

## White House Played Key Role in Reducing Smog Requirements for Cabrillo Port LNG Proposal

### ■ Company Thanked EPA Three Weeks Before Action Announced

Direct pressure from the White House caused Environmental Protection Agency scientists to reverse themselves last summer on an important smog regulation, removing a key obstacle to potential development of a smog-producing, floating Liquefied Natural Gas terminal off the Malibu coast.

Emails and letters obtained under a Freedom of Information Act request show how BHP Billiton, an Australian energy conglomerate, was able to exercise political clout at the White House to get an important exemption from the federal Clean Air Act for its Cabrillo Port plans, coastal advocates said.

BHPB wants to operate a floating LNG storage depot and regasification boilers onboard an aircraft carrier-sized ship it seeks to anchor permanently within sight of some of California's last undeveloped coastline. Coastal advocates partly funded by the City of Malibu and a local fundraising drive obtained the documents last week from EPA.

"We do not believe that a company should be able to buy its way out of environmental regulations designed to protect the public's health and safety," said Susan Jordan, director of the California Coastal Protection Network. She said BHPB and the Australian government have spent "more money than Exxon" lobbying in Washington and Sacramento for Cabrillo Port.

Company spokesman Patrick Cassidy in Houston noted "it is certainly within a company's right" to lobby on its own behalf. "We, as an applicant in this process, have as much right to give our views as anyone else," he said.

BHP Billiton has had a hard time convincing environmental groups that importing LNG through Malibu and Oxnard is as environmentally-friendly as the company maintains. The company notes that natural gas can be used instead of coal or oil to generate electricity, and will emit far less pollution in the generation process than other electricity sources. Industry groups in California have campaigned on BHPB's behalf, saying the state needs to diversify and increase its energy options.

The EPA reversal last summer came after visits to the White House by the Australian prime minister and energy minister, who told Australian newspapers that Cabrillo Port was one of the major issues they discussed. President Bush has cited the

Australians for their support of such administration initiatives as the war in Iraq, and critics note that the Cabrillo Port project is worth \$50 billion in natural gas exports down under.

The documents include letters from Bob Middleton, director of the White House Task Force on Energy Project Streamlining, who sought expedited handling of BHPB requests. Although EPA at first resisted watering down smog regulations, the agency eventually found what critics call a loophole in Ventura County smog regulations by allowing BHPB to emit 270 tons of smog-producing chemical waste into the air near Malibu without offsetting the pollution by buying and retiring similar pollution discharges in the same air basin.

Enforcing such a requirement, as the EPA had insisted upon throughout 2004 and 2005, would likely have prevented the project from being built. EPA resistance to the Cabrillo Port plans include a 14-page memorandum that was sent to the White House in July 2004 defending the agency's determination that offsets were mandatory before Cabrillo Port could get its smog permits.

One of the documents released this week was an email from a BHPB official, Steve Meheen, to the White House, complaining about the first EPA decision. In that letter, Meheen thanked Middleton for "taking my call and your interest in this matter." The letter went on to suggest that EPA consider Cabrillo Port to be exempt from offset requirements by essentially changing the boundary on air basin maps.

In mid-2005, after the White House pressed for an answer from EPA, the agency reversed itself and declared that the project was not a part of the Ventura County mainland, but a part of the more-distant Channel Islands, where smog rules are looser. That action was challenged as illegal by Malibu coastal activists, after a Malibu newspaper reported about the change in 2005.

The regional EPA air office chief in San Francisco, Amy Zimpfer, kept White House officials posted on the change in regulatory stance. The highest-ranking EPA air administrator in Washington then wrote a note of thanks to Zimpfer after she announced the change in an email: "Thanks, Amy, to you personally and your team for

making this happen," wrote Air and Radiation Office Chief Jeffrey Holmstead on July 1, 2005. "I believe this is a good result for everyone."

Holmstead, a former energy company lawyer and lobbyist, is one of several former utility company executives who had vigorously fought smog regulations during Bill Clinton's presidency, and who were appointed to key regulatory positions by President George W. Bush. Six democratic senators have asked for a probe into his qualifications and actions as the nation's chief clean air enforcer, the Denver Post has reported.

EPA officials at the San Francisco regional office were not in early this week. Although they have already changed their minds once, Zimpfer said in July that a final decision on the Cabrillo Port air pollution permit will come after the agency wades through public comments on the scientific and legal issues. More than 1200 people sent comments to the agency during the public hearing process last month, and although those comments have not yet been publicly released, the vast majority of people speaking out at two Oxnard hearings this summer raised scientific objections to the EPA's smog decision.

Particularly galling to coastal advocates is that BHP Billiton officials were able to gain access to private meetings with federal officials while local advocacy groups representing the City of Malibu, and the public, were frozen out of the process. In addition, BHP Billiton wrote to thank government officials for changing their minds before any public announcements about the changes were made.

In one of the just-released documents, BHP Billiton President Renee Klimczak wrote a thank you note to EPA officials for ending the offset requirements on June 7, 2005, a full three weeks before EPA publicly announced that decision.

"The Bush Administration is notorious for greasing the skids for oil and LNG projects," Jordan said. "What we need now is for the Schwarzenegger Administration to step up to the plate and put a stop to this, a project that we believe is clearly violating the Clean Air Act."

---

BY HANS LAETZ