



Taking a Careful Look

Regulatory Review of Proposed LNG Terminal

An artist's rendering of a Liquid Natural Gas Terminal proposed for the Port of Long Beach's Pier T on Terminal Island.

Sound Energy Solutions, a subsidiary of Mitsubishi Corp., is proposing to build and operate a liquefied natural gas (LNG) import terminal at the Port of Long Beach. Sited to occupy 25 acres at the southeast end of Terminal Island, the terminal would provide about 10 percent of California's needs for the cleaner-burning fuel.

When cooled to minus 260 degrees, natural gas becomes a liquid. LNG would be shipped primarily from Pacific Rim countries to Long Beach, where the liquid would be gradually warmed until it is again a gas. The proposed terminal also would have a facility for distributing LNG in its liquid form.

Construction cannot begin without the approval of local, state and federal authorities, and after a thorough review of the issues. Since last fall, Port staff, other government regulators and representatives of SES have held more than a dozen meetings to inform the community about the possible scope and impacts of the project. There will be meetings for several more months, and the public will have more

opportunities to comment as the review and permitting process continues.

A final decision may not come until early next year.

The Port of Long Beach is acting as the lead environmental review agency for the state. The federal government regulates LNG, so a federal review process is required in addition to a state review. Instead of two separate environmental reviews, the Federal Energy Regulatory Commission and the Port agreed to combine the reviews into a single comprehensive document.

Start of the Process

Before the review could begin, SES had to obtain a letter of intent from the Port saying that a place to build the terminal was available and reserved for a finite period. This was done last summer.

SES also applied for a Harbor Development Permit from the Port, which is required before starting any construction. This permit has its own application and review process that is running concurrently with the federal and state environmental process. SES will need approval

from the Long Beach Board of Harbor Commissioners to obtain this permit.

Once the joint environmental review was decided on, staff from the Port, FERC and SES met to develop a plan identifying potential impacts, people who might be affected, and how to include these potentially affected people in the review process.

These plans led to an SES-sponsored public workshop in September 2003. Public comments from the meeting were included in a "notice of preparation" that opened the "scoping" phase of the project. During this phase, the Port, SES and FERC held a public meeting in October to gather additional input and decide on the scope of the environmental review.

The Port and FERC are now preparing a draft of the joint Environmental Impact Statement/Environmental Impact Report that will include discussions of issues raised during the scoping phase. The document will examine possible safety risks; alternative plans for the project; potential air, noise or visual pollution; any cultural or historic impact; and other possible impacts.

Glossary

California Environmental Quality Act — CEQA was enacted in 1970, requiring the state's public agencies to identify the significant environmental impacts of their actions; and, either avoid or mitigate those significant environmental impacts, where feasible.

Environmental Impact Report — An EIR discloses the potential environmental impacts of a construction project and is used as a tool by decision makers. It is required by the state when a construction project will have a net impact on the environment. The state requires that public input be included.

Environmental Impact Statement — EIS is the federal version of the EIR. An EIS should include discussions of the purpose of and the need for a proposed action, alternatives, the affected environment, the environmental consequences of the proposal, lists of preparers, agencies, organizations and persons to whom the statement is sent, an index and an appendix.

Federal Energy Regulatory Commission — FERC regulates and oversees energy industries in the economic and environmental interest of the American public.

Liquefied Natural Gas — LNG is natural gas cooled to roughly minus 260 degrees. It is odorless, non-toxic, non-corrosive and less dense than water. Essentially, it is the same natural gas more than 60 million Americans use to heat and cool their homes, only in a liquid state. In its liquid state, 600 cubic feet of natural gas only takes up one cubic foot of space, making it economical to transport between continents in specially designed ocean tanker ships.

National Environmental Protection Act — NEPA was enacted in 1969 to require federal agencies to incorporate environmental considerations into project development and decision-making processes. In addition, it required these decision-making processes be put into writing and makes them open to public and judicial review.

The document must also discuss mitigation of the potential impacts.

In addition, SES is continuing to hold outreach meetings to educate and to listen to the community.

The Next Steps

The draft version of the EIS/EIR is scheduled for release to the public later this year. FERC will send the document to the U. S. Environmental Protection Agency

and the Federal Register, automatically triggering another public comment period. Written comments will be

accepted during this 45-day period. This period will culminate with a meeting in the Port area where the public can comment in person.

Following this meeting, the Port and FERC will formally respond to each of the comments in the Final EIS/EIR. This process could take several months. The final version of the EIS/EIR could be released early next year.

Following a review of the final version, FERC will vote on the project. The commission meets in Washington, D.C. Although its meeting will be open to the public, the commission will not take additional public comment.

Beyond the EIS/EIR

The environmental review is only one aspect of the total review and permitting process. Construction projects in the Port

cannot begin without Harbor Commission approval of a Harbor Development Permit. The public will have a chance to comment on this permit at any of the Board's weekly meetings before the permit comes up for a vote.

However, before the Port can issue a permit, it will need to amend its land-use master plan. The amendment needs the approval of the California Coastal Commission.

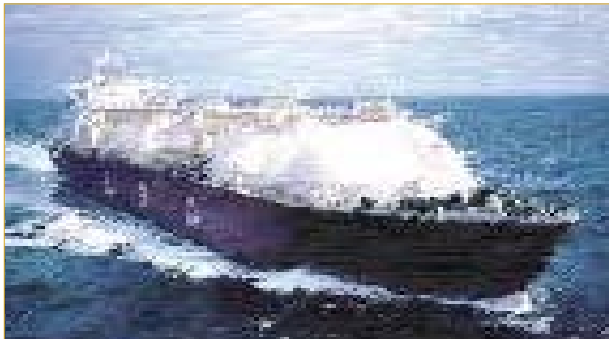
The amendment process will take four to six months after the completion of the environmental review.

The U.S. Coast Guard also must

review and approve any vessel safety and mooring plans for the terminal. This can happen at any time during the permitting processes.

A final nod will have to come from the Board of Harbor Commissioners. The five-member board will have to negotiate, approve and sign a permanent lease with SES before construction begins. This can happen as soon as the environmental review documents are finalized, but also can wait until all other reviews are decided.

If SES obtains all of the required permits and approvals, the firm could move forward with the project's 36-month construction schedule by mid-2005, with an opening planned for 2008.



A double-hulled LNG vessel with the round storage tanks clearly visible.