

## **Hawaii should reverse costly multibillion-dollar LNG policy**

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By Clint Churchill and Ed MacNaughton

In 2016, Hawaiian Electric (HECO) proposed natural gas, shipped to Hawaii in the form of liquified natural gas (LNG), 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 learning of then-Gov. David Ige's opposition, HECO withdrew its proposal. Ige stated, "It's time to focus all of our efforts on renewables. We will oppose the building of LNG facilities."

In retrospect, this was a terribly bad policy decision that has cost Oahu ratepayers more than \$1 billion so far. The policy also resulted in greater CO2 emissions (since natural gas burns 30% cleaner than oil and 45% cleaner than coal) relative to the increase in renewables as our overall source of power.

After eight years and even with 65% solar subsidies, some 80% of Oahu's energy comes from burning oil. We ask whether this policy cost to ratepayers is anywhere near any supposed CO2 emissions benefit.

Gov. Ige's decision was based on hope. But we now know that achieving solar power reliability from battery farms is prohibitively expensive. We now know that committing 12,000 to 18,000 acres of Oahu land for utility solar farms is imprudent. Community opposition in Kahuku shows that more onshore windmills will not be acceptable to Oahu's rural communities.

We know from HECO's Integrated Grid Planning (IGP) process that giant floating windmills will likely incur huge community pushback due to the visual blight and environmental concerns. We also know that imported biofuel will likely be twice the cost of oil or diesel and thus be unacceptable to Oahu ratepayers. Continuing to punish individual ratepayers won't make any meaningful difference to these utility-level barriers.

Where does this leave us? The inescapable conclusion is that 50% of Oahu's power, long-term, will have to come from a thermal source. Among the various

alternatives, only one fuel will both reduce the cost of electricity *and* reduce CO2 emissions: natural gas (see [www.practicalpolicy.org](http://www.practicalpolicy.org)).

Within the past eight years, U.S. LNG exports have grown from being negligible to being the largest in the world. But the Jones Act effectively prevents our securing LNG from a U.S. source. Bummer.

Canada to the rescue. The capacity to export LNG from British Columbia is about to increase significantly due to the \$11 billion Coastal Gaslink/TC Energy pipeline and the \$40 billion LNG Canada export plant under construction. More than 15 million metric tons of annual export capacity will be available within three years, with over 33 million metric tons per year likely to be available by 2030. Oahu demand will be no than 1 million metric ton per year.

More good news: a spectacular tumble in natural gas prices since Gov. Ige's decision. Adjusted for inflation, natural gas futures recently hit their lowest price since 1990. An analysis by Ulupono Initiative projects that switching from oil to LNG could save Hawaii "at least \$7.3 billion over the next 15 years." Wow. Long-term LNG contracts with pricing caps at 15% to 20% below oil prices could mean both lower electricity cost for Oahu ratepayers *and* less price volatility. Welcome relief in sight!

Every day, month, and year that we delay facing the near-term impracticality of 100% renewable for Oahu is like making the same "wrong call" again and again. But we need to act relative to the fortuitous events described above.

Gov. Josh Green needs to take the lead on reversing the de facto LNG ban, convening his Energy Office, HECO, Hawaii Gas, and the PUC to develop a practical energy plan for Oahu.

This will no doubt lead to a needed adjustment to the 100% renewable law, relative to Oahu, by next year's Legislature. Otherwise, the high cost of electricity will continue to be another straw contributing to the ongoing exodus of population from Hawaii.

*Retired businessmen Clint Churchill and Ed MacNaughton are in the Practical Policy Institute of Hawaii*

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## ISLAND VOICES



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