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Deputy Secretary for Energy
Chairman New York State Energy Planning Board
Executive Chamber, 2nd Fl.
State Capitol
Albany, NY 12224

ADDITIONAL COMMENTS ON BEHALF OF ATLANTIC SEA ISLAND GROUP

RE: SEPTEMBER 9, 2009 PUBLIC HEARING ON 2009 DRAFT NEW YORK STATE ENERGY PLAN

Atlantic Sea Island Group (ASIG) is the developer of the Safe Harbor Energy LNG terminal proposed to be constructed 13.5 miles south of Long Beach, Long Island. We have previously submitted comments during the drafting phase of 2009 New York State Energy Plan. At the September 9th public hearing at Farmingdale, Long Island we addressed the Board and commended their efforts preparing a technically accurate and well thought out draft Energy Plan especially with regard to the need for additional gas supply and infrastructure to meet the long terms requirements of the downstate region.

At the hearing certain parties made unsubstantiated statements opposing imported LNG in general and the Safe Harbor Energy project specifically that, in our opinion, are inaccurate and require clarification. We wholly understand that it is not the intent of the Energy Plan to endorse a specific project but rather to specify long range energy policy objectives and strategies to increase energy supplies and reduce energy demand. Our goal here is simply to address what we feel are some of the most flawed and misleading statements made by these parties.

1. The energy used to convert gas to LNG, ship it overseas and then re gasify it adds at least 20 % more CO₂ emissions than domestic gas.

Even before we get to the fact that the LNG industry continues to make great strides in environmental awareness by fostering innovative, green technology at critical stages of the LNG production chain it must be noted that delivering LNG close to where it is consumed will avoid the use of significant amounts of compressor fuel that must be burned in order to move North American gas long distances. For instance, transporting gas to New York via the recently completed Millennium pipeline route (from the supply point at Dawn, Ontario) results in over 4.5 % of fuel losses. These fuel losses have a substantial negative greenhouse impact. We estimate we can save thousands of tons of greenhouse gas emissions (CO₂ and methane) annually by delivering gas directly to the market area.

In addition, the above claim ignores the fact that as green technology is developed it will become part of the LNG supply chain. For instance, liquefaction can be accomplished by using bio mass fuels which are carbon neutral. Also high efficiency low emission “aero derivative” gas turbines (based on jet engine technology) are being introduced. Regarding shipping, BP Shipping launched its fleet of LNG vessels that utilize ground-breaking propulsion technology and structural designs to increase the ships' fuel efficiency and reduce their greenhouse gas emissions. Instead of the conventional single steam turbines, the engines of the BP "GEM" class fleet contain a dual-fuel diesel-electric system. This new technology is comprised of four diesel generators and two electric motors geared to one propeller. The diesel engines can either run on "boil off" gases from the LNG cargo tanks, or on conventional diesel fuel.

These are just a couple of examples of the improvements in technology that will reduce any green house gas emissions that can be attributed to LNG supply.

Finally, please note the statement concerning domestic gas does not address significant environmental impacts (including ground water contamination and air emissions) identified with the development of these new domestic supplies (i.e. Marcellus shale gas). All in all, it is factually incorrect to say LNG is dirtier than domestic gas without taking into account new technology and weighing all the criteria associated with developing and bringing gas to market.

2. Importing LNG will make the country more depend on foreign sources of supply.

No one is proposing to increase imported LNG to the same levels as imported oil. While approximately 60% of oil demand in the United States is met by imports, LNG's current share in U.S. gas consumption is approximately 2.8%. World natural gas resources are more abundant and more evenly distributed throughout the world than are oil supplies, which allows the United States to ensure a more secure, diversified and competitively priced natural gas supply. LNG imported directly to the New York metropolitan area will lower prices to New York State consumers by increasing competition even if it represents only a relatively small portion of total supply.

3. The Safe Harbor project will not result in incremental supply since it will back off domestic gas.

This statement ignores the fact that imported LNG entering the Northeast market close to load centers would change traditional flow patterns and provides a unique opportunity to increase access to supply while minimizing the amount of pipeline expansion necessary to bring supplies to market. By having Safe Harbor Energy directly feed Long Island other supplies would be rerouted to alternate entry points. The resulting supply mix would cost less than one that was dependent on other stand alone expansion projects. The net impact of Safe Harbor Energy would be the introduction of an important source of BOTH incremental supply and infrastructure without the environmental impacts and high cost associated with building long distance pipelines through densely populated areas.

4. The proposed island will be anchored over the largest hard, rock bottom formation off the coast of New York/New Jersey. Most of the ocean floor in this region is comprised of sand, silt or mud. This hard bottom area has a disproportionately high importance as the natural habitat and spawning ground for large numbers and numerous varieties of marine life.

This statement is factually incorrect. The truth is that the construction of the island will increase the “hard bottom” area of the ocean floor since the location where it will be built currently consists of a “soft bottom” sand substrate. Side-scan imagery, benthic scraping and video surveys of the project area, conducted by ASIG, indicated that the ocean floor in the vicinity of the proposed terminal consists mainly of gravelly sand deposits, not the hard bottom as stated by the commenter.

The construction of the island is superior to the practice adopted by many coastal states for creating artificial reefs which in some cases use debris and even old tires. In other cases obsolete and decommissioned military and commercial vessels have been used. A good example of the benefits associated with creating a new artificial reef was obtained from the website of the Maritimes Administration and is included as Attachment A

In closing, we believe the approvals to proceed with new infrastructure projects should be made by the relevant regulatory agencies, on a case by case basis, taking into account a thorough analysis of the facts.

Sincerely,

Ronald Lukas

Vice President, Gas Supply, Atlantic Sea Island Group

ATTACHEMENT A

Vandenberg Sinking Creates New Artificial Reef Off Florida Keys

Susan Clark
May 27 2009

In its 66-year career, the *Hoyt S. Vandenberg* has been a troop ship, a missile tracker, and a featured player in a Hollywood movie. On May 27, just before 10:30 a.m. EDT, the Vandenberg literally settled into a new career as an artificial reef in the Florida Keys National Marine Sanctuary about seven miles south of Key West. Explosive charges set on the ship worked perfectly, and the ship sank upright to the bottom in less than two minutes. Divers soon reported within an hour that the new artificial reef was already attracting fish.

The *Vandenberg* was donated by the Maritime Administration, which also contributed another \$1.25 million to the project to prepare the vessel for reefing. The project required about \$8.6 million and took almost exactly 13 years to complete from the time Key West resident Capt. Joe Weatherby picked the *Vandenberg* from a list of 400 ex-military ships to be reefed.

Artificial reefs attract fish and sea life, which in turn attract divers. The artificial reef created by the sinking of the *Vandenberg* is also expected to help protect the fragile natural reefs off the Florida Keys.

Weatherby, speaking to reporters soon after the sinking, said, "We hit a home run today. Everything was perfect." He estimated that the new artificial reef would generate \$10-12 million a year for the economy of Key West, as well as creating 125 new jobs.

The Florida Keys now have an arc of artificial reefs and shipwrecks running from Key Largo to Key West.

Weatherby pointed out that the reef at Key Largo, created by the sinking of the *Spiegel Grove* in 2002, is the most profitable artificial reef in the world, and expressed the hope that the *Vandenberg* would soon surpass it.

The string of artificial reefs in the Keys is bookended by ships donated by the Maritime Administration, which also donated the *Spiegel Grove*.

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