



July 30, 2019

Perry Lund
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Shorelines and Environmental Assistance Program
Washington Department of Ecology
PO Box 47600
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RE: Northwest Innovation Works' new dock use agreement will not prevent methanol made in Kalama from being burned as fuel.

Dear Mr. Lund,

The recent amendment to the dock use agreement between the Port of Kalama (“Port”) and Northwest Innovation Works (“NWIW”) should not allay Ecology’s concerns about the greenhouse gas impacts of burning methanol for fuel. Ecology’s comments on the Draft SEIS for the Kalama methanol refinery noted that “it seems reasonable to suggest and discuss in the Final SEIS that some methanol from this project could be used for mobile or stationary fuels at some point in the 40+ year lifespan of this project.” In response to Ecology’s comments—and the release of documents showing that NWIW touted the fuel application of its methanol to attract investment¹—the Port and NWIW amended their dock use agreement. While the amendment nominally prohibits selling methanol for fuel, it is not feasible for the Port to police the end use of methanol in Asia. Rather, the new agreement seems calculated to hide the climate impacts of burning NWIW’s methanol for fuel.

The new dock agreement is simply NWIW’s latest attempt to greenwash a dirty fossil fuel export proposal. Ecology should deny the Shorelines Conditional Use Permit because NWIW refuses to provide accurate information about its climate impact. As described below, the new agreement provides no assurance that NWIW’s methanol will not reach China’s rapidly expanding fuel market. A self-serving and wholly unenforceable promise between the Port and NWIW cannot substitute for a SEPA analysis of the greenhouse gas emissions from burning NWIW’s methanol for fuel.

I. The Port cannot reliably track the end use of NWIW’s methanol.

The new dock use agreement is an unenforceable promise designed to thwart proper SEPA review and provide political cover for the Port and NWIW. On paper, the new agreement

¹ See Northwest Innovation Works, [Investment Overview](#) (March 2018).

requires NWIW to keep records of the end use of its methanol. In reality, it would be difficult or impossible for the Port to track the fate of NWIW's methanol. Some, if not all, of NWIW's prospective customers are commodity wholesalers² that would sell methanol to other middlemen or end users. Any sales records between the wholesalers and end users would likely be difficult to obtain and impossible to substantiate. The agreement is divorced from the realities of the market and international trade. As such, the agreement cannot to exempt NWIW and the Port from the basic requirements of SEPA.

II. The Port's conflict of interest.

The Port has a significant financial incentive not to enforce the agreement. The more methanol NWIW sells—whether for fuel or plastic—the more money the Port makes. Specifically, the Port would receive \$1.29 for every metric ton of methanol that NWIW sends across the dock; over \$4.6 million per year if the refinery operates at full capacity. The Port therefore has a strong financial incentive to allow NWIW to ship as much methanol as possible, regardless of the end use. Though the agreement contains penalties, the Port is not obligated to enforce them and no other agency or individual has the ability to enforce the contract. In the long run, the Port's financial interest would be better served by encouraging NWIW to sell its methanol for fuel rather than preventing NWIW from doing so.

III. NWIW cannot be trusted.

NWIW has shown a willingness to misrepresent the end use of its methanol. The company repeatedly told state regulators and the public that methanol produced in Kalama would be used solely for plastics.³ However, in a presentation to potential investors, the company highlighted methanol's versatility as a fuel and the projected growth in the Chinese methanol fuel market.⁴ Given NWIW's duplicity, Ecology should not rely on the company to track and self-report how its methanol flows through a potentially complex web of wholesalers and users—a task that would run counter to NWIW's interests and NWIW's representations to its investors.

² See *Term Sheet for Methanol Offtake and Gas Supply Agreements Between Pan-Pacific Energy Corporation And Noble Americas Gas and Power Corp.* (July 22, 2015) (enclosed). This document outlines a methanol supply agreement between NWIW's parent corporation and Noble Americas Gas and Power Corp., which is [currently controlled](#) by Mercuria, a [global energy and commodity trading group](#). Mercuria would very likely act as a wholesaler, not an end user, of NWIW's methanol. The Term Sheet prohibits using the methanol to manufacture illegal drugs, but does not prohibit its use as fuel.

³ See *Draft SEIS at page 3-23* (claiming that the “proposed project is being developed specifically for the purpose of producing methanol for olefins”); see also *DSEIS Appx. A at pages ix, 1, & 6*; see also NWIW, [Frequently Asked Questions website page](#), page 1 (stating that the purpose is to “convert natural gas into methanol for use by China's chemical industry.”).

⁴ See OPB, [Controversial Kalama Methanol Plant May Be Misleading Public, Regulators](#) (April 19, 2019); see also Northwest Innovation Works, [Investment Overview](#) (March 2018).

IV. The methanol refinery would be detrimental to our climate and our community, and Ecology should not approve the Shorelines Conditional Use Permit.

Common sense, the market, and (depending on the audience) NWIW all suggest that methanol made in Kalama will be burned for fuel. If the Final SEIS fails to honestly describe the environmental consequences of burning methanol for fuel, Ecology should refuse to approve the Shoreline Conditional Use Permit. Shoreline Management Act regulations state that Ecology must refuse to act on the Shorelines permits submitted without adequate information.⁵ Ecology exercised this authority in its first review of NWIW's Conditional Use Permit to explore discrepancies in the EIS and require additional information about NWIW's climate pollution.⁶ Using this same authority, Ecology should now refuse to approve the Conditional Use Permit until NWIW provides adequate information about how burning the methanol for fuel would impact our climate. The dock agreement is one more attempt to obscure the nature of NWIW's proposal and climate footprint. Ecology can, and should, end NWIW's charade.

Sincerely,



Miles Johnson, Senior Attorney
Columbia Riverkeeper
on behalf of

Brett VandenHuevel
Executive Director
Columbia Riverkeeper

Stephanie Hillman
Campaign Representative
Sierra Club, Washington Chapter

enclosure

cc:

- Maia Bellon, Director, Washington Department of Ecology
- Reed Schuler, Senior Policy Advisor to Governor Inslee, Climate & Sustainability

⁵ See WAC 173-27-130(5) (“ . . . If the department determines that the submittal does not contain all of the documents and information required by this section, the department shall identify the deficiencies and so notify local government and the applicant in writing. Ecology will not act on conditional use permit . . . submittal until the material requested in writing is submitted to the department.”).

⁶ *E.g. Letter from Perry Lund to Ron Melin re Incomplete Shoreline Conditional Use Permit #1056* (April 18, 2017).