
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:
Tamara Young-Allen
202-502-8680

FOR IMMEDIATE RELEASE
June 21, 2004
(Docket No. CP03-75-000)

NEW LIQUEFIED NATURAL GAS TERMINAL APPROVED FOR FREEPORT, TEXAS

The Federal Energy Regulatory Commission approved a proposal by Freeport LNG Development, L.P. to construct and operate a new liquefied natural gas (LNG) terminal that will be located on Quintana Island, southeast of Freeport, Texas.

This is the second new onshore LNG terminal authorized in the U.S. in over 20 years and the first proposal to which a new study on LNG safety has been applied. The other new onshore terminal will be built in Hackberry, LA by Cameron LNG, LLC and was approved by the Commission in September 2003.

FERC Chairman Pat Wood III noted that “there is a growing need for natural gas to meet ever increasing demand in the United States. Federal government and industry studies show that domestic supply is dwindling. LNG is a vital part of the Nation’s energy mix. Increased imports of LNG supplies can meet growing demand efficiently, cost-effectively and, most importantly, in a safe and secure manner.”

The Freeport LNG project will receive, store and vaporize imported LNG at its proposed terminal and will transport up to 1.5 billion cubic feet (Bcf) of gas per day through its proposed 9.6 mile, send-out pipeline. The project will serve the intrastate Texas market.

The cooling of natural gas to minus 260 degrees Fahrenheit creates LNG. Reduced in volume by a factor of 600 to 1, LNG can be transported long distances by ocean-going tankers, restored to its original gaseous form at an LNG import terminal, and then moved through pipelines to market.

-more-

R-04-23

-2-

The environmental and safety analysis of the proposal included the first-time application of a new study conducted by the Commission entitled, “Consequence Assessment Methods for Incidents Involving Releases from Liquefied Natural Gas Carriers.” The study, issued May 14, 2004 in Docket No. AD04-6-000, provides various models by which the Commission may evaluate the consequences of LNG tanker spills and offers guidance in developing operating restrictions for LNG vessel movements, as well as establishing potential impact areas for emergency response. Public comments, which included suggested recommendations to the study’s analytical framework, were reviewed and used to refine the various components of the study’s consequence assessment methodologies. Commission staff used these changes in reviewing the Freeport LNG proposal.

In granting authorization for the Freeport LNG project, the Commission concludes that the operational restrictions imposed by the Brazos River Pilots Association, the requirements that the U. S. Coast Guard will institute in its operating plan, as well as the design features of the LNG vessels, will minimize the possibility of a hazardous event, such as a cargo spill from a grounding or collision from occurring in the Freeport Harbor Channel.

In addition, the Commission noted that three other federal agencies share in the oversight of the safety and security of LNG import terminals: the U. S. Coast Guard, the Research and Special Programs Administration of the U.S. Department of Transportation, and FERC. In an Interagency Agreement of February 11, 2004, the three agencies vowed to work in a coordinated manner to address the full range of safety and security issues at LNG import terminals.

The Commission ruled that the construction and operation of the Freeport LNG project must adhere to the environmental conditions contained within the order and must be completed and in service within three years.