



Is it Really Curtains for Jordan Cove?

the view from Coos Bay – by Wim de Vriend

An awful lot of people, those for Coos Bay's Jordan Cove LNG project and those against it, were surprised by the March 11 decision of the FERC (Federal Energy Regulatory Commission), denying approval of the terminal and its 232-mile gas pipeline. Or rather, of the pipeline first, with the terminal as an afterthought; for as the FERC noted, without the pipeline there could be no Jordan Cove, anyway. That pipeline, which would have been partly owned by Jordan Cove/Veresen, was known by the name 'Pacific Connector'. Veresen, a Canadian gas company, is Jordan Cove's corporate parent.

In order to approve Pacific Connector, the FERC had to find that the 'public benefits' of the pipeline exceeded the 'public harm' it would cause: the sort of balancing test that a lot of courts engage in. And the Commission had equated each of those concepts, public benefits and public harm, with very simple notions – though some people might find 'simplistic' a more apt term. According to the FERC, 'public benefits' meant substantial commercial use of the pipeline, caused in turn by substantial demand for Jordan Cove's LNG production. And 'public harm' consisted of the harm inflicted on private property rights by Pacific Connector's forcible acquisition of a right-of-way across hundreds of parcels of privately owned land. That was because FERC's approval would give a green light to Pacific Connector to using eminent domain for its purely private venture. By the FERC's count, on its 232-mile route, Pacific Connector would impact 157.3 miles of privately-owned lands, held by approximately 630 landowners. By August 2014 only [38](#)

[had agreed](#) to grant easements to Pacific Connector, the vast majority were outright hostile, and 54 had intervened with FERC, lodging protests and arguments. Many of the holdouts were substantial landowners, like Bill Gow who has a 1,400 ranch south of Roseburg. This way Pacific Connector became the linchpin of the entire Jordan Cove scheme, even though the anticipated sales volume of the Jordan Cove terminal at its western terminus was the linchpin of that linchpin's viability.

It was an example of taut, narrow reasoning, the kind one might expect from a public body made up lawyers and conservative economists, all of whose economic theories assumed *ceteris paribus* – with all else remaining the same. But all else would hardly stay the same, considering the near-countless arguments against Jordan Cove and its pipeline that had predicted all kinds of other economic damages, and environmental ones as well, along with severe harm to public safety and convenience. Still and all, the FERC deserved credit for its consideration of one big environmental issue, private property, which has become an endangered species since the Supreme Court's abominable 'landmark' 2005 Kelo decision, whose delusional reasoning rivaled the 1857 Dred Scott ruling that helped bring on the Civil War. But in proceeding as it did, FERC made things simple for itself, and took a straightforward decision that sidestepped all other issues. This may have been wise because those other issues could have caused big litigation, plus even more years of suspense over Coos Bay's future. For if anything was clear about the mountain of paperwork thrown up by Jordan Cove during the FERC's very expensive and very convoluted review, it was the instability of that paper mountain, in far too many places unsupported by logic or consistency. And so, unimpeded by all those other problems, the FERC denied approval of the pipeline because:

'Pacific Connector has presented little or no evidence of need for the Pacific Connector Pipeline. . . . neither . . . any precedent agreements for its project, nor . . . "expressions of interest" the company could have claimed as indicia of demand. . . . Pacific Connector states that the pipeline will benefit the public by delivering gas supply from the Rocky Mountains and Canada to the Jordan Cove LNG Terminal and by providing an additional source of gas supply to communities in southern Oregon (though, again, it has presented no evidence of demand for such service). Pacific Connector also contends that . . . the Commission has previously found that the benefits provided by pipelines that deliver feed gas to export terminals outweigh the minimal adverse impacts and such projects are required by the public convenience and necessity.'

