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Last Gas

Can natural gas reserves keep up with soaring consumption?

by Hillary Bain Lindsay



Liquefied natural gas tankers will soon be docking in Canada.

“Less polluting than either coal or petroleum,” natural gas is the “fossil fuel du jour,” reports Resources, an American magazine examining energy policy. Although domestic oil and gas extraction cannot keep up with demand in the US, roughly 60 per cent of natural gas reserves can be found outside the Middle East, meaning that importing it may not carry what Resources calls, “the political burdens associated with oil.”

But importing natural gas across oceans requires liquefied natural gas (LNG) terminals to receive it, and communities in the United States are fighting to keep them out. The fight has now moved north to Canada where opponents argue that LNG terminals threaten local economies and eco-systems, and take energy policy in entirely the wrong direction.

Currently, there are five Liquefied Natural Gas (LNG) terminals in North America -- all built before 1980. As of July 5, 2006, however, an additional 23 terminals have been approved for construction, 22 have been proposed for construction, and 21 potential terminal sites have been identified by project sponsors. In total, there are 67 approved, proposed and potential LNG terminal sites in North America, where for decades there were only five.

As the third-largest natural gas producer and second-largest gas exporter, Canada has never had a need for LNG terminals, but that is about to change. Eight of the approved, proposed and potential LNG sites are in Canada, six of them in eastern Canada. In addition, three more terminals have been proposed for the Maine side of Passamaquoddy Bay, a location that would require tankers to enter Canadian waters off the coast of New Brunswick.

One might wonder if natural gas consumption in the Maritimes is set to skyrocket, but according to Julian Darley, the gas is not intended for local markets. Darley is the founder and director of the Post Carbon Institute and author of *High Noon For Natural Gas: The New Energy Crisis*. The LNG terminals are a response to rising energy demands in the US, says Darley, and the reason the terminals aren't being built closer to their market is because, “Americans don't want them and are fighting hard to keep them out.”

Motivation for opposing the terminals varies from community to community, but often revolves around concerns that an LNG terminal and the huge tankers that service it will pose a threat to a coastal ecosystems and tourism by industrializing small communities, tribal lands and resort towns. LNG terminals could also make the area vulnerable to terrorism or an accidental spill resulting in an uncontrollable fire, opponents say.

Over the past two years, residents of Maine have fought to keep LNG terminals out of five separate communities, and won each time. Proposals for three LNG terminals have now moved further north to the Maine side of Passamaquoddy Bay. Although in the US, this location would arguably affect more New Brunswickers than Americans, as the Canadian side of the Bay is more densely populated. "This is seen as the soft underbelly of the Maine coast," says Janice Harvey, co-chair of Save Passamaquoddy Bay Canada, which calls the terminals "inappropriate development for a rural area where the economy is based on fishing, agriculture and tourism."

Further north, David Thompson is fighting a similar battle, but this one is in the city of Saint John where an LNG terminal is already being built by Irving Oil Ltd., and its Spanish partner Repsol. "A lot of companies were having a great deal of problems [getting permits] to build [LNG terminals] in the states. They've been rejected in many places," explains Thompson. "It's pretty easy for Irving to get a permit in New Brunswick."

JD Irving Ltd., owns all of New Brunswick's major English-language newspapers, as well as an oil refinery, pulp and paper mills and hundreds of other small- and medium-sized businesses. The company employs about eight per cent of the province's population.

"When Repsol got hold of Irving, they lucked in," says Thompson.

Residents have now learned of a proposal to have the natural gas exit the LNG plant through a pipeline that will run under part of the city and through Rockwood Park, the largest urban park in Canada.

"What right do these companies have to do it?" asks Thompson. "The community belongs to the community, not huge companies like Repsol and Irving.

"The gas has nothing to do with the surrounding communities," continues Thompson. "It's a way to get foreign gas to markets in the US"

Although the campaigns that Thompson and Harvey are waging are focused on local impacts, both recognize that the terminals are part of a larger trend that will have repercussions far beyond the communities where LNG sites are situated.

Natural gas is a cleaner burning fuel than oil or coal, but the environmental benefits of this will only be felt if natural gas replaces more polluting fossil fuel. If, on the other hand, natural gas is used in addition to other fuels, the environmental impacts will only worsen. According to Thompson, consumption trends indicate that the latter will be true. "What seems to be happening is that the natural gas won't displace other fuels, but just increase consumption," explains Thompson.

This apparently insatiable energy market is part of what's spawning the rash of LNG proposals, but natural gas -- much like oil -- will not be able to fuel North American consumption forever, and according to Darley, may disappear far faster than anticipated. "Demand is on an upward trend, extraction in North America is on a downward trend, and supply of natural gas worldwide is in question."

"I see this as the last desperate gasp of the fossil fuel industry and the governments that support it," says Harvey. "It's a race to see who can get into the market quickest before the market collapses or the supply runs out.

“The bigger trend is disturbing in that it postpones the real grappling with our energy and climate change issues,” continues Harvey. Rather than pouring resources into LNG terminals, communities should be focusing on how to decrease energy consumption and how to harness cleaner renewable sources of energy, like wind and solar, she says.

“This is a catastrophic waste of money,” says Darley. “It’s a huge investment in something that’s going to run out.”

Although the public may pay in the future, some are making money now.

Threatened with losing the LNG terminal and the economic boost that may come with it, in March 2005, Saint John City Council enraged many city residents by voting in favour of a tax deal on the land where the LNG plant is now being built. Under the deal, Irving and Repsol will pay one tenth of regular property taxes on the LNG site for the next 25 years, saving the companies \$100 million over that period. More recently, during July’s G8 summit, LNG got another ‘boost,’ according to the *Globe and Mail*, with a proposed \$1.5 billion US deal between Petro-Canada and Russian gas giant OAO Gazprom. In the same month, Anadarko Petroleum Corp. sold the site for a new LNG terminal in Nova Scotia for \$140.7 million to a US company.

“It’s not an energy game,” says Harvey. “It’s a money game.”

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