Judge Sides with Dominion Resources in LNG Dispute

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A Maryland judge on Friday ruled in favor of Dominion Resources in a dispute with the Sierra Club, declaring that the Virginia-based energy company can export liquefied natural gas from an expanded terminal facility in Calvert County, Md.

Prince George's County Circuit Court Judge James Salmon granted a declaratory judgment sought by Dominion after the Sierra Club said last April that it would oppose the energy company's plan to expand operations and export liquefied natural gas from its Cove Point terminal along the southern Chesapeake Bay.

The Sierra Club argued that a 2005 legal agreement involving permitted activities at the Cove Point site prohibited Dominion's plan to export LNG.

But Salmon agreed with Dominion that the 2005 agreement unambiguously allows Dominion to construct, operate and maintain additional LNG facilities at Cove Point, and to export liquefied natural gas by pipeline from the Cove Point terminal to tankers docked at an offshore pier.

"There is no provision in the 2005 agreement explicitly prohibiting use of the facility for exporting LNG," Salmon wrote in a 10-page ruling issued Friday after hearing arguments in October.

Dominion said in a statement that it would move forward with engineering, marketing and regulatory review processes for the Cove Point expansion. The company still needs approval for the project from the Energy Department and the Federal Energy Regulatory Commission.

"Dominion has made considerable progress towards a project that will bring jobs and revenues to the national and local economies," CEO and chairman Thomas Farrell II said. "... We look forward to working with the Sierra Club and other involved environmental groups to continue the outstanding record of environmental cooperation at Dominion Cove Point."

The Sierra Club issued a statement saying it was disappointed by the ruling and reviewing the decision.

"We will continue to work to protect the Chesapeake Bay and the surrounding region from the dangerous pollution that would result from Dominion's unwise plans to frack and export natural gas," said Craig Segall, a Sierra Club attorney.

In opposing the project, the Sierra Club argued that LNG exports could result in environmental damage to the Chesapeake Bay and nearby Calvert Cliffs State Park

while driving up the cost of domestic natural gas.

Underlying the Cove Point dispute is the controversy over hydraulic fracturing, or fracking, which involves blasting mixtures of water, sand and chemicals deep underground to stimulate the release of natural gas from shale deposits. Environmental groups and other critics contend that the chemicals can pollute drinking water supplies.

Dominion has said the Cove Point terminal is well-positioned to export gas extracted from the Marcellus Shale formation lying beneath Pennsylvania, West Virginia, Ohio and other states.

Richmond-based Dominion and other energy companies see a lucrative overseas market for U.S. natural gas, which is considerably cheaper than natural gas in Europe and Asia. According to a recently released study commissioned by the DOE as it decides whether to approve 15 liquefied natural gas export applications, the U.S. would see net economic benefits from LNG exports even if they lead to higher domestic prices for natural gas.

Dominion, which wants to export up to 1 billion cubic feet of liquefied natural gas per day from Cove Point, has said the liquefaction project is expected to cost between $2.5 billion and $3.5 billion. The company said in court papers that the project will create hundreds of construction jobs, produce hundreds of millions of dollars per year in state and federal tax revenue, and help reduce the U.S. trade deficit.

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