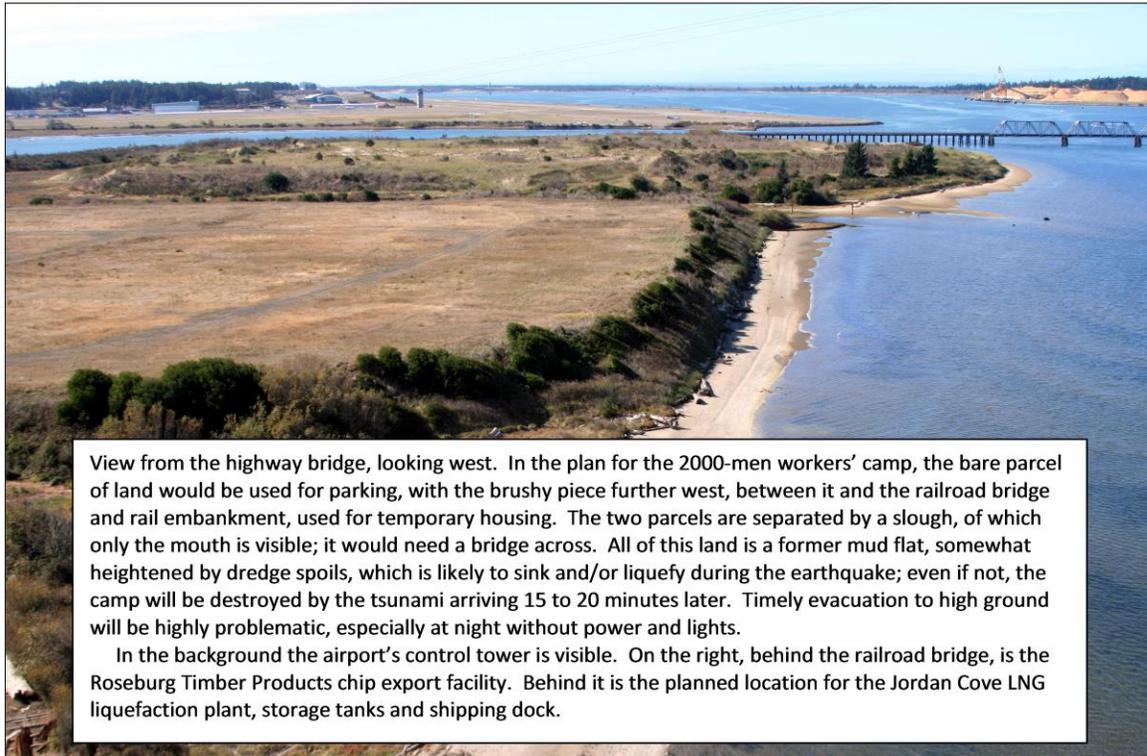
That last part did not sit well with the Commission, because in the earlier pipeline cases that Pacific Connector's attorneys had cited, the FERC-approved pipelines had been 'fully contracted' for use, and would be built either on land already owned outright or with the right-of-way fully acquired. In contrast, faced with a multitude of unwilling landowners, Pacific Connector had only acquired between 3 and 5 percent of its right-of-way – not to mention no foreseeable gas to transport. So the Commission concluded:

'Because the record does not support a finding that the Jordan Cove LNG Terminal can operate to liquefy and export LNG absent the Pacific Connector Pipeline, we find that authorizing its construction would be inconsistent with the public interest. Therefore, we also deny Jordan Cove's request for authorization to site, construct and operate the Jordan Cove LNG Terminal.'

In response, luckless LNG salesman Don Althoff, Veresen's CEO, said they were ' . . . extremely surprised and disappointed . . . FERC appears to be concerned that we have not

yet demonstrated sufficient commercial support for the projects. We will continue to advance negotiations with customers to address this concern.'

With that Althoff echoed Napoleon's famous rule that 'Victory belongs to the most persevering.' But perseverance for a lost cause can't work miracles, as even the great Napoleon himself realized too late. "I never was truly my own master but was always ruled by circumstances," he confided during his final years in exile. It was circumstances, too, that had turned against Althoff's dream to quadruple the value of his company through the Jordan Cove LNG venture. And those circumstances, to which I will return, are likely to remain unfavorable for a long, long time.



View from the highway bridge, looking west. In the plan for the 2000-men workers' camp, the bare parcel of land would be used for parking, with the brushy piece further west, between it and the railroad bridge and rail embankment, used for temporary housing. The two parcels are separated by a slough, of which only the mouth is visible; it would need a bridge across. All of this land is a former mud flat, somewhat heightened by dredge spoils, which is likely to sink and/or liquefy during the earthquake; even if not, the camp will be destroyed by the tsunami arriving 15 to 20 minutes later. Timely evacuation to high ground will be highly problematic, especially at night without power and lights.

In the background the airport's control tower is visible. On the right, behind the railroad bridge, is the Roseburg Timber Products chip export facility. Behind it is the planned location for the Jordan Cove LNG liquefaction plant, storage tanks and shipping dock.

'Nothing Can Stop This!'

Jordan Cove's opponents were at least as surprised as Althoff, and quite likely even more. But unlike Althoff they were far from disappointed, with some wondering if it wasn't too good to be true. Their impression of FERC had been of an industry-captured agency that had become (according to one Sierra Club official) '... the Will Rogers of the regulatory agencies. They never met a pipeline they didn't like.' Given the pervasiveness of such views, it says something for the opposition's tenacity that prior to the FERC's denial they had spent unpaid years – as many as twelve unpaid years – writing anti-JC critiques and briefs, attending countless public meetings and hearings for dozens of public agencies on topics ranging from the diversion of Jordan Cove's future property tax payments by Coos Bay's élites to building a temporary camp for its 2,000 construction workers in a tsunami zone without effective escape routes. And they had

done all this while keeping up with the streams of often-contradictory paperwork released by Jordan Cove's well-paid attorneys and 'experts'. But of course the ultimate responsibility for those absurdities lay with Veresen, which despite spending hundreds of millions seems to have put no one in charge of coordinating all those self-serving documents, at least no one who was zealous *and* competent *and* a stickler for detail. As Bill Walsh of Eagle Point, another landowner who would be directly affected by Jordan Cove's pipeline, observed only a month before the surprising FERC decision:

