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State Has Demand Without Supply

Blocking Natural Gas Projects Is Strange Strategy

By CARL GUSTIN

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Recent actions by Connecticut and New York to block the proposed Broadwater LNG terminal in Long Island Sound must leave energy investors and some consumers scratching their heads in wonderment.

Energy policies in Connecticut are driving up demand for natural gas, so much so that its use to generate electricity has tripled in a decade. New York has fared better, but it too has adopted policies that may change that trajectory and drive up demand. So here we have two high-tech, energy-importing states sending conflicting messages to the market: Increase use of natural gas, but do it without increasing supply.

And, at least in Connecticut's case, it assumes that projects in other states and regions will meet the demand that it is unwilling to supply. Projects off the coast of Massachusetts and New Jersey are mentioned. But these projects are being built to meet other needs, which may leave Connecticut without a fallback position.

These tensions, created by policies that push demand higher and actions that undermine new supply, have been developing for years as federal, regional and state governments promoted the use of natural gas for environmental reasons. In fact, New England now gets about half of its electricity from plants fueled with natural gas, and in Connecticut that number is about one-third.

Global warming is a factor in pushing demand for natural gas higher. Connecticut seeks to reduce greenhouse emissions to below 1990 levels, a goal that few states can claim. It is a goal that can only be met by using low-carbon natural gas and continued strong performance from the state's nuclear plants, as well as conservation and increased use of renewables.

So far, natural gas companies are willing to invest billions of dollars in projects in anticipation of market demand. Two such projects are Broadwater, a joint venture of Shell Oil and TransCanada, and Islander East Pipeline, a joint venture between KeySpan, now National Grid, and Spectra Energy.

Many government and private interests agree that there is a need for new natural gas supplies; the need can be met by the market if the market is allowed to work; the proposed projects can deliver natural gas safely; and the regional benefits would be substantial. These projects have gone through regulatory reviews requiring numerous studies, responses to critics' allegations and appearances before various regulatory bodies.

In Broadwater's case, it received a positive and unanimous decision from a bipartisan regulatory agency, the Federal Energy Regulatory Commission. Islander East also received favorable rulings from FERC, as well as the U.S. Department of Commerce. Yet political leaders in Connecticut railed against the agencies, including the Coast Guard, even calling the Broadwater decision and the process a disgrace.

Islander East's decision was appealed first to the FERC commissioners and then to the courts, where the project was effectively halted. Now, New York Gov. David Paterson has weighed in and announced his opposition to Broadwater.

These examples exemplify the contradictory nature of energy policy — use more natural gas, but don't increase supply. Unfortunately, opposition to large-scale projects designed to provide a fuel source that public policy encourages puts the region at risk of not having enough reliable and affordable energy. It discourages investors, undermines economic development, and puts our citizens and businesses at an economic disadvantage. And it's not limited to natural gas policy.

Wind development in New England faces the same challenges, with policies that encourage its use followed by actions that discourage project development. New England would benefit if the states would adopt energy plans that send consistent messages — messages that align goals, policies and actions.

Achieving current environmental and economic goals, not just for one state, but across state lines and for the region, requires some tough decisions favoring new natural gas supplies, such as from Broadwater and Islander East, as well as new transmission lines, wind projects and even consideration of nuclear and coal projects.

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