fight is won, anti-LNG group hopeful, vigilant

By Joe Carvalho

Coalition for Responsible Siting of LNG Facilities Posted Jun 16, 2011 @ 03:24 PM

Offering a tongue in cheek eulogy, Joe Carvalho talks about the death of LNG in Fall River while Frank Perry holds an umbrella over him, like a New Orleans style funeral. The final nail in the LNG coffin came on Monday, when Hess LNG withdrew its proposal.

"Those who say that something cannot be done should not interrupt those who are doing it." — Chinese Proverb

I returned to the city of my birth some 11 years ago, content with engaging myself with my work and my love of music, nature and books, until I read of a proposal to build a monstrous liquefied natural gas terminal in the North End of the city. The more I learned of the project, the more concerned I became. The letters "LNG" initially meant little to me but I soon became only too familiar with all of its potentially devastating possibilities.

I attended a presentation by the company, Weaver's Cove Energy, LLC, to the local environmental group Green Futures, and was struck not only by the magnitude and scale of the project and its potential negative impacts on the neighborhood and the city as a whole, but also by the arrogance of the company's presenters.

During the lengthy question and answer session, one of the Weaver's Cove presenters dismissed many of our group's legitimate concerns, remarking that, "I could be home relaxing instead of being here (in Fall River) answering these ridiculous questions."

Shortly after that meeting, a small group of concerned citizens met at the Newport Creamery on President Avenue and discussed the need for a coalition to oppose the LNG project.

A chairperson was needed to head the coalition and, in the absence of anyone stepping up, I agreed to be the acting chairperson for a "few months" until a permanent chairperson could be found. Little did I know that it would take nine years to kill the ill-conceived Weaver's Cove/Hess-LNG project.

At the outset, the coalition stated that we were not opposed to LNG as a part of the country's energy needs. Our sole and overriding concern was where this project looked to be located, in a densely populated neighborhood in the city's North End. As a result of our concern, we named our group the Coalition for Responsible Siting of LNG Facilities, accentuating the term RESPONSIBLE to indicate our intention.

Initially, some local elected officials were cajoled into thinking the project might benefit the city, hearing the company's exaggerated and unrealistic claims of jobs, gas-powered vehicles for city use, etc. These officials, once educated as to the overwhelming negative aspects of the project on public safety, economic development of the waterfront and irreversible environmental impacts soon changed their opinion and strongly opposed the project.

Our opposition faced several obstacles, not the least being the rather evident collusion between the Federal Energy Regulatory Commission, or FERC, and the company, Weaver's Cove/Hess-LNG. Noting that the company had some 33 meetings with the FERC board over the course of the initial years of the project, while then Fall River Mayor

Edward Lambert had to wait several months for a single meeting with that same FERC board.

Compounding the collusion was the fact that FERC Commission Chairman, Patrick H. Wood III, formerly worked for Baker Botts, the law firm representing Weaver's Cove/Hess-LNG. Chairman Wood, ignoring any democratic concepts of a conflict of interest, refused to recues himself from FERC's vote on siting the project. The U.S. Navy, stationed in Newport, R.I., had initially cited many concerns regarding the giant LNG supertankers transiting Narragansett Bay, but, mysteriously, these concerns were quickly dismissed and the Navy did a flip-flop on the issue.

The defeat of this proposal was the work of many groups and elected officials. Certainly, the Coalition that I was fortunate to lead was the foremost grassroots, all volunteer entity to engage in the fight, but the efforts of Green Futures, Save the Bay, Save Bristol Harbor, and the Kickemuit River Council were all critical to the effort. Governors and other state, federal and municipal elected officials also played key roles in their opposition, especially U.S. Reps. Barney Frank and James McGovern, who worked tirelessly on their districts' behalf. Individuals who made up the Coalition were the driving force and inspiration behind our success.

Two of those members stand out for their contributions and courage: Lee Weiner, of Somerset, who, though needing the support of a walker, traveled to Boston on several occasions and marched outside of events where the Hess hierarchy were in attendance, or picketed Hess gas stations in Somerset and Fall River. Mrs. Lillian Goldsmith, who passed away last year and was an early and ardent Coalition member and who hardly ever missed a monthly meeting, even while battling the cancer that would eventually take her life and requiring the presence of a portable oxygen tank, served as an inspiration to us all.