'We no longer believe there is a genuine opportunity for Oregonians with deep and grave concerns about this project to prevent it from occurring. . . . we have joined thousands of Oregon citizens in devoting hours to researching and understanding the issues involved. We have submitted comments to DEQ, FERC, the Army Corps of Engineers, the Department of State Lands, We have read hundreds of the thousands of comments on the Draft Environmental Impact Statement (EIS) submitted to FERC . . . and read hundreds of dismissive responses by FERC staff to totally legitimate concerns. . . . it is our growing sense . . . that participation is at best, useless, and at worst, actually may facilitate and speed up the project's construction. The most significant effect of the many good comments appears to be . . . that . . . the Applicant . . . is able to learn where project information, plan, design, or whatever does not meet the legal requirements to obtain a sought-after permit so that the Applicant can modify said information, plan, design, or whatever so that the legal requirements *are* met on paper. . . . It seems that somewhere a decision has been made that this project will go forward. Legitimate opposition appears doomed to be swept aside to ensure that the Jordan Cove facility and Pacific Connector Pipeline project is built.'

After citing the many problems with Jordan Cove's plan, including the principals' poor safety record, the expected harm to fishery and tourism, the threat of eminent domain, and more, Walsh concluded:

'It seems that all that can or will stop this destructive and foolhardy project is failure of the Applicant to attract enough investors willing to bank on a reversal of the current abysmal global market for natural gas.'

And that was an apt summary of the views of many opponents, myself included, who expected that even if Jordan Cove got its coveted permits from FERC they would be unable to use them because of a lack of customers for the very expensive liquefaction terminal – which should in turn cause investors to refuse investing in Jordan Cove in the first place. And yet – it was not uncommon to hear dark suspicions that Veresen, once it had its permits, would simply sell the Jordan Cove corporate shell to a bigger corporate entity that might as yet build it. Thanks to the FERC, that no longer seemed possible.

Veresen's Yo-Yo

Jordan Cove's parent company Veresen of Calgary, Alberta, is a Canadian pipeline and gas operator with a market cap between \$2 and \$4 billion, depending on recent stock prices. In order to interest investors in its \$7 billion-or-so Jordan Cove gamble (cost estimates have been both higher and lower, but it seems likely they would have ended up higher), Veresen would need long-term contracts for most of its liquefaction capacity, typically 80%. And as mentioned, those contracts would also serve to obtain approval from the FERC. This casts a strange light on Althoff's surprise at FERC's statement ' . . . that we have not yet demonstrated sufficient commercial support . . . We will continue to

advance negotiations with customers to address this concern.' The reason why this looks strange is that Veresen had been promising to supply such documentation for years, while FERC had been almost pleading with them to get on with it. But that requires a little bit of history.

Jordan Cove's fortunes in Coos Bay have moved a lot like a yo-yo. The project was first proposed in 2005, but as an import facility which would receive LNG from overseas, regasify it and send it on inland to California, where it would supposedly be needed, except that nobody in California wanted to live near an LNG terminal. This was when domestic natural gas prices had risen steeply, in response to a predicted shortage. For many years natural gas cost almost nothing in this country, since it came out of the ground as a by-product of oil drilling and was often just 'flared off', meaning wasted. But it gradually gained use and value, so between the early 1980s and 2000 prices moved between \$2 and \$2.50 per Mbtu (Million British Thermal Units). Next, with the supply tightening, prices started rising, reaching \$7 by 2002 and twice exceeding \$10, in 2006 and 2008. Prices, as economists always point out, are useful signals. When they are high, suppliers rush in to make money by increasing the supply; when they're low they get out of the market, either voluntarily or through bankruptcy, as anybody who follows the present oil market knows; and the resulting shortage will eventually cause prices to rise again. So, with domestic gas prices rising in 2005, Jordan Cove wanted to build an LNG import terminal, and started going through the lengthy approval process. But at that point already, its plan had a big flaw, placing Jordan Cove in a position much less favorable than other American LNG import terminals. A handful of those already existed, on the American east and Gulf coasts, so they were ready to receive shipments. New ones were also under construction, the best-known of which was the Cheniere terminal in Louisiana. But all had existing supply pipelines, while Jordan Cove was a 'greenfield' project. 'Greenfield' meant that it had no facilities of any kind yet, including a major pipeline nearby, which made the approval process much more lengthy and costly.

