

Department of Legislative Services

Maryland General Assembly

2006 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 16 (Senator Stone)

Finance

Construction of a Liquefied Natural Gas Terminal and Pipeline at the Former Sparrows Point Shipyard in Baltimore County - Disapproval by Federal Energy Regulatory Commission

This joint resolution urges the Maryland Congressional Delegation to take immediate and appropriate steps to ensure that the proposed construction of a terminal and pipeline for liquefied natural gas (LNG) at the former Sparrows Point shipyard in Baltimore County is rejected and does not move forward in any manner at that location.

Fiscal Summary

State Effect: Compliance with this joint resolution would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: While State law does not require the Public Service Commission (PSC) to approve the construction of an LNG facility, under a memorandum of understanding with the federal Department of Transportation, PSC does pre-approve facilities as meeting federal regulations. In accordance with statute, PSC has adopted State regulations to ensure, to the greatest extent practicable, the operational safety of LNG facilities. PSC is also required to periodically inspect each LNG facility to ensure compliance with regulations.

An advice of counsel letter from the Attorney General's Office, dated March 17, 2006, states that specified legislation introduced in the 2006 legislative session restricting the construction or operation of an LNG facility in Maryland is preempted by federal law. According to the letter, the federal Natural Gas Act has long been understood as preempting state authority to regulate the siting and operation of LNG facilities which are under the jurisdiction of the Federal Energy Regulatory Commission (FERC).

Background: According to FERC, LNG is a natural gas that has been supercooled to a liquid at -260°F, thus reducing its volume more than 600 times. LNG is stored at more than 100 facilities in the United States. According to FERC, LNG is stored in double-walled, insulated tanks designed to prevent any gas from escaping. In addition to the double-walled tank, FERC reports all new LNG facilities are required to have a dike or impounding wall surrounding the facility which would be capable of containing the tank's volume.

Early in 2006, AES Corp. announced a plan to build a \$400 million LNG facility on the site of the former Sparrows Point shipyard. Shipments of LNG would arrive by tanker and natural gas would be pumped from the plant through a pipeline to Pennsylvania. Concerns have been raised by area communities and leaders regarding the safety of locating an LNG facility at that site. Some safety reports have shown that, in a worst case scenario, an LNG fire could cause second degree burns up to 1.3 miles away. All of the proposed projects are within two miles of a residence.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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