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Chevron Cancels Plan to Build Facility Off Baja California Coast

by LADB Staff

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Chevron Corp. has dropped plans to construct a controversial storage and processing facility for liquefied natural gas (LNG) near the Coronado Islands off the coast of Baja California. The decision ended a battle with environmental advocates, who had opposed the facility since it was first proposed in 2004. Environmental groups feared the project would disrupt fragile habitats for fish, birds, sea mammals, and plants.

Chevron had intended to use the plant, near the environmentally sensitive Coronado Islands, to process and store natural gas from Australia for eventual sale in the US market (see SourceMex, 2004-03-03). The company officially cancelled the project after it withdrew requests for three key permits required to develop the facility, which had been named the Terminal GNL Mar Adentro de Baja California.

Company spokeswoman Margaret Cooper said the decision was based on a change in priorities for its global operations. "The project was originally developed with the intent that [the terminal] could receive supply from Chevron's share of LNG from the proposed Gorgon project off Australia," said Cooper. "But Chevron has found supply agreements for the majority of our [share of Gorgon] with three customers in Japan." Company officials had initially estimated the costs of the Baja plant at US \$500 million, but the price tag was later increased to US\$650 million.

Environmental advocates applaud decision

Spokespersons for the coalition of environmental organizations that had opposed the project since its inception were pleased by Chevron's decision to drop plans to construct the plant. "That's great news," said Serge Dedina, executive director of Wildcoast in Imperial Beach, California.

"It's a totally inappropriate place to put a big industrial facility," noted Carla Garcia Zendejas, Mexican director of the Grupo de Trabajo de Termoelectricas Fronterizas. "The Coronado Islands are one of the world's most biologically diverse spots. It should be a park, not an LNG site."

Environmental advocates say the Coronado Islands provide critical nesting habitat for six threatened or endangered seabird species and ten other species of plants and animals found nowhere else in the world. "This natural-gas facility would have been such a disaster to seabirds that it could not lawfully be built in the United States," said Brendan Cummings, an attorney with the Center for Biological Diversity.

The coalition went so far as to bring the controversy before the Commission for Environmental Cooperation (CEC) in 2005 (see SourceMex, 2005-05-18 and 2006-02-01). Wildcoast, the Center for Biological Diversity, Greenpeace Mexico, the Los Angeles Audubon Society, the Pacific Environment

and Resources Center, and the American Bird Conservancy filed the complaint. The Montreal-based CEC, which was created under the auspices of the North American Free Trade Agreement (NAFTA), accepted the case but had yet to issue a ruling.

The environmental organizations said they would still like to see a report from the CEC even with the cancellation of the project. "We would all hope that the CEC will still prepare their factual record," Garcia said. Cummings said Chevron may have been swayed by the CEC decision to investigate the matter. "Fortunately for the seabirds of the Coronado Islands, Chevron realized that building the terminal in Mexico was also a bad idea," he said.

Garcia said competition from other companies was also a factor in Chevron's decision to drop the project, especially the LNG terminal developed by Semptra Energy and Shell near Ensenada. The terminal is 70% complete and is expected to begin operations in 2008. Two other LNG projects in Baja California have been cancelled in recent years because of environmental concerns. ConocoPhillips dropped plans for a terminal in Rosarito because of concerns about damage to the beach, just south of Tijuana.

Gov. Eugenio Elorduy Walther and Rosarito Mayor Luis Enrique Diaz convinced federal authorities not to issue a permit. In 2004, Marathon Oil Corp. had to cancel plans to construct a plant near Tijuana, when municipal authorities seized the company's beachfront property. (Sources: <http://www.biologicaldiversity.org>; The San Diego Union- Tribune, 12/04/02, 03/13/07; Associated Press, San Diego Business Journal, Reuters, 03/13/07; The Herald-Mexico City, 03/14/07)

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