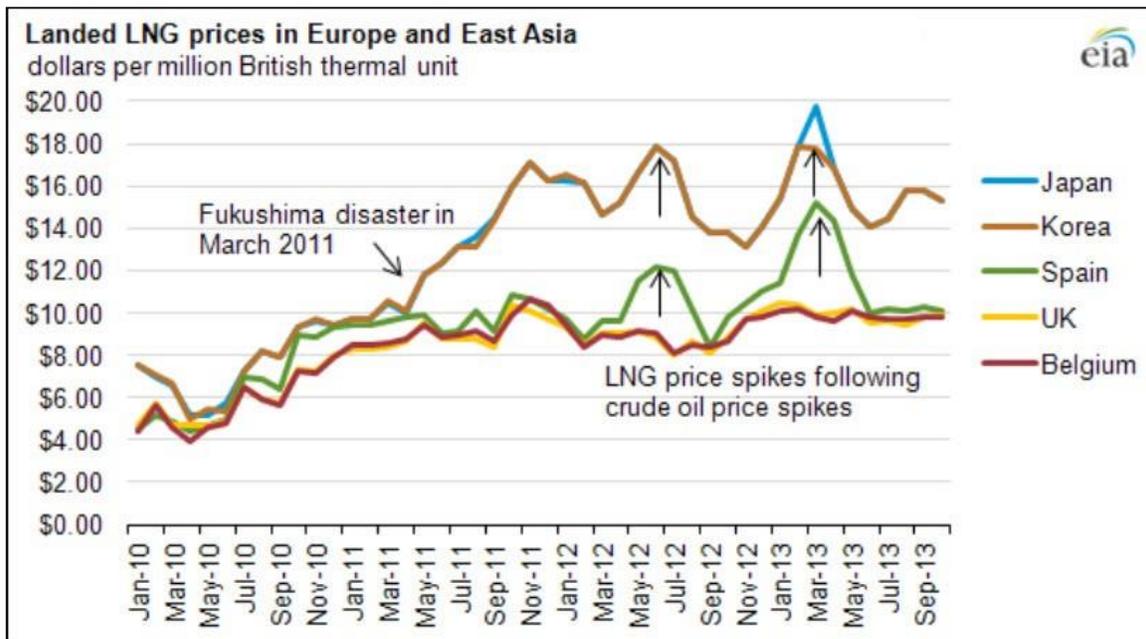
By December 2009 the FERC had approved Jordan Cove's import terminal. But by that time the American fracking boom had boosted our gas supply and made domestic prices crash, so it would have been pointless to build the import terminal. Noticing that Jordan Cove would not be building, the FERC withdrew its approval in April 2012. Next, in May 2013, Jordan Cove filed applications with FERC for approval of an LNG export facility and pipeline.

In a way the FERC's withdrawal of the license for the import terminal worked out for Veresen/Jordan Cove, because they had avoided building a white elephant. The existing and newly-built import terminals were in a worse position. When Cheniere was built and ready for business, in 2009, gas prices were approaching \$2.50 again, its tanks were empty, and it owed billions to its lenders.

It took a world-class promoter like Cheniere's CEO, Charif Souki, to snatch victory from the jaws of defeat. Since domestic gas prices had crashed but overseas LNG prices risen, Souki moved heaven and earth to obtain FERC approval for converting his Sabine Pass import facility to an export terminal, which mainly involved adding several very

expensive gas liquefaction “trains”. Approval was speedily obtained, as was more money, and this year Cheniere shipped out its first LNG cargo. So far, so good.

But at the present time many other new export terminals are either starting to ship LNG or will be starting soon, and more yet are planned, chiefly in the U.S. and in Australia. This caused Wood Mackenzie, a prominent oil & gas consultant, to shout last September: ‘Where are all the LNG postponements?’ Not long before, Wood Mackenzie and other experts had been very bullish on LNG exports, but the industry had over-responded, and it looked as if a lot of people were going to get burned. LNG export terminals are extremely expensive, and once they’re built you can’t move them or use them for anything else. Other consultants used more dramatic language. At a recent LNG conference in Australia, beyond doubt the country that has the most at stake in the LNG business, Dr. Fereidun Fesharaki used the term ‘blood on the battlefields’, in a coming ‘Dark Age’ of gas. Dr. Fesharaki also predicted that the currently developing oversupply may last much longer than other consultants expect. I happen to agree with his assessment.



In recent months, though, project abandonments are starting to occur. One of the new projects approved for the U.S. Gulf coast, the Lake Charles terminal in Louisiana, with a planned capacity of 15 Mtpa (Million tons per annum), twice Jordan Cove’s, has been postponed by its sponsor, the BG group. Also, this week we learned that Woodside Oil of Australia suspended its participation in the \$40 billion Browse floating LNG terminal, ‘... citing current market conditions.’ Browse was to be located over an offshore gas field in Australia, and would consist of ‘up to 3’ FLNGs, big, floating liquefaction and LNG storage vessels, each of which would produce 1.2 Mtpa. Similar postponements and suspensions are in the works elsewhere in the world; they are delayed reactions to a market that has clearly been turning against producers for some time. Asian LNG

customers today face market conditions they could only have dreamed of before. A perfect storm of slackening demand and a huge volume of new LNG capacity before 2020 has made prices crash, and buyers see very little reason to rush into signing purchase or liquefaction contracts with new LNG exporters, Jordan Cove or anyone else.

