

Indecision on LNG proposals threatens region's economy

By **CARL GUSTIN**

A year ago, the New England Council published a report that concluded more liquefied natural gas facilities are needed in New England before 2010 to meet increasing demand for natural gas and to avert shortages. The Power Planning Committee of the New England Governors Conference reported the same findings.

A similar, but more urgent, conclusion was reached in a report prepared for the New England Energy Alliance by the Analysis Group late last year that concluded natural gas shortages in the region may occur as early as 2007 without additional natural gas supply sources and delivery capacity.

These findings come as no surprise. The "warning flags" have been waving for several years. One inescapable conclusion is that siting and building new LNG facilities in New England is the most, if not only, realistic near-term option for bringing in substantially more natural gas supplies into the region. The lack of LNG infrastructure development is not due to a lack of proposed LNG projects — numerous proposals to develop LNG terminals in New England have been announced and are currently being processed by federal regulators. The reason these projects have been

proposed is that the need for LNG is well documented and project developers are willing to invest to satisfy market demand.

The need is urgent, and policy makers should avoid calls for ad hoc studies and regional planning approaches that may only delay critical regulatory decisions. Siting processes and authority are well established: what is needed now is timely decision making to ensure that natural gas is available and affordable so the region's economic competitiveness and quality of life are sustained.

Used in New England for decades, LNG supplies nearly 20 percent of the region's annual consumption of natural gas, increasing to more than 30 people during winter peak demand periods. LNG supplements natural gas supplies that are needed to heat more than 2 million residences and 240,000 businesses in New England and to generate 42 percent of the region's electricity.

Reliance on Canada to meet regional LNG needs may augment the region's natural gas supplies, but it should not be considered a substitute for facilities in New England given the added cost of transportation from Canada and that country's own growing demand for natural gas to meet growth.

Delays in decision-making for necessary projects are costly.

The New England Council's report noted that the economic consequences of a two-year delay in natural gas system infrastructure construction planned for the region — pipeline or LNG — could cost New Englanders approximately \$3 billion by 2010 in higher natural gas prices. The price of natural gas in New England has almost doubled over the past several years that has increased the cost of electricity by at least \$500 million per year since 2001 and has substantially increased costs for heating homes and businesses as well as for manufacturing.

Given the lead time to permit and construct new LNG infrastructure facilities, actions either deferred or taken now will significantly influence the region's economy for years to come. The completion of ongoing reviews of LNG projects is critical, and public officials concerned about the region's economy should urge timely action. These are difficult and unpopular decisions in certain circles, but hard choices are a necessary measure of true leadership.

Carl Gustin, is president of the New England Energy Alliance. The alliance is a coalition of energy providers, business and trade organizations and others concerned about future energy supplies.

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