

**Liquefied Natural Gas (LNG) Terminals:  
Economic Development Opportunities and Siting**

Testimony Prepared for a Hearing on  
Jurisdiction over siting of Liquefied Natural Gas (LNG) import facilities  
The Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs  
Tuesday, June 22, 2004

The Honorable Jack “Jay” Blossman, Jr.  
Louisiana Public Service Commission

It is my distinct pleasure to be here today to address you on an important topic: jurisdiction over siting of Liquefied Natural Gas (LNG) import facilities. In my comments I will address state policies involved in siting LNG import facilities.

**INTRODUCTION**

Liquefied natural gas (LNG) has long played a role in U.S. energy markets, but concerns about rising natural gas prices, current price volatility, and the possibility of domestic shortages are sharply increasing demand for LNG imports. To meet this demand, dozens of new onshore and offshore LNG import terminals have been proposed in coastal regions throughout the United States. There are five onshore LNG import terminals in the United States at Everett, Massachusetts; Lake Charles, Louisiana; Cove Point, Maryland; Elba Island, Georgia; and Peñuelas, Puerto Rico. There is also an export terminal in Kenai, Alaska. In addition to these active terminals, developers have been proposing numerous new LNG import terminals in the coastal United States.

## **LOUISIANA SPECIFIC**

The Louisiana Public Service Commission is interested in the siting of LNG regasification facilities because they have the potential of representing a major capital investment for the state. LNG siting in Louisiana will allow the state to leverage and even extend our existing energy infrastructure. Our state has energy intensive users of natural gas and LNG terminals will expand a vital energy resource need to preserve these industries. The development of LNG is an important national energy concern in which Louisiana can make a significant contribution.

According to the Louisiana State University Center for Energy Studies, the construction of LNG regasification facilities in Louisiana has a potential impact of \$2.2 billion with an estimated 13, 877 jobs associated with the construction of the facilities. The Center also stated that there is potentially a \$220.7 million impact associated with the annual operation of LNG facilities in Louisiana and the Gulf of Mexico with an estimated 1,607 job associated with the operation of these facilities.

As it relates to the economic opportunities for LNG development in Louisiana, we are in a unique position. Louisiana is the 2<sup>nd</sup> largest producer of natural gas. Louisiana is the 3<sup>rd</sup> largest consumer of natural gas in the United States behind Texas and California. Louisiana's high natural gas consumption ranking is due in large part to high industrial use per customer. Louisiana's industrial consumption ranks 2<sup>nd</sup> in the United States behind Texas.

Proposed LNG terminals will directly impact the safety of communities in a number of states and Congressional districts, and they are likely to influence energy costs nationwide. Faced with the widely perceived nation need for greater LNG imports, and persistent public concerns about LNG hazards, Congress is justifiably examining the adequacy of safety provisions in federal LNG siting regulation.

### **CURRENT REGULATORY FRAMEWORK**

The Federal Energy Regulatory Commission (FERC) grants federal approval for the siting of new onshore LNG facilities under the natural gas act of 1938. This approval process incorporated minimum safety standards for LNG established by the Department of Transportation, which in turn, incorporated siting standards set by the National Fire Protection Association (NFPA). Although LNG has had a record of relative safety for the last 40 years, and no LNG tanker or land-based facility has been attacked by terrorists, experts have questioned the adequacy of key LNG siting regulations related to safety zones, marine hazards, hazard modeling, and remote siting.

While the federal government is primarily responsible for LNG terminal safety and siting regulation, state and local laws, such as environmental, health and safety codes, can affect LNG facilities as well. Under the Pipeline Safety Act, a state may also regulate intrastate pipeline facilities if the state submits a certification under section 60105(a) or makes an agreement with the Department of Transportation under section 60106. Of course, if a particular LNG facility would otherwise not fall under FERC and

DOT jurisdiction, states may regulate without going through the certification or agreement process. Regulation of interstate facilities remains the primary responsibility of federal agencies. The Office of Pipeline Safety, may however, authorize the state to act as its agent to inspect interstate pipelines associated with LNG facilities while retaining its enforcement responsibility. As of 2002, all states but three were participants in the natural gas pipeline safety program and fifteen were in the hazardous liquid pipeline safety program.

### **STATE REGULATION OF LNG SITING**

State regulation of LNG safety and siting ranges from comprehensive to piecemeal. Apart from state regulation aimed specifically at LNG facilities, generally applicable state and local laws, such as zoning laws and permit requirements for water, electricity, construction, and waste disposal, also may serve to impact the planning and development of LNG facilities. However, with respect to LNG in particular, local laws have been overridden by state legislation in the past. It should also be noted that a federally authorized LNG project cannot be frustrated by contrary provisions found in state or local law.

In order for new LNG terminals to be expeditiously approved and in service, cooperation in the permitting process between local, State and Federal authorities is essential. The Louisiana Commission encourages coordination among State agencies that oversee permitting of regasification, and between local, State and Federal government agencies, in order to facilitate and streamline regasification terminal permitting.

I appear here today in hopes that I may convince you of the compelling state interest in regulating the siting of LNG facilities. State regulatory commissions are more appropriately situated to help ensure that any LNG development is consistent with state energy policy balancing environmental protection, public safety, and local community concerns. The states acknowledge that the United States is in need of additional natural gas sources based on supply/demand and price expectations. LNG appears to be one of the most promising options state commissions have identified for importing natural gas supplies.

LNG projects by their nature present significant environmental and safety hazards. Although LNG technology has improved in recent years, if LNG facilities are sited near populated centers, the LNG facilities will continue to present significant risks to the public because of the potential for catastrophic events resulting from human error or terrorist attacks. The siting of LNG facilities raises several significant public policy issues for which state commissions have both regulatory authority and statutory obligations. State commissions have the responsibility to assure that LNG projects that are ultimately approved and constructed, do not unduly compromise public safety or the effective and efficient operations of state energy markets.