Delay, Delay, Delay

After the filing of Jordan Cove/Veresen's application to build an export terminal in May 2013, that year kept alive the promise of high profits for LNG exporters, with Japanese LNG prices between \$16 and \$17 per Mmbtu, even briefly spiking to \$20. Most of that spike had been caused by the closure of some four dozen Japanese nuclear power plants, after the Fukushima disaster in 2011. Their capacity had been replaced by burning other fuels including gas, and Japan imports all of its gas as LNG. During the second half of 2014 prices slipped below \$16, and stayed there until toward the end of that year lots of bad news for LNG exporters hit the market: a big new deal between Russia and China to supply pipeline gas, which is usually cheaper than LNG; impending restarts of the Japanese nuclear power plants that had passed inspection; slackening economic growth and sliding demand in other East Asian countries; plus the huge new additions to global LNG liquefaction. During the first half of 2015 Japanese LNG prices slid below \$8, a level at which profitable exporting from Australia as well as from the U.S. looked highly doubtful. Outfits like Cheniere do enjoy some financial protection through their long-term customer contracts, but that protection is not inviolable.

While things still looked good, in October 2013, Veresen boasted of having entered: '... into non-binding arrangements, referred to as "Heads of Agreement" (HOA)" with Asian buyers.' But 'Heads of Agreement' are no more than polite, unenforceable expressions of interest, something on the order of Letters of Intent. Veresen did NOT boast of having signed contracts, though it promised that those would be the next step.

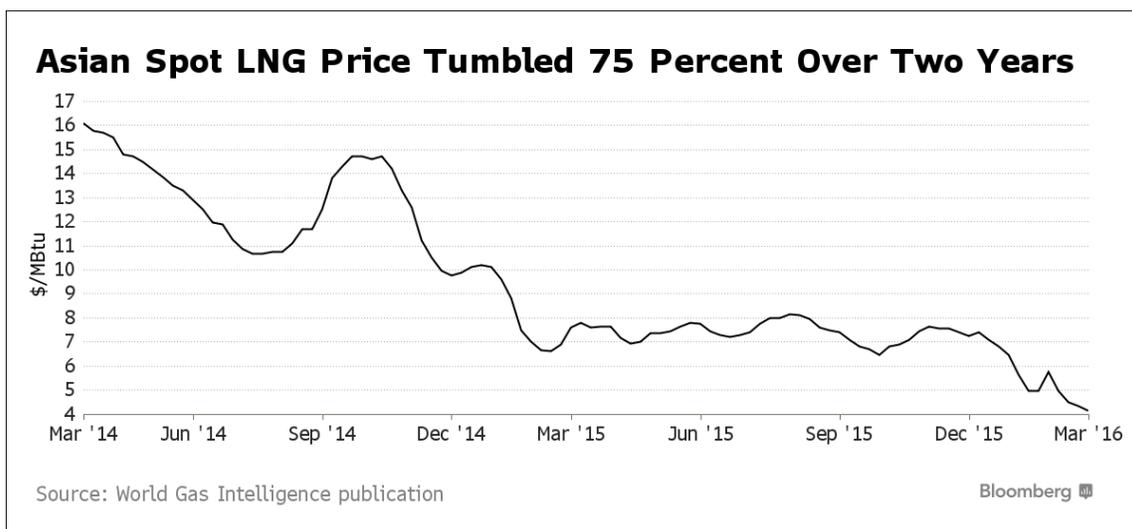
Five months later, in March 2014, Veresen told its shareholders that it had: '... made good progress in its discussions with potential international off-take customers to secure long-term arrangements to produce LNG.'

In its application to FERC, Pacific Connector had promised to 'keep the Commission apprised of its plans to ... enter into precedent agreements for the pipeline's capacity.' But it had not done so, which is why in May 2014, the FERC asked for a status update on the contract issue, only to get the 'Heads of Agreements' claim for its trouble. But Veresen predicted that the 'Heads' would morph into signed contracts by October 2014.

October 2014 must have turned out inauspiciously, because in November Althoff made a pilgrimage to Japan to find LNG buyers. At that time Veresen expected to be able to ship LNG from Coos Bay to Tokyo for \$11 per Mbtu, according to Althoff, who boasted that he had '... signed six heads of [agreement](#) ... for about three times the volume of the plant's capacity.' As can be seen on the graph below, at that time spot LNG prices in Japan had dropped to about \$10 per Mbtu, and they have dropped much further since. Moreover, in claiming he had signed up 'three times the volume of the plant's capacity',

Althoff confirmed (perhaps unintentionally) that Heads of Agreement carry no weight, financially or legally. If Althoff had such commitments for more than 20 Mtpa (Million tons per annum) of LNG, three times his plant's planned capacity of up to 6.8 Mtpa, then in the fullness of time most of his 'buyers' would never buy anything; it was physically impossible to fill that many contracts. This clearly implies that for those who signed the 'Heads', there could be no penalty provision, or they would never have done so. Conclusion: all this was mere sound and fury, signifying nothing.

