DEPARTMENT of the INTERIOR

news release

OFFICE OF THE SECRETARY

For Release January 2, 1979

INTERIOR OPPOSES PORTSMOUTH REFINERY SITE

The Department of the Interior today released the text of a letter from Under Secretary James A. Joseph to Lieutenant General J. W. Morris, Chief Engineer, Department of the Army, concerning the Hampton Roads Energy Company's application for a permit to construct a marine terminal and oil refinery on the Elizabeth River at Portsmouth, Virginia.

A copy of the letter is attached. Also attached is the text of a statement presented by the Under Secretary at a news conference on the subject held at noon today in Norfolk, Virginia.

x x x

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JAN 2 1979

John W. Morris
Lieutenant General
Chief of Engineers
Department of the Army
Washington, D.C. 20314

Dear General Morris:

This further responds to your November 28 letter, written in accordance with the 1967 Memorandum of Understanding between the Secretaries of the Army and the Interior, requesting this Department's comments on the Hampton Roads Energy Company's (HRECO) permit application to construct a marine terminal and an oil refinery on the Elizabeth River at Portsmouth, Virginia.

In reviewing the decision paper submitted with your letter and the information in the environmental impact statement, I find it impossible to agree with your conclusions. This Department is primarily concerned about the losses to fisheries, waterfowl, and other estuarine resources as a result of operational or accidental petroleum spills. Each of your findings pertaining to this concern is discussed below.

1. An Oil Spill Resulting From the HRECO Project is Avoidable. You support this assumption by indicating that there would be only minor changes in petroleum shipping if the HRECO refinery is constructed in Portsmouth. However, the EIS indicates that the refinery operation would result in increases of 18-24 percent in barge movements and 9.5 percent in tanker movements in the Hampton Roads area. Information developed by the Norfolk District, Corps of Engineers, projects that the percent increase in the volume of petroleum movements in the Hampton Roads area would be even larger. Based on the total volume of 58.7 mbbls/year transported in Hampton Roads in 1976, petroleum movements could be expected to increase from between 51 percent (to 88.6 mbbls/year) to 196 percent (to 173.6 mbbls/year). The actual increase would depend on the portion of the existing petroleum market in the project area that would be taken over by HRECO. Moreover, it is likely that if products from the HRECO refinery were to replace products now being imported, some of the present movement of products to the upper Chesapeake Bay by tanker would be replaced by barge transportation. Barges present a far greater spill risk than do tankers.

You further state that traffic on the Elizabeth River would be reduced because " . . . HRECO would offset products that go to terminals on the Southern Branch of the Elizabeth." We note that the Amerada-Hess, Mobil, and Swann Oil Companies have been granted permits for the expansion of their oil transfer and storage facilities on the Southern Branch of the Elizabeth River. Swann Oil Company also has applied to the Environmental Protection Agency for a Prevention of Significant Deterioration (PSD) permit for a 120,000 barrel per day refinery at its Elizabeth River terminal site. Since you state that the HRECO market is not defined, I see no basis for your assumption that the other companies operating on the Elizabeth River would reduce their activities if the HRECO refinery is built.

You place great confidence in the regulations and controls of the Coast Guard (USCG) and the use of pilots for preventing oil spills. However, shipping accidents are not avoided. Large petroleum spills occurred in the lower Chesapeake Bay area as recently as 1976 and 1978. In 1977 an average of about 2 spills per day was reported on Chesapeake Bay according to USCG figures. The figures indicate an increasing trend with 605 spills in 1975, 647 in 1976, and 768 in 1977.1/ This does not indicate that technology or regulation and enforcement are solving the oil spill problem.

The National Marine Fisheries Service recently contracted a study by Engineering Computer Optecnomics, Inc., of Annapolis, Maryland, to assess the potential for oil spills associated with the HRECO refinery. Their analysis shows that an oil spill of approximately 5,000 barrels could be expected every five years. This does not include catastrophic events or any total losses/vessel sinkings. A catastrophic marine accident from either barges or tankers associated with the proposed HRECO refinery could be expected approximately once in 50 years.

2. If a Spill Occurs it Can be Contained and Cleaned Up. This assumption is not supported by the available evidence. Present technology does not allow such efficiency in containment or clean up, especially in adverse weather. No significant spill in Chesapeake Bay has ever been totally contained or cleaned up.

In March 1978 Congressional hearings on the Coast Guard's resource needs for responding to oil spills, Rear Admiral A. F. Fugaro, Chief of the Coast Guard Office of Marine Environment and Systems, testified that effective containment and clean up of spills under adverse conditions is not possible and may never be possible.

1/ Source: USCG Pollution Incident Reporting System

Admiral Fugaro also stated that the Coast Guard has only 50 percent of the manpower it needs to respond to oil spills. A General Accounting Office study on this matter agreed that the Coast Guard is not effective in handling oil spills.

In a severe storm several spills could occur on Chesapeake Bay and nearby areas at one time. If this were to happen, clean up forces would not be even marginally effective. Weather conditions that make spills highly likely also make containment and clean up the most unlikely.

3. If a Spill Occurs the Impact Will be Reversible and Relatively Short-Term. This assumption is apparently based on the recovery of the tourist industry after the Amoco Cadiz spill on the Brittany Coast. The effects of an open ocean spill on the tourist industry is not a valid comparison to the effects on an ecosystem of a spill in an estuarine area.

