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LNG Exports: An Overview

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8TH ANNUAL

**Global Energy
Conference**

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May 2013

What is the Center for LNG?

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- ❖ An association of LNG producers, shippers, terminal operators, and energy trade associations
- ❖ A clearinghouse for educational and technical information about LNG
- ❖ Facilitates rational discussions and develops public policies that support LNG's increasing contribution toward meeting the nation's energy needs and supporting economic growth

CLNG Membership

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- American Gas Association, ex-officio
- American Petroleum Institute, ex-officio
- BG North America
- BP America, Inc.
- Cheniere
- Chevron Corporation
- ConocoPhillips
- Dominion
- ExxonMobil

- Freeport LNG
- GDF SUEZ
- Mitsubishi
- Natural Gas Supply Association, ex-officio
- Qatargas
- Sempra Global
- Shell
- TOTAL LNG USA, Inc.

CLNG Activities

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- ❖ Education
- ❖ Government Outreach
- ❖ Technical Analysis
- ❖ Legislative & Regulatory Analysis
- ❖ Media Outreach

Statutory/Regulatory Overview

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- ❖ The Natural Gas Act
- ❖ 10 Code of Federal Regulations Part 590
- ❖ DOE Policy Guidelines, 49 Federal Register 6684, February 22, 1984, as amended
- ❖ Previous DOE decisions
- ❖ Federal