



Senator Feinstein Seeks Veto Power for Governors over
Federal LNG Siting Decisions
June 21, 2005

Washington, DC – U.S. Senator Dianne Feinstein (D-Calif.) today announced bipartisan plans to ensure that each state’s Governor has the same authority to veto, approve, or attach conditions to onshore Liquefied Natural Gas (LNG) terminals as they have for offshore LNG facilities.

“Given the sensitive nature of LNG facilities relating to security, I truly believe that States should have a say where these facilities should be built,” Senator Feinstein said. **“LNG has an important role in our nation’s energy future. But it is imperative that States be able to ensure that citizens are safe and protected from hazard.”**

Senator Feinstein plans to introduce the amendment on LNG siting to the Energy Bill on Wednesday. The amendment is cosponsored by Senator Olympia Snowe (R-ME), Jack Reed (D-RI), Jeff Sessions (R-AL), Susan Collins (R-ME), Edward Kennedy (D-MA), Christopher Dodd (D-CT), Barbara Boxer (D-CA), Hilary Clinton (D-NY), Joseph Lieberman (D-CT), John Kerry (D-MA) and Maria Cantwell (D-WA). The following is a statement by Senator Feinstein:

“Let me clearly state that the problem is not whether to site these LNG terminals, but where. To give a remote federal agency control when states are concerned about the safety of residents near a proposed site is a mistake. This energy bill would give the Federal Energy Regulatory Commission exclusive authority over siting onshore LNG facilities. Our amendment would provide each state’s Governor the same authority to veto, approve, or attach conditions to onshore LNG facilities as they have for offshore LNG facilities.

This amendment does not require that the applicant duplicate the application process, nor does it add additional time and money to the entire application process. It simply states that Governors will have 45 days to approve, veto, or attach conditions to a project after FERC issues its final environmental impact statement.

Increased demand for natural gas means that we need new natural gas supplies, and liquefied natural gas is one of the options available to us. I recognize the probability that at least one or perhaps more new LNG facilities will be placed either onshore or off the coast of California.

The United States holds less than 4 percent of total world reserves, and California produces less than 15 percent of the natural gas it consumes. Additionally, California is actually located at the end of the nation's natural gas pipeline network. That is why Governor Schwarzenegger, the California Public Utilities Commission, and the California Energy Commission all agree that the State needs new natural gas supplies and that LNG terminals may help put downward pressure on increasing natural gas prices.

However, we disagree on how to accomplish the goal of bringing LNG terminals online. The Chairman and Ranking Member of the Energy Committee believe that FERC should have the final say over siting LNG terminals. On the other hand, I agree with the Governors of California, Massachusetts, Louisiana, Rhode Island, New Jersey and Delaware who stated in a letter dated May 25, 2005 that:

'Based on current and previous siting controversies, there is little reason to believe that the Federal Energy Regulatory Commission (FERC) is willing or able to address legitimate, long-standing state and local concerns with the siting of on and offshore projects. The provisions in H.R. 6 entrust FERC with 'sole authority' for the permitting of LNG and other energy facilities, and regulate state and local agencies, which currently play a strong role in the process, to after-the-fact consideration and unreasonable timelines. Without state jurisdiction there is no guarantee a project will be consistent with the homeland security or environmental requirements for a particular locality, or whether the project adequately addresses the energy demands of the respective state or region. We support legislation that would provide for concurrent state and federal jurisdiction over LNG and other energy facilities.'

The States will be responsible for the safety of these facilities for a long time after they are sited. That is why it is so important to preserve the rights of the States to participate in the process to determine where these facilities should be located. For LNG facilities that are being sited offshore, the Governor has the right to approve or veto a project. Yet the State has less input for facilities that are located onshore, in our busy ports and near closely-packed communities. That is completely illogical to me.

Under the pending energy bill, the Governor would have no veto authority for siting onshore LNG terminals. In other words, if the Governor of California were to decide that an LNG terminal posed too great a safety risk to the 400,000 people living close to the Port of Long Beach, the only proposed onshore project in California, then the Governor would have no authority to veto that project. But if that same project were located offshore more than three miles away from the port, the Governor would be able to veto it.

That is why my colleagues and I are offering this amendment -- to provide States with a real veto authority if a project were to violate the State's environmental protection, land and water use, public health and safety, and coastal zone management laws.

In this post-9/11 world, I also think we also have to look a little differently at the siting of all facilities, and especially the specific risk that LNG terminals pose. A December 2004 report by Sandia National Laboratories concluded LNG tankers could be a potential

terrorist target. If the worst case scenario were to occur, a tanker could spill liquefied natural gas that, in about 30 seconds, could set off a fire that would cause second-degree burns on people nearly a mile away. That is why this amendment is so important—States must have a role in siting LNG facilities in order to protect the welfare of their citizens.

Out of 40 proposed LNG terminals in the nation, the Federal Energy Regulatory Commission believes that only a dozen will actually be built. Since Governors have the responsibility of ensuring the safety of their constituents, it makes sense to me to allow the States to have a significant role in siting these facilities. If there are other options besides putting these facilities in busy ports, or near population centers, they should be sited where they pose the least danger to people, not just where they make the most economic sense.

I visited the proposed LNG terminal at the Port of Long Beach in February. On its own the Port of Long Beach is the second largest port in the nation, but combined with the Port of Los Angeles it is the largest port in the nation and the third largest port in the world. In addition, the Ports of Los Angeles and Long Beach are the largest container ports in the country, moving 40 percent of all goods imported into the country through their gates. Not only are these ports the backbone of the American economy, they are located in a densely populated area.

In a letter to me dated May 24, 2005, the Mayor of Long Beach, Beverly O’Neill, explained why it is so important to her community that the State have a significant role in siting LNG facilities. In addition to the risk to public welfare, Mayor O’Neill stated the following:

‘LNG ships entering and exiting the Port would cause delays in normal port operations, as the security protocols require authorities to establish safety zones around the incoming ships as they move through the port ...The Port’s layout would require these LNG ships to pass by many anchored ships, which significantly increases the risk of a terrorist event. Any attack at the Port of Long Beach would have devastating impacts on the local, state and national economies. A major disruption at the Port is estimated to cost the national economy over \$1 billion per day.’

Having the least impact on public safety should be a major consideration for where these terminals are located. Unfortunately, FERC’s primary responsibility is to ensure that these facilities make economic sense, not to ensure the public’s safety.

That is why we offer this amendment today—to provide the Governor with a veto authority over a project that will jeopardize public safety. If a state can have input in the location of an LNG terminal more than three miles offshore, it should certainly be able to weigh in on the site of a terminal in the midst of its communities.

This amendment will not prevent LNG facilities from being built—it will just ensure that they are built where they pose the least risk to the public.”