



Who will buy LNG security?

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Security requirements for LNG terminals are still developing, the result being that both government and industry officials admit there is still a large "gray area" surrounding who will fund them.

Last week, the Coast Guard issued preliminary approval of BP subsidiary Crown Landing's proposed liquefied natural gas terminal in Logan Township, provided the company meets a long list of required security measures. BP spokesman Tom Mueller said his company hopes to negotiate a plan for some of these security measures to be covered by the municipal and state government.

While there is much precedent for government subsidies going to cover the security costs for private energy companies, the practice is far from uniform. Whether through federal grants or not having to pay for additional public services, such as police or firefighters, an untold number of public dollars goes toward helping energy companies meet their security requirements.

"The energy companies know there is a need for their product," said Dr. Gal Luft, Executive Director of the institute for the Analysis of Global Security in Washington D.C. "They know that if they put on enough pressure, they can get a lot of taxpayers' money to fund things that normally they wouldn't have to."

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Mueller said that BP expects to pay between \$5 and \$6 million in local and state taxes once the \$500 million facility is fully operational, and that it hopes that some of this money can find its way back toward funding services that would help meet some of the security requirements.

"Usually, the general rule for using government money is that it can only be used to harden the perimeter of the facility," said Pat Brannigan with the New Jersey Attorney General's Office. "The federal government defines certain critical infrastructure -- infrastructure that is critically needed for a society, and that may deal with hazardous materials. The government has a fundamental responsibility to reduce the vulnerabilities of the areas surrounding these facilities as much as possible."

"The security costs inside the facility are BP's responsibility without question," said Mueller. "Where you get into a gray area is where you need local police patrols around the facility, that kind of thing. More police are a benefit to the whole community -- it's not just BP that would see the advantages of that."

"These measures would provide an additional level of assurance not only for LNG ship movements, but for all port traffic," said Lauren Segal, project director for the proposed terminal.

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Claire Riggs, a spokeswoman for the Valero Refining Company in Paulsboro, said that refinery pays over \$10 million in state and local property and corporate business taxes annually. Riggs said the refinery estimates that it has spent about \$3.9 million in security upgrades over the last year, which includes a \$1.5 million federal Transportation Security Administration grant. Riggs said this goes toward providing security

training and smaller grants to Paulsboro and Greenwich Township to upgrade their fire and emergency response capabilities.

"So that's a mutually beneficial situation for the refinery and for the township," said Riggs. "Naturally, the business we're in requires some additional public services -- the municipalities have to be more prepared than they otherwise would."

Joseph "Skip" Sindoni, spokesman for the PSE&G Nuclear Power Plant in Salem County, said the company covers all of its own security costs, both in and around the facility.

"But we do have emergency centers that are staffed by representatives from New Jersey and Delaware, and by our employees," said Sindoni. "Should we ever have an event, the states would be prepared to ensure the health and safety of the public. So we do get that support from the states."

Gerald Davis is a spokesman for Sunoco's Eagle Point Refinery in West Deptford Township. Davis said the refinery spent \$.52 million on all of its security in 2005, adding that \$2.6 million -- half of that -- was in the form of a grant from the U.S. Transportation Security Administration.

The U.S. Coast Guard also supplies -- and regulates -- security measures for Sunoco, and likely would for the LNG facility in Logan Township, since according to Davis the federal Maritime Transportation Security Act requires the Coast Guard to oversee all such operations along riverfronts.

"We have a responsibility for public safety and security," said Coast Guard Lieutenant Commander Timothy Meyers, project manager for reviewing BP's proposed LNG plant. "That's true whether BP is going to profit from their venture or not. And, at least from the Coast Guard's standpoint, we can't take direct reimbursement to our local unit for expenses incurred for the project at the local level."

Meyers added that the Coast Guard has yet to estimate how much it will cost to implement the required security measures.

Jim Grasso is a spokesman for the Hess Weaver's Cove LNG Project in Fall River, Mass., which was approved by the Federal Energy Regulatory Commission in July -- a hurdle the BP project has yet to pass. Grasso said he doesn't know yet how much implementing the required security measures for that project will cost, nor who will pay the lion's share of it.

"The way you have to look at these projects is to ask, 'Is it required? Is it needed?'" said Grasso. "The answer is yes, definitely. Consequently, the security to cover the risks of these projects is also needed."

"It is true that if the company weren't going to be here, the community wouldn't need the additional security," said Mueller. "But we'll also be providing jobs and significant tax revenue. The point is that I don't think anyone could make the case that providing the security for industries costs more than the industries generate in benefits."

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