Perhaps not surprisingly, when the following month, December 2014, the FERC asked for a second status update, they were told that Veresen/Jordan Cove were still negotiating, and binding contracts were now expected by the first or second quarter of 2015.



To anyone who kept up with the LNG market, it should have been obvious what was behind all these maneuvers that started to look evasive. The market conditions that had inspired Veresen to export LNG to Asia had evaporated. As the graph shows, LNG prices in Japan had crashed from their highs near \$20 per Mmbtu to \$10 by the end of 2014, only to slide some more; and this entirely new situation greatly reduced the Japanese buyers' eagerness to sign long-term contracts. Not long before, having such contracts had been advantageous to buyers because 'spot' prices of LNG cargoes were higher than contract prices, due to limited supply. But now the market was loosening up, spot cargoes could be had for less, and it didn't look as if that situation would change any time soon. So in January 2015, now over a year ago, I started [warning](#) Coos Bay of the project's possible demise, because the deteriorating Asian market continued to reduce the Canadian LNG speculators' business prospects. As the graph shows, they have only gotten worse since, with Asian LNG spot prices sinking to as low as \$4 per Mmbtu. Even at recent domestic gas prices of less than \$2, there is no way you can liquefy and ship LNG to Asia for that.

2015, as the graph shows, became a disastrous year for would-be LNG exporters. (It was disastrous for oil sellers too, which added to the pressure on Asian LNG prices because they had long been linked to the price of oil).

In May 2015 the FERC sent Veresen a third data request, explaining that Pacific Connector must show that the public benefits of its proposal outweighed the project's adverse impacts. Although it did not specify a set percentage of Jordan Cove's output to be contracted for sale, such contracts would still serve as proof of demand, and proof of demand meant that a public need was present – by the FERC's logic. So Veresen/Jordan Cove needed to tell them when it would have those essential contracts, or else they would be unable to prove that '... the benefits of the project outweigh the potential adverse impacts' on the many hundreds of landowners through whose property the pipeline would run. The FERC request closed with this:

'In the event Pacific Connector does not enter into agreements for service on the proposed facilities prior to the time the Commission has completed its review of the applications in this proceeding, what evidence in the record is Pacific Connector relying on to show that the benefits of the project outweigh potential adverse impacts?'

Veresen did not respond to that final question. But on June 1, 2015, the company promised the FERC that Pacific Connector would not be built unless contracts were signed for '... at least 90 percent of the pipeline's design capacity' by the end of 2015. Taking all this into account, it would be hard to maintain that Veresen/Jordan Cove didn't know what risk it was taking, with its repeated delays and missed deadlines.

Apparently hoping for a progress report, in October 2015 the FERC sent a fourth inquiry asking if the pipeline had '... entered into any commitments for firm service' yet. In November 2015 they got a reply claiming that negotiations were 'active and ongoing,' though this time without an estimated date of completion. The FERC also learned that Pacific Connector's pipeline planners had obtained '... easements for only 5 percent and 3 percent, respectively, of its necessary permanent and construction right of way.' If massive numbers of eminent domain proceedings would be needed, there would be a lot of public protests, along with much bad publicity.

The Ax Drops

Apparently without deeming further inquiries necessary, in early 2016 the FERC decided to wrap up the case; and who can blame them? Possibly Veresen/Jordan Cove, which may have assumed they could drag out the process forever. But – in its decision of March 11 the FERC left Jordan Cove/Pacific Connector on last chance. If within 30 days they could provide proof of demand, they could apply for a reconsideration.

Knowing full well that humans, I myself as well as the Veresen officials, tend to expect what they hope for, I expect that Veresen will be unsuccessful while Veresen may expect to snatch victory from the jaws of defeat. And to everyone's surprise, shortly after

announcing they would appeal the FERC decision, they announced an agreement with JERA, a big Japanese buyer, for 1.5 Mtpa, or 22% of Jordan Cove's 6.8 Mtpa capacity. At this point it's hard to say if this is for real or not. Art Berman, a nationally known oil & gas expert, called the move 'largely symbolic', pointing out that Veresen had only obtained a preliminary agreement: 'They say they have a deal, but until they have a purchase agreement, they have nothing,' [Berman](#) explained. On the basis of past experiences, I have to agree. During the last forty years Coos Bay has been afflicted by several other industrial promoters who claimed to have signed contracts for their scheme but didn't. So far the news reports about Jordan Cove's unexpected 'contract' have not contradicted Berman.

