

Chevron gives up on building Coronado Islands LNG plant

by Diane Lindquist

SAN DIEGO - Chevron has abandoned plans to build a \$650 million liquefied natural gas receiving terminal near Mexico's Coronado Islands, ending a four-year battle with U.S. and Mexican environmentalists who feared the project would harm delicate plant, sea mammal, and bird habitats.

The energy company withdrew the three key Mexican permits required to develop the project last month, Chevron spokeswoman Margaret Cooper said Monday.

Despite ongoing opposition to the LNG receiving terminal since it was proposed in 2003, Cooper said, "the decision was based on our business needs."

Chevron decided to send natural gas supplies from the Greater Gorgon gas fields off northwest Australia to Japan instead of to the Coronado Islands, she said.

"At this time, the ... project is no longer aligned with Chevron's equity gas resources," Cooper said.

Environmentalists were pleased yesterday that the project had been abandoned.

"That's great news," said Serge Dedina, executive director of Wildcoast in Imperial Beach.

"It's a totally inappropriate place to put a big industrial facility," he said. "The Coronado Islands are one of the world's most bio-diverse hot spots. It should be a park, not an LNG site."

Carla Garcia Zendejas, Mexican director of the Grupo de Trabajo de Termoelectricas Fronterizas, also was happy to hear the project had been canceled.

"We've been celebrating since we got the news," she said. "It's incredible news."

Chevron decided to go offshore because residents and environmentalists objected to competing firms' plans to build LNG terminals on coastal land. They didn't anticipate Chevron would employ the Coronado Islands.

The southernmost of the islands was to have served as a breakwater for a fixed, 980-foot-long concrete island with two regasification plants, storage tanks, a heliport and a dock to berth about four LNG tankers each week.

Opponents contended that the project posed a serious risk to fish, sea mammals and birds, including the endangered Xantus' murrelet.

They took their complaints to the Commission for Environmental Cooperation, an agency created by the North American Free Trade Agreement to study environmental issues. That case is pending.

"We would all hope that CEC will still prepare their factual record," Garcia said.

She speculated that the project was no longer feasible for Chevron once Sempra Energy and Shell cooperated on a competing LNG terminal on a plateau of land at Costa Azul, 14 miles north of Ensenada, Mexico.

At least six companies or groups of companies have vied to bring LNG to the Baja California, Mexico, coast to supply natural gas to power plants on both sides of the border.

El Paso and Phillips Petroleum planned a terminal at Rosarito Beach, Mexico, but never received a Mexican environmental permit.

Marathon Oil wanted to include an LNG facility as part of a large energy complex at La Joya, south of Playas de Tijuana, Mexico, but the Baja California government seized the land, claiming title irregularities.

Moss Maritime and Mexican partner Terminales y Almacenes Maritimos de Mexico were granted an environmental permit to build a floating project about five miles off Rosarito Beach. Neither company nor Mexican officials could be reached to comment on its status.

Shell abandoned its own project on the Costa Azul and reached an agreement to share capacity at Sempra's Energia Costa Azul LNG receiving terminal. That \$1.5 billion project, currently under construction, is expected to begin operating next year.

Sempra has an agreement with BP and Tangguh LNG to receive its LNG supplies from Indonesia, and Shell will receive its LNG from Russia's Sakhalin Island.

Chevron spokeswoman Cooper said the company has not given up on developing an LNG facility in North America.

"We continue to evaluate a number of other potential sites for natural gas import on the East, West, and Gulf coasts," she said.

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