Let LNG flow for cheap, clean energy

(Honolulu Star-Advertiser "Island Voices" Article, February 16, 2025)

By Clint Churchill and Ed MacNaughton

In two under-reported but hugely significant events, Oahu electricity ratepayers now have hope to be liberated from misguided State policies that have resulted in both the highest cost per kilowatt-hour of any state (36% higher than the next-worst state) and the highest average greenhouse gas emissions intensity for electrical power generation. Dead last in both with (up to now) blinders-on stubbornness.

Some quick background: Natural gas, shipped to Oahu in the form of liquified natural gas (LNG) was proposed by Hawaiian Electric (HECO) nine years ago as a cleaner, lower cost fuel for generating electricity. Customer savings were estimated to be as much as $3.7 billion over 30 years. But then-Gov. David Ige issued a de facto ban on LNG by opposing the building of LNG facilities: "It's time to focus all of our efforts on renewables." HECO withdrew its proposal. Despite noble renewable energy efforts by homeowners and HECO, more than 70% of power generation on Oahu comes from burning residual fuel oil.

To his brave credit, Governor Green has now initiated a major shift in Oahu energy policy thinking: empathy for ratepayers.

Over a year ago, he tasked his Energy Office to develop a new strategy addressing (1) electricity cost, (2) unreliability, and (3) CO2 emissions vs. the current burning of residual oil. The result of $900,000 in consultant studies is a very thorough and impressive "Alternative Fuel, Repowering, and Energy Transition Study" released on January 27th. The bottom line: the best pathway to address these issues on Oahu is to convert from oil to natural gas—all while continuing to strive for 100% renewable energy by 2045.

Governor Green's Executive Order No. 25-01 accelerates the Neighbor Island 100% renewable goal to 2035—great, but with concerns (more on that in a subsequent proposed article). But tellingly, the Order also sets a new Oahu electricity sector policy goal of 70% greenhouse gas reductions (from 2005 levels) by 2035. The Order explains, "to provide the lowest cost to ratepayers, this requires…(various actions and) fuel switching to balance new renewable energy projects with affordability, reliability, land use, and resilience."

While perhaps tiptoeing around "switch to what?" the Order avoids mentioning LNG. But the extensively documented Study makes it quite clear that the pathway ahead is LNG, as our Institute has previously encouraged ("Hawaii should reverse costly multi-billion-dollar LNG policy," March 28, 2024). In a Hawaii Public Radio (HPR) interview, Chief Energy Officer Mark Glick stated that of "every possible fuel that is available for import into Hawaii for commercial viability, cost-effectiveness, and carbon intensity, the only one in the near-term that could meet all of those criteria was natural gas."

An LNG future for Oahu will not be easy. As the Star Advertiser noted in its February 2 editorial, "LNG is controversial: cleaner and cheaper than oil, it would require building costly infrastructure, and many environmentalists oppose it vigorously…" But Governor Green's focus on ratepayer cost looms important. Perhaps the time has come to strike a compromise between "100% renewable at any cost" and "providing the lowest cost to ratepayers." The 70% emissions reduction by 2035 (no doubt infeasible without the LNG conversion) seems eminently sensible.

A critical issue is HECO's financial capability to make the LNG infrastructure investment. The HPR interview reveals the interest of JERA, Japan's largest importer of LNG, to invest in HECO. Telling is Glick's comment in the HPR interview: "JERA has great comfort in operating their systems on natural gas and was quite surprised at the fact that Hawaii still uses residual oil."

In summary, kudos to Governor Green, the State Energy Office, and their very competent consultants. Our hope is that the key stakeholders, notably the Public Utilities Commission and HECO, will proceed with due haste to implement this worthy new energy strategy.

Retired businessmen Clint Churchill and Ed MacNaughton represent the Practical Policy Institute of Hawaii.

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ISLAND VOICES

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