There are a couple of novel aspects about this. The first is that only last October [JERA](#) had announced that it would no longer automatically renew its long-term contracts to supply LNG for the Japanese power plants. Instead of contracting for 80% of its purchases, as it had in the past, it would only sign enough contracts '... to cover the absolute minimum of fuel needed, using the most optimistic scenarios for rebooting its nuclear power plants and the take-up for renewable energy being promoted by the [Japanese] government.' The rest would be purchased on the spot market or on very short-term contracts. As was noted at that time:

The move puts more question marks over planned big LNG projects, which rely on long-term contracts to get financing approved, amid a downturn in commodities markets that has cut investment in many areas.

And you would think those question marks would apply to Jordan Cove too. If JERA's move is for real, then the cause could be another initiative they announced last May. JERA has a liquefaction contract with the Freeport LNG terminal in Texas, presently under construction, for 2.2 Mtpa. The Freeport facility has a capacity of 14 Mtpa, and is expected to start shipping in 2018. JERA also wants to be an LNG trader, besides just an importer of LNG for the Japanese power industry. Back when prices of imported LNG in Japan were sky high and supplies tight, the Freeport contract must have looked like a good move, even with the high shipping costs from the U.S. Gulf Coast. But in today's price environment, those shipping costs could make the Freeport LNG a very bad deal. So in May 2015 JERA announced they would be selling the Freeport LNG to Europe instead of bringing it to Japan, making up the difference from other sources. Buying 1.5 Mtpa from Jordan Cove could fit into this scheme.

Now I want to return to the FERC's decision, from which I have quoted throughout this article. On page 15 the FERC restates an important part of its policy about granting Certificates that enable the use of eminent domain:

[T]he company might minimize the effect of the project on landowners by acquiring as much right-of-way as possible. In that case, the applicant may be called upon to present some evidence of market demand, but under this sliding scale approach the benefits needed to be shown would be less than in a case where no land rights had been previously acquired by negotiation.

The way I read this, if the company had succeeded in reaching agreements with most of the landowners and/or most of the right-of-way, the FERC would not be a stickler for

making them prove sufficient demand as well. If this is correct, then in this case, in which hardly any land rights have been acquired, the FERC may not be satisfied with Veresen's 22% agreement – even assuming there is one.

Sometimes in these murky situations, it can be helpful to put yourself in your opponent's shoes. Imagine you are Don Althoff, and for years and years you've been pursuing a dream that has just been quashed because you seem to have proved – perhaps unwittingly – that you have no customers for your plan. Worse than that, you have drawn out the decision process far too long, with your promises that were never fulfilled. What do you do?

Obviously your very worst move is to do nothing. Because you have spent hundreds of millions on your failed plan, doing nothing may cause your entire board of directors plus untold numbers of shareholders to rise up and demand to know why you have been wasting their money on something that had no chance of succeeding – and you should have known it. At least for the last year or so, you should have known it.

So what you do is, you file an appeal and you try to grab something, anything, to prove you had customers after all, and it's all just a big misunderstanding. On the part of the FERC, of course. But for its part, while making its March 11 decision the FERC must have taken into account the likelihood of an appeal in 30 days, since it's part of the process. So Veresen would have to come up with some news that was both sensational and well-documented. But if his effort fails, Althoff can at least say he fought to the bitter end. We shall see.

Are all Politicians Behind the Times?

As 2015 wore on, the already-unfavorable LNG market morphed into a perfect storm of a vast oversupply and falling prices, causing me to warn Coos Bay by September 26: “. . . it's time to face the music: the LNG proposal's chances of success are near-zero.” If you follow this [link](#), scroll down to see the reactions of Coos Bay's true believers in Jordan Cove, as arrogant as they were ignorant. My purpose is not to brag, but to show that the Coos Bay establishment was once again mesmerized by an elusive industrial bird in the bush, this time Jordan Cove, and unable to face [facts](#).

In my September article the Coos Bay *World* I reminded JC's boosters that Coos Bay had seen the same scenario several times before, where market changes doomed industrial proposals that were already shaky.

To cite only one example, the 1970s saw a large increase in the price of oil, from \$10 a barrel in 1970 to \$53 in 1982, in inflation-adjusted dollars comparable to the \$112 level reached in 2012. But as always happens when commodity prices rise steeply, oil production had risen in response: there was big money to be made. The result was an oversupply and the oil price crash of the mid-1980s, which bankrupted a lot of oil producers and their suppliers; and of course we've seen that cycle repeat itself in recent years. It's called déjà vu.

But it's human nature to think that the good times will last forever, and politicians seem to be hard-wired that way. Back in 1985 Coos Bay's politicians had poured \$1.5 million of borrowed public money into building a barge slip for shipping prefabricated oil field equipment to Alaska's North Slope oil producers. The story was that those oil companies could not afford to have their equipment built locally in that hostile climate, so it needed it prefabricated in the lower 49 states, and then shipped north. Unfortunately the would-be builder of the equipment had no contracts with those oil producers yet, and due to the oil price crash he never got any. The barge slip has sat idle for thirty years.

But the plan did not fail for a lack of political support. In March 1986, for instance, Oregon's US senators Hatfield and Packwood met for a third and final time with oil companies, urging them to build more of their equipment in Oregon ports, and especially in Coos Bay. The oil executives appreciated their information, but said they expected to need no more equipment until oil prices recovered, which could take some time. Oil drilling activity, as measured by the number of active rigs, had already crashed by two thirds, and the end was not in sight.

All this seemed to surprise the two Oregon senators, the dignified, former governor Mark Hatfield and the less patrician Bob Packwood. But in March 1986, when they were trying to persuade the oil executives to spend more, oil had dropped to \$10.42 a barrel. All they were really demonstrating was how removed from reality they were.

Is history repeating itself? Today, ignorance of the marketplace is still widespread in political circles, as shown by our congressman Merkley, who wrote his constituents worried about Jordan Cove as recently as February:

"It has been clear for many years . . . that . . . there will be at least one west coast facility for shipping natural gas to Asian markets given the enormous price differential between natural gas in the United States and in Asia. Indeed, at the time I entered office in 2009, there were at least half a dozen proposals for an LNG terminal on the west coast. Under those circumstances, I believe that Coos Bay should have the opportunity to compete for that infrastructure by presenting its case for why it is the best location."

Like Hatfield & Packwood and the price of oil thirty years earlier, Merkley is clueless about what has happened to 'the enormous price differential' that enticed Jordan Cove. Which is why his constituents are still getting the same form letter written years ago, that pontificates: "It has been clear for many years that . . ." In the global economy nothing stays 'clear' very long, especially in the energy business. Go ask any oil driller who is trying to survive right now. Merkley is amazingly, blissfully unaware that the market has turned around since he 'entered office in 2009'. I suppose being in the prosperous cocoon of Washington DC, where the livin' is easy, can do that to you.

As to: ' . . . Coos Bay should have the opportunity to compete for that infrastructure by presenting its case for why it is the best location,': he makes it sound as if there has been frantic competition all up and down the west coast, so Coos Bay must keep fighting for Jordan Cove's attention. In reality, no place in California or Washington wanted it, and Coos Bay was the only Oregon location willing to put up with Jordan Cove. But wait! –

Coos Bay only APPEARED willing because 'leaders' as clueless as Merkley were eager and willing to force Jordan Cove down our throats.

And it would be nice to think that, if politicians too long in office lose touch with reality, some new blood will fix the problem. But clearly that's not guaranteed:

For Immediate Release: Oregon Gubernatorial Candidate Says Fed's Rejection of Jordan Cove LNG Terminal Hurts Rural Economy

Salem, OR, (March 14, 2016) - Republican Gubernatorial Candidate Dr. Bud Pierce stated that Oregon has again lost an opportunity to help its rural area thrive when it was announced this week that the Federal Energy Regulatory Commission has denied the applications for the Jordan Cove Energy Project in Coos Bay. The area would have been the first LNG (liquefied natural gas) terminal on the West Coast, providing a more affordable option for exporting gas to Asia.

He said, "I'm saddened that the FERC has denied the applications for the Jordan Cove Energy Project in Coos Bay. It's another instance where federal regulators have denied rural Oregonians an opportunity to create jobs and economic opportunities for their struggling communities." . . .

Pierce also noted the FERC simply determined the need for the project was not there at this time and that the decision can be revisited when conditions change. He said he disagreed with this current decision.

"As governor, I'll be proud to tell federal government that Oregon's governor supports the project when the project's developers and Coos Bay leaders make their case again."

I'm sure Dr. Pierce is a well-educated man – in his specialty. I'm not so sure about his preparation for governing Oregon, and about his knowledge of our deplorable economic past, largely inflicted by government follies, but then, he wouldn't be the first ignoramus in eager to perpetuate failed policies. His election campaign is going to require enthusiasm though, one reason being Chesterton's observation that people ' . . . look forward with enthusiasm, because they are afraid to look back.'

<p>A fundamental principle in medicine is that if you get the diagnosis wrong, you'll probably apply the wrong therapy. A corollary is that if the therapy isn't working, increasing the dose may make things worse."</p> <p><i>Ed Marsh, retired physician</i></p>	<p>"Every act of conscious learning requires the willingness to suffer an injury to one's self-esteem. That is why young children, before they are aware of their own self-importance, learn so easily."</p> <p><i>Thomas Szasz</i></p>	<p>"The Nobel Prize confers on an individual an authority which in economics no man ought to possess."</p> <p><i>Friedrich von Hayek, after receiving the Nobel Prize in economics, 1974.</i></p>
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