The efforts of Coalition members John Keppel, Michael Miozza and David Fredericks, through their research on thermal exclusion zones, wedge lot ownership, cryogenic pipelines and a host of other pertinent concerns served to place insurmountable obstacles in the way of this profit driven project.

The efforts, commitment and resolve of so many regular, ordinary citizens, acting in extraordinary ways, together, are what ultimately led to the victory we all now share. The future of the region and the greater community is more promising now than at any time in the past nine years.

While we remain vigilant for as yet unforeseen threats to our public safety, waterfront economic development, and environment, we are hopeful in the future.

Joseph F. Carvalho, of Fall River, is president of the Coalition for Responsible Siting of LNG Facilities.

LNG Unlimited

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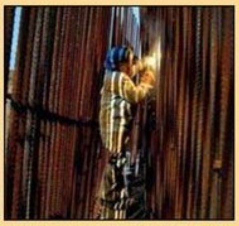

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ERIC MARTIN
Stamford, Connecticut

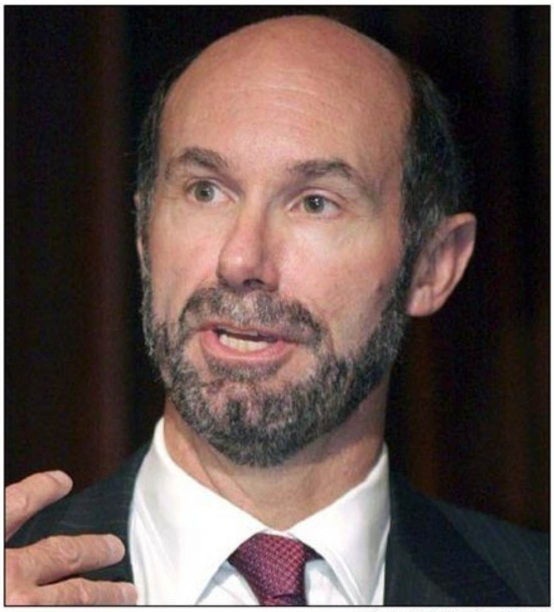

Photo: BLOOMBERG NEWS

Hess LNG is aiming to build a large-scale power plant alongside its planned regasification terminal in south-west Ireland.

The terminal developer is currently closing in on final permits for the Shannon LNG import facility, which it wants to build in County Kerry.

Hess LNG chief executive Gordon Shearer *(pictured)* said the gas-fired power plant would swallow 10% to 15% of the terminal's initial send-out capacity of 400 million cubic feet per day.

Construction of the 250-megawatt plant would not begin until the terminal is nearly built. Shannon LNG is expected to be completed in 2014 if building work begins as planned in late 2011. The power plant would take advantage of planned upgrades to the area's electrical grid with high-voltage transmission lines due to be installed adjacent to the Shannon LNG project.

It would not be the first power plant for Hess LNG's parent, New York-based Hess Corporation. The company operates a co-generation facility in the Virgin Islands and is partnering on a New Jersey power plant.

Irish regulators, meanwhile, have issued most of the necessary permits for Shannon LNG.

Of the two still pending, officials are understood to have drafted a final decision for the EU-required exemption from third-party access rights.

"(The permit) spells out the commercial terms that we expect the terminal to operate under and until we have received that it is very difficult for us to describe to third parties, LNG suppliers or potential customers, the conditions under which we can operate the business," Shearer said.

Pre-front-end engineering and design work by CB&I is also being finalised. Shearer said the study has uncovered the need for minor layout changes at the terminal.

The company could be ready to launch a tender for a full FEED study in five to six months, he added.

In the meantime, Shearer remains bullish about the Irish market. The recession has had some impact but the need for gas remains.

He said he believes Ireland is among the countries in Europe with the most potential for LNG imports.

"The market is still growing," Shearer added.