Economic Arguments Against PGW's Liquefied Natural Gas (LNG) Terminal Plan:

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PGW's LNG terminal…

…won't reduce short-term price hikes

If PGW manages to get the LNG terminal built, it wouldn't be in operation until around 2010. The presumed economic benefits of the project can't do anything to help reduce the costs of PGW's natural gas in the next five years. Clearly, the short-term cost issues must be dealt with another way.

…won't increase storage capacity

PGW stated in a 9/29/2005 Philadelphia Inquirer article that the terminal "would give them a reserve to help meet demand during periods when wholesale prices are high." However, the LNG plan will do nothing to expand their storage capacity, which can already provide the city's heating needs for most of the winter. PGW already touts their existing storage capacity as the reason why they've been able to save consumers from short-term price shocks. They have enough storage capacity for nearly 4 winter months of gas use. No additional storage capacity will be built as part of the LNG terminal plan.

…won't be as economically viable as PGW states

Section 311(d) of the Energy Policy Act of 2005 requires that security costs associated with the project be shared with the facility operator. Since this would be the most urban LNG facility in the U.S., security costs will be extreme and will diminish the economic viability of the project. These security costs don't include other externalized economic costs that would affect the region, such as those associated with closure of highways, airports and shipping when tankers come up the Delaware three times a month.

Section 311(d) amends the Natural Gas Act to include the following language:

(e)(1) In any order authorizing an LNG terminal the Commission shall require the LNG terminal operator to develop an Emergency Response Plan. The Emergency Response Plan shall be prepared in consultation with the United States Coast Guard and State and local agencies and be approved by the Commission prior to any final approval to begin construction. The Plan shall include a cost-sharing plan.

(2) A cost-sharing plan developed under paragraph (1) shall include a description of any direct cost reimbursements that the applicant agrees to provide to any State and local agencies with responsibility for security and safety—

(A) at the LNG terminal; and

(B) in proximity to vessels that serve the facility.

…may not help reduce costs to consumers

The only "advantage" to the terminal is the $25 million/year that PGW would get in rent for letting giant LNG tanker ships dock at their Port Richmond facility. There is no agreement that guarantees savings to consumers. No one aside from PGW seems to believe that the historically mismanaged PGW will actually use this to cut gas prices for city residents.

…won't be built anyway; money is wasted trying

PGW's LNG proposal is one of eleven terminals planned for the east coast. The Federal Energy Regulatory Commission (FERC) – the agency with the sole authority to permit LNG terminals – has stated that only two are needed to meet short-term demand. Two east coast LNG terminals have already been approved. Five others have applications filed with FERC. PGW's proposal is among six other proposals that haven't yet filed applications with FERC. The probability that PGW's proposal will somehow catch up and beat all of this competition is very small. PGW is throwing away millions of dollars that ought to be put into real solutions that can address short- and long-term home heating needs through conservation and efficiency.

…could lead to privatization, negating savings

The LNG terminal is likely an attempt to make PGW a more lucrative acquisition target. It's been known for several years that PECO/Exelon is interested in buying PGW. A 9/6/2005 Philadelphia Inquirer article noted: "***House Speaker John Perzel is quietly working on a two-stage plan that would move PGW from city control to a regional authority, which would prepare the company for sale. …Joyce Wilkerson, Mayor Street's chief of staff and a member of the PGW board [stated,] 'We are interested in selling the company.'***"

The pending Exelon-PSEG merger gives Exelon the "ability and incentive" to manipulate natural-gas prices, increasing the pressure towards privatizing PGW. A privatized PGW would lead to reduced public control over their operations and to higher prices.

…faces long-term debt problems due to gas peak

Natural gas production will peak globally around 2020. This gives only about 10 years of life to the project before globally constricted gas markets cause long-term price hikes like those we're starting to see in the global market for oil. Ten years may not be enough to pay off the expensive project, leaving it with long-term debt problems.

…distracts from real solutions like efficiency

By 2020, if not sooner, we'll be forced to address gas shortage issues through conservation and efficiency. Investing in such methods today will help both the short-term crisis and long-term gas shortage issues. PGW should stop its LNG quest and:

- help residents with weatherization.
- get solar hot water heaters installed across the city.
- use the "energy service company" model so that energy savings are free to the consumer and that costs are recovered as a portion of the savings in fuel use.