A major spill involving the tanker Arrow occurred in Chedabucto Bay, Nova Scotia, on February 4, 1970. Workers studying the site in 1976 estimated that impacts may persist for up to 150 years. Ten years after the 1963 spill by the tanker Northern Gulf in West Ledge, Casco Bay, Maine, reintroduced clams could not survive because of persistent hydrocarbons. Eight years after the 1969 spill by the barge Florida at West Falmouth, Massachusetts, oil still "pooled" in human footprints at some inshore areas and fish reentering the area exhibited abnormal behavior and physiology. The available evidence, although not complete, does not support the assumption that the impacts of an oil spill on an estuarine ecosystem are short-term or even that such impacts are reversible.

I believe that your conclusion that the HRECO site is acceptable is inconsistent with information contained in the EIS. The Summary Matrix indicates a number of "E" ratings for the HRECO site. By definition, any one of the "E" ratings indicates that the site is inadequate or has severe adverse impacts. Had the Task Force considered the HRECO site simply as one of the alternatives rather than as a site with a pending permit, it would have been eliminated in the initial review that reduced the 67 sites to 19. From an environmental standpoint, the HRECO site is one of the least desirable of the 67 sites. All other Chesapeake Bay sites were eliminated in the initial review for the same impacts that would occur at the HRECO site.

You state that the economics of an off-shore facility are questionable, but no economic data are provided. I question whether the economic analysis considered the potential for an off-shore facility to serve more than one refinery and whether the environmental losses of fisheries and other valuable marine and estuarine resources were included as disadvantages of a marine terminal.

The decision paper indicates that because the refinery site is zoned for industrial use, a number of environmental impacts would occur even if the permit were denied. However, the discussion of the economic impact implies that the benefits to the local economy depend on the refinery. If industrial development on the site is inevitable regardless of whether the refinery is built, the local economy will benefit. However, most alternative industrial development on the site would not have associated with it the waterborne traffic of large volumes of oil which is the critical environmental issue associated with this permit.

The Chesapeake Bay, the largest estuary in the United States, is already stressed by the cumulative effects of nearly 800 petroleum spills per year. I do not believe that the public interest would be served by adding to this cumulative impact. The fish and wildlife resources of Chesapeake Bay contribute significantly to the regional and national economy and well-being in terms of commercial and sports fishing, waterfowl hunting, bird watching, recreational boating, and aesthetics. I believe that ever increasing oil transportation on Chesapeake Bay is incompatible with the continued health and survival of these unique and irreplaceable resources.

I am aware of the importance of increasing petroleum refinery capacity on the Atlantic coast. This Department is committed to help meet this national need. According to information in the EIS, there are several preferable alternative sites for locating a refinery. The goal of additional refinery capacity can be achieved at another location that would involve fewer environmental problems.

For the reasons outlined here and those stated previously, this Department recommends that you reconsider your conclusion that the HRECO site is acceptable for a refinery. The Department of the Interior remains firmly opposed to the issuance of this permit and recommends that it be denied.

Sincerely,

James A. Joseph

UNDER SECRETARY

STATEMENT BY UNDER SECRETARY OF THE INTERIOR JAMES A. JOSEPH AT NORFOLK, VA., NEWS CONFERENCE, JANUARY 2, 1978

On November 28, Lieutenant General J. W. Morris, Chief of Engineers of the Department of the Army, wrote to me expressing his view that it would be in the public interest to issue a permit to the Hampton Roads Energy Company so that the company could perform work associated with an oil refinery at Portsmouth, Virginia.

General Morris asked for my comments and recommendations under a procedure adopted by our two Departments in 1967 to cover situations in which there may be disagreement between the Corps of Engineers and elements of the Interior Department.

Today, I have responded to the Chief of Engineers. My letter recommends that he reconsider his conclusion that the Hampton Roads Energy Company is acceptable for a refinery. My letter concludes:

"The Department of the Interior remains firmly opposed to the issuance of this permit and recommends that it be denied."

We acknowledge that there is a need for more refinery capacity on the East Coast. We are not happy about the fact that our opposition may mean more delay in locating new refineries and increasing the nation's capability to process oil for everyone's needs. We cannot escape the conclusion, however, that this isn't the place.

After long and careful study, I am of the opinion that Hampton Roads is one of the worst locations in the United States for an oil refinery.

Situated as it is near the mouth of the Chesapeake Bay, this area is in position to help or to irreversibly damage an estuary upon which marine life all up and down the Atlantic Coast depends heavily. Oysters and crabs are only part of that life; rockfish and blues and dozens of other species use this region as an incredibly productive nursery. An entire food chain is under pressure even now in this region, because of various human activities that deprive its components of a livable environment.

Someone has called the Bay, with its matchless fish and waterfowl resources, "the world's greatest protein factory." But even that does not describe all the values that are involved.

If we were to look at dollar values, we would also have to consider what sport fishing, and hunting, and all kinds of water-based recreation contribute to the economy of Hampton Roads--and the Bay--and this whole part of the East Coast.

Tanker and barge movements in and out of this region would create spills of crude oil and of refinery products. Of that we may be certain, for there are no foolproof systems to avoid them. We need not get into a numbers game about probabilities; it is enough to say that there would be damage, and that it would continue, and that some of it would be cumulative and could not be reversed.

No one knows at what point this pressure, added to the many other adverse pressures on this area, would cause a rapid decline of the resources that remain. But this proposal would add greatly to the problems already present.

A strong argument can be made that people's livelihood is involved. I agree. I've mentioned the dollar values already. And there are others besides. Much of the industry that is now relocating to the Hampton Roads area is clean industry. There is little or no doubt that the quality of life here has been a major factor in attracting that kind of industry. It is fair to contend that by introducing a major new source of water pollution, we would not only damage the quality of life here, but we would also discourage new and clean industries from relocating in this region.

We have proposed that the Government should take the initiative in helping industry find locations for refineries, and power plants, and other energy stations which would best serve the interests of all involved.

I promise to help in that effort, in which I earnestly hope others will join.

X X X