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## **SHELL PULLS OUT OF PARTNERSHIP; LNG PROJECT DOUBTFUL**

VALLEJO – Representatives of Shell Gas and Power announced Thursday that they are pulling out of their partnership with Bechtel Enterprises in the building of a liquefied natural gas regasification facility and 900-megawatt power plant at the southern end of Mare Island.

Following the announcement, city officials announced the project is, in effect, dead. Bechtel has announced in a press release that they plan to seek approval to continue the project and plan to seek another partner.

Vallejo Mayor Tony Intintoli, Jr. stated that any future partner would come to the same conclusion as Shell. Therefore, any attempt to continue discussions with Bechtel would be pointless. After all, Bechtel's expertise lies in construction, not the handling of liquefied natural gas.

"Furthermore, my reading of the health and safety report has led me to conclude that the construction of such a facility in close proximity to a populated area is not appropriate," Intintoli added. "The study indicates to me that there is a moderate chance of a maritime accident occurring within the vicinity of the proposed terminal that would likely affect populated areas of Vallejo."

A partnership between Bechtel and Shell was announced in May 2002 for the purpose of building an LNG facility and power plant at the southern end of Mare Island. In the meantime the City has conducted its own health and safety study to determine the various impacts such facilities would have on Vallejo in terms of health, safety and security.

"We appreciate and thank them for their interest in the project," said Vallejo City Manager David Martinez of Shell's participation. "We understand and respect their decision to pull out of the project."

"I believe that the decision on the part of Shell substantially changes what has been before the City to this point," Martinez said. "When these two companies came and asked to be considered for this type of project, it was based on a partnership that no longer exists. My recommendation to the City Council on January 28 will be to cease any further discussions, research or anything else related to this project and reaffirm our commitment to the current Mare Island Reuse Plan."

As a result of today's developments, the January 28 study session has been postponed and instead an item considering Bechtel's request to continue the project will be considered on that date.

"It will be my recommendation that the request to continue be denied," Martinez said. "Given the many challenges facing the City, it's important for us to pull together and focus on the many other issues and projects on the table, such as the development of downtown, Mare Island, the waterfront and the auto mall."