



# Business As Usual

*Surprise announcements and poor siting of industries result in heartburn for citizens and headaches for economic developers. Can citizens really be blamed for challenging projects that are designed to fail?*

The mystery phone call from the Department of Commerce came in mid-June 2000. Adrienne Cole, the executive director of the Carteret County Economic Development Council, had been invited to a meeting in Raleigh with an unnamed company that was looking at a site on Radio Island. On June 27, she hopped in the car and headed west.

When Cole arrived, she was greeted by representatives of the DFI Group, who described their plans to build several ethanol plants in the coastal regions. Ethanol is an additive to gasoline that helps it to oxidize and burn cleaner.

In the room were representatives from Greene, Onslow and Martin counties and the Department of Commerce. Nearby stood an artist's rendering of a large ethanol plant situated on a parcel owned by the NC State Ports Authority on Radio Island. It was the first time Cole had heard of the project.

Several months before, Governor Jim Hunt made an announcement that DFI Group planned to develop three ethanol plants in eastern North Carolina, including Greene, Onslow and Martin counties. By the time June 27 rolled around, Onslow and Greene counties were on terminal hold. DFI had changed course and was now focused on Radio Island in Carteret County and a site on the Roanoke River near Jamesville in Martin County.

What really changed was the source of energy. DFI's original scheme depended upon a South Carolina natural gas company building a pipeline to the north to provide energy for the ethanol plants. When the pipeline deal fell through, DFI scrambled to find another source of energy and alternative sites for its ethanol plants.

DFI determined it could arrange to have liquefied natural gas (LNG) imported to Radio Island to fuel its ethanol plant there and then barge LNG up the Atlantic Intracoastal Waterway (ICW) to fuel another plant in Martin County.

## Repeating History

In Carteret County, local citizens have been wary of hazardous substances ever since the USNS Potomac exploded on September 26, 1961. The tanker was carrying aviation gasoline and JP-5 jet fuel when it caught fire while discharging its load to storage tanks on Radio Island. Nancy

Russell, a Beaufort Town Commissioner recalls, "Many of us well remember that early fall evening when the sound of an explosion was heard, the earth shook, and soon sirens pierced the air."

In the spring of 1978, Gov. Jim Hunt flew to the coast to make a surprise announcement that a Texas firm planned to build the second largest liquid propane gas (LPG) facility in the nation on Radio Island. According to an account in *The News and Observer*, "There had been no public discussion of the question before Hunt's announcement here. At least one local mayor had no idea why Hunt was in town before he joined the governor on the podium."

John Costlow was on sabbatical as director of Duke Marine Laboratory, so he spent the summer researching LPG and then educating citizens about its dangers. His concerns were backed up by a US General Accounting Office report released in August 1978. According to *The News and Observer* story, the GAO report cautioned, "Liquefied energy gas storage tanks, ships, trucks and railroad cars were dangerously vulnerable to catastrophic fires and explosions that could result from accident or sabotage. Large storage facilities for LPG and liquefied natural gas (LNG) should be built away from populated areas, the study said; if built in urban areas, they should be built and guarded as securely as nuclear power plants."

That fall, Costlow hosted a public forum that drew over 300 concerned citizens to the Duke Marine Lab auditorium to discuss the hazards of LPG. Shortly thereafter, Gov. Hunt withdrew his support for the project and it was never built.

When news of DFI's plans to build an ethanol plant and companion LNG receiving terminal on Radio Island hit the streets of Beaufort in November 2000, citizens rallied against it. Beaufort is the second oldest town in the state and property values are high. Citizens viewed the ethanol/LNG project as dangerous, smelly, and overly consumptive of groundwater. Like the LPG project in 1978, the ethanol/LNG project appeared to be in conflict with Carteret County's economic base of tourism, commercial and sports fishing, and marine research facilities.

A new group was formed called Carteret Citizens Allied to Protect the Environment (C-CAPE) which held informational meetings throughout the county to generate

opposition to the project. In mid-January 2001, Carteret County Crossroads and Duke Marine Lab held a standing room-only forum at Duke Marine Lab auditorium that was attended by over 300 people. Within weeks, the Carteret County Commissioners passed a resolution at the request of C-CAPE opposing DFI's plans for the ethanol/LNG project. The towns of Beaufort and Emerald Isle followed suit. State legislators were not far behind.

At a hastily planned luncheon on February 13, the NC State Ports Authority made a surprise announcement that DFI Group's plans for an ethanol plant on Radio Island had been scrubbed. Instead, the Ports Authority announced plans to execute an "option to lease" with an unnamed Fortune 500 company to build an LNG terminal on Radio Island.

One week later and without citizen input, the Ports Authority approved the "option to lease" with El Paso Merchant Energy to build a receiving terminal to store the equivalent of 3.5 billion cubic feet of vaporized natural gas. The project includes a pipeline that El Paso would build or cause to have built to transport 250 million cubic feet of natural gas per day to places unknown.

## Déjà vu All Over Again

The Roanoke River is nationally known for its striped bass fishing. Each spring, adult stripers migrate upstream to Weldon to spawn, releasing as many as a million eggs each that flow with the current toward the Albemarle Sound. Once an abundant resource, striped bass underwent a serious decline during the 1980's and early 1990's, caused by a combination of restricted flow from upstream dams, habitat degradation and pollution from a large paper mill upstream. One of the great natural resource success stories has been the Roanoke's resurgence of its striped bass populations.

When the Department of Commerce announced plans in January 1999 to locate a paper-recycling mill on the Roanoke River near Weldon, conservationists had reason to wonder. Halifax County economic developers had picked a site, known as Mush Island, for the Wisconsin Tissue plant. Mush Island has been targeted for inclusion in the Roanoke River National Wildlife Refuge.

Tom Earnhardt, an attorney and fly fisherman told *The Charlotte Observer*, "You couldn't put a laser dot on a particular location more sensitive to fish and wildlife than



# The Nucor Story



that stretch of the Roanoke." Although the Wisconsin Tissue plant was never built, it sent a signal that even our most precious natural resources were for sale.

So when the DFI Group announced plans to barge LNG to its proposed ethanol plant on the Roanoke River, the environmental community reacted quickly. A coalition of environmental groups, led by PBS TV Carolina Outdoor Journal personality Joe Albea stated its opposition to the project unless DFI agreed to conduct an environmental impact statement (EIS) and abstained from using barges. The concern with barges is that they stir up bottom sediments that hold decades of pollution and cause a negative impact on fisheries habitat.

DFI finally agreed not to barge LNG and released a draft EIS for its plant in Martin County in April 2001. However, the EIS failed to realistically examine alternatives to the Roanoke River site and all but ignored potential impacts to shad and river herring. The NC Wildlife Resources Commission commented, "Location of a facility of this type, directly adjacent to such an environmentally sensitive area as the Roanoke river, presents unacceptable risks to fish, wildlife, and their habitats."

It now appears that DFI is looking at alternative waterside sites on the Pamlico River in Beaufort County, on the Chowan River in Hertford County, and on the Pasquotank River near Elizabeth City. Stan Crowe, the

Perhaps the most infamous economic development project in recent times involved the State's recruitment of Nucor Steel to the banks of the nutrient sensitive Chowan River. The Department of Environment and Natural Resources (DENR) allowed the company to conduct an environmental assessment and finding of no significant impact (EA/FONSI), instead of a more rigorous environmental impact statement (EIS) for the project. DENR also approved several environmental permits and plans for the company before finishing work on the EA/FONSI.

Three environmental groups, including NC Coastal Federation, sued DENR over its handling of the Nucor project. The lawsuit was resolved through a settlement agreement that set a higher standard for future industrial projects. The agreement requires DENR to hold all permit and plan approvals in abeyance until the completion of the environmental review process. This requirement applies to development projects that utilize public waterways, public land or public funds.

Another provision of the agreement commits DENR to "provide to the NC Department of Commerce a compilation of information about sites statewide (1) with known environmental limitations or restrictions; (2) which contain significant natural resources; or (3) which have been identified for acquisition as state parks or reserves." The list was due on September 30, 2000. We're still waiting.

economic developer for Martin County, told the Greenville *Daily Reflector*, "Based on the challenges DFI has faced in Martin County, I question the likelihood that they will locate here."

## Is there no better way?

Citizens are generally left out of economic development decisions. While state law provides citizens with access to public records, including documents, letters, photos, tapes or emails; the law draws the line at industrial development projects that are considered to be confidential. Until the surprise announcement is made that a new industry is coming to town, citizens are kept in the dark.

When kept out of a process that affects their community, citizens often become agitated. During the Wisconsin Tissue debate, the economic developer in Halifax County sent a letter to the Secretary of Commerce. The letter read, "If North Carolina is to continue to recruit and locate quality companies like Wisconsin Tissue, then some protocol, some process, must be put in place so that we can address all environmental issues in a calm, unemotional factual manner."

Site selection is the most important early decision an industry makes. Yet environmental issues and community concerns are often glossed over in the site selection process. Even though the Wisconsin Tissue project failed

and the Nucor Steel mill in Hertford County faced significant environmental hurdles, the Northeast Partnership for Economic Development received a prestigious award from Site Selection magazine for its efforts in attracting these companies.

One technique being used by states is to conduct detailed environmental reviews of potential sites before marketing them to new industries. An early environmental review can help determine the suitability of the site and sift through industries that would be a good fit. Although industries may still have to conduct their own environmental reviews, they would have greater assurance that the site is appropriate for the intended use.

Attracting industry to an ecologically sensitive region like eastern North Carolina requires extra care. The coastal area has a wealth of wetlands, rivers, shellfish and finfish. The environmental suitability of an industrial site must be evaluated in advance, not after the surprise announcement has been made. And citizens need to be involved every step of the way when major industrial projects are being planned for their hometowns. It would make the process go smoother for citizens and economic developers alike.

## CALL TO ACTION ...

The sixteen-year legacy of Gov. Jim Hunt set the standard for surprise announcements of major economic development projects. Like a firewall, this technique kept local citizens and environmental protection agencies in the dark until all the deals had been made.

In an effort to change this pattern, the NC Coastal Federation prepared a *Position Statement to Involve Citizens In and Provide Environmental Safeguards for Economic Development*. The position statement, signed by 17 environmental groups and two individuals, was sent to the secretaries of Environment and Natural Resources and of Commerce.

The position statement calls upon the two secretaries to form a working group of business leaders and environmental leaders to develop a new protocol for industrial recruitment that better involves citizens and includes upfront environmental reviews.

We need your help to convince Governor Easley to make industrial recruitment more environmentally and citizen friendly. Please review the position statement on our website at [www.nccoast.org](http://www.nccoast.org), and send a letter of encouragement to:

The Honorable Mike Easley  
Office of the Governor  
20301 Mail Service Center  
Raleigh, NC 27699-0301

You can also send Gov. Easley an electronic message by pointing your web browser to:  
<http://www.governor.state.nc.us/Contact.asp>

