

## State leaders, industry push to export Utah's natural gas to Asia



(Photo courtesy of Sempra LGN) Utah officials are supporting the development of this liquefied natural gas terminal, called Energia Costa Azul, outside the Mexican port city of Ensenada, 65 miles south of San Diego. They hope it will ship Utah's natural gas to Asian markets.



By Brian Maffly

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A decade ago, energy companies built a natural gas storage facility on Mexico's Baja California coast to receive imported liquefied gas by ship and gasify it for distribution around northern Mexico.

That plan didn't pan out, but under a new proposal backed by various Utah agencies, the plant known as Energia Costa Azul (which translates to Blue Coast Energy) would be "reverse engineered" into an export terminal that would liquefy gas piped south from Rocky Mountain states and load it onto special tanker ships bound for Asia.

To that end, officials in the Beehive State have teamed with industry consultants to contract with researchers from the University of Utah and other schools to gather data showing how exporting the West's natural gas overseas would reduce global

greenhouse emissions while supporting rural job creation at home. That's according to Wes Adams, who oversees oil and gas for the Utah School and Institutional Trust Lands Administration, or SITLA.

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“This is an important issue, one that stands to benefit the [school] trust [fund] first and foremost. Gas has been a big contributor to the trust [now valued at more than \$2 billion], but it has been on a steep decline since 2012,” Adams said. “We feel that there's opportunity there that can serve the economy well and also lower emissions. And that's why we want a credible report from the universities here.”

Charged with managing 4 million acres of state-owned mineral resources for the benefit of Utah's public schools, SITLA has much at stake in reversing the sliding fortunes of the natural gas industry.

While getting Western gas across the ocean could offset Asian nations' use of high-emitting coal for power generation, not everyone thinks it's a good idea. Critics fear large investments in LNG, or liquefied natural gas, infrastructure would perpetuate the world's reliance on climate-disrupting fossil fuels for generations. Utah would be better off, they argue, promoting its abundant renewable sources of energy, rather than doubling down on fossil fuels.

## Gas glut

The Mountain West states sit on vast reservoirs of natural gas, which, when burned, releases about half as much carbon dioxide as coal. The fracking boom has resulted in an oversupply of natural gas in the United States, which kept prices low and drastically slowed the pace of natural gas extraction in Utah's Uinta Basin.

Over the years, SITLA has raised \$650 million from natural gas production, but since 2012, production statewide has plummeted from about 1.2 billion cubic feet a day to 492 million, according to Adams. Most of Utah's production comes from federal lands.

Like Utah's coal country, Duchesne and Uintah counties and the Ute Indian Tribe are now looking to Asia as a potential market for their abundant natural gas "stranded" in the basin. Currently there is no LNG export capacity on the West Coast, where U.S. coastal states' liberal politics and climate activism have thwarted or stalled proposals.

Utah and three other states have joined an industry-organized group, known as the Western States and Tribal Nations Natural Gas Initiative (WSTN), to advocate for the development of LNG terminals. Led by consultant Andrew Browning, the effort has produced reports and presentations aimed at rallying political support, promoting investment and encouraging regulatory approvals for Costa Azul near Ensenada, Mexico, and the Jordan Cove project at Coos Bay, Ore.

"Seventy percent of global LNG expansion and consumption over the next 20 years is going to be in Asia. The companies that are able to develop on the West Coast of North America have an inherent comparative advantage, economic, technical, as well as geopolitical," said Browning, a Denver-based partner with the consulting firm HBW Resources. "If your goal is to reduce climate change and reduce emissions to address the problem, the biggest, the lowest hanging fruit in the world right now is [offsetting] that exponential coal consumption in India, China and some of the other Asian countries."

To help bolster these points, SITLA has contracted with University of Utah researchers to model "upstream" emissions that would occur as a result of increased drilling and production, according to emails between Utah agencies and Browning obtained by the Energy and Policy Institute, a San Francisco watchdog group critical of fossil fuel exports.

The institute and other critics acknowledge replacing coal with gas would reduce greenhouse emissions, but they say burning this gaseous fossil fuel still drives climate change and the gas itself is a far more potent greenhouse gas than carbon dioxide.

“If these polluting LNG facilities get built, they will require new gas pipelines and compressor stations and will increase drilling in Utah and beyond,” said Itai Vardi, a researcher with the institute. “All of this will lock the world into further dependence on fossil fuel infrastructure for decades, precisely at a time when we need to dramatically reduce greenhouse gas emissions to try and avoid complete climate catastrophe.”

Vardi alleges WSTN is really an industry front group, noting its membership is stacked with industry players, such as Utah lobbyist Jeff Hartley. Browning rejected that characterization.

This charge is as “comical as it is hypocritical, coming as it is from a fictional institute with no address, no record of incorporation and no transparency about who pays the bills of the activists who are its public face,” initiative spokesman Bryson Hull said. “We’re a government-led group with transparent funding and governance, subject to public records scrutiny.”

The effort was driven by Utah and Colorado governors and has drawn strong backing from county and tribal governments hoping to promote rural job creation, according to Browning. The group came together after WSTN’s release of a 53-page report, produced by the Consumer Energy Alliance, that described promising international markets for the West’s natural gas.

The Utah Legislature last year unanimously approved a resolution backing the Oregon and Baja projects.

SCR8 “supports LNG exports as a way to increase oil production and natural gas production in Utah, so that Utah’s rural communities can take an active part in, and receive the benefits of Utah’s global economic development.” The resolution was

sponsored by Republican state Sen. Ron Winterton, whose district includes Uintah and Duchesne counties.

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Meanwhile, the Legislature has set aside \$53 million to invest in a “bulk commodities ocean export terminal.” The appropriation was intended to support a coal-loading terminal in Oakland, Calif., but there is no reason these funds could not be invested in LNG terminals.

Whether exporting natural gas is good for the planet remains a matter of debate, but everyone agrees the West’s natural gas probably won’t reach Asia without LNG export terminals on the West Coast. These facilities cool the gas to minus 260 degrees Fahrenheit into a liquid form, reducing its volume by a factor of 600. Since 2015, U.S. LNG exports have climbed from almost nothing to nearly 2 trillion cubic feet a year, mostly from the Gulf Coast, according to the U.S. Energy Information Administration.

Western gas producers could ship from existing facilities in Texas and Louisiana, but the journey would be twice as far, passing through the Panama Canal. That’s too much cost and uncertainty for Asia’s power generators.

“They want North American gas, but they see the Panama Canal as a political risk, as an economic risk. It just increases the overall cost of the gas. You’re looking at prospective delays. The Panama Canal really is at capacity. It cannot allow for these newer, very large tankers going through,” Browning said. “These are utilities. Their certainty for delivery has to be 100% or the lights go off.”

## **Coal takes a back seat**

With California effectively off-limits for LNG development, Utah officials have turned to Mexico as a possible host. Two years ago, they signed an agreement with the Mexican state of Baja California to work together to develop export capacity.

That announcement was focused more on coal exports, but now natural gas appears to be taking center stage. This is because San Diego-based Sempra LNG is seeking approval to convert the Costa Azul plant into an export terminal. The project's first phase would ship 3 million tons of LNG, or about 500 million cubic feet a day, an amount that equals Utah's current production. A second phase would increase the annual export capacity to 12 million tons.

In July, Utah Gov. Gary Herbert and two other governors, along with Ute tribal Chairman Luke Duncan, urged Mexican officials to approve LNG terminals on Mexico's Pacific Coast, starting with the Costa Azul project. Such terminals would be of mutual benefit to both nations, while satisfying Asian demand for "reliable, cleaner baseload power," according to a letter they sent to Mexico Energy Minister Normal Rocío Nahle García.

"With additional infrastructure investment, natural gas from the Western U.S. could be utilized in Mexico's energy market and exported to Asian markets," the letter states. "Mexico has the capacity to become a major North American west coast energy export hub to Asian economies with several key strategic deep water ports that could connect with natural gas pipelines for LNG exports."

Utah natural gas could be piped most of the way to the proposed LNG terminals in Oregon and Baja through existing pipelines that are now operating 60% under capacity, according to Adams. A final leg to Costa Azul would take about 150 miles of new pipeline from Yuma, Ariz., across northern Baja.

Up north, the underused Ruby Pipeline runs from the Opal gas hub in Wyoming across northern Utah to a terminus in Malin, Ore. Jordan Cove proponents seek to build a 239-mile pipeline across southern Oregon to connect the Ruby with the LNG terminal proposed at Coos Bay. While the environmental review of Jordan Cove project is complete, its pipeline component remains mired in controversy over its alignment, which crosses largely private lands.

To help navigate the gantlet of political, regulatory and financial hurdles these projects face, Utah officials intend to marshal the evidence to show the world would be better off if Rocky Mountain gas is burned in Asian power plants. To that end, they have budgeted \$85,000 to fund data-gathering efforts led by U. civil engineering professor Kerry Kelly and geology professor Lauren Birgenheier, according to Adams.

The research seeks to replicate a 2018 peer-reviewed study from University of Calgary that found exporting Canada’s natural gas carries significant climate benefits, he said. Every million tons of LNG exports to Asia could result in a net reduction of 2.9 million tons of greenhouse gas emissions, the study concluded. This research found that emissions from increased natural gas production would be more than offset by displacing coal.

But modeling emissions from drilling, production and processing of Rocky Mountain’s natural gas could be fraught with uncertainty, making it difficult to draw firm conclusions, according to Kelly.

“My job is not to demonstrate the benefits; it’s to evaluate potential emissions,” Kelly said. “We want to ensure the estimates for the resources and emissions are accurate. If you are going to do this analysis, make sure you are using the right numbers.”



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Ken Hunt

One more piece in the puzzle as to the reasoning for raising the State's bond limit. What other states have directly invested \$\$\$ in this project and how much? Sometimes I think Utah makes things more difficult and expensive than they need to be. What proof is there that the State has made honest and detailed efforts to use burned off gas in valued added products in gas producing regions?...

87  
The Biggest RINO

Just like we stopped generating Freon in large quantities, adding lead to gasoline, and burning

coal to heat our houses and move ships and trains, we now need to stop removing fossil fuels from the ground. It really is that simple.

Any reasonable person should be able to see that our economy can not be based on destroying the planet we live on. That will not work. Leave it in the ground.



**95**  
**Dennis Hanks**  
Salt Lake City, Utah

Both should stay where they are. We aren't relying on unstable governments. India and China are. The quicker they wean from fossil fuels the better for all of us. Indian infrastructure is much more amenable to renewables than new pipelines. China knows what it has to do and is moving to renewables as quickly as it can.

What we do here will be money down the drain. They will buy gas where it is cheapest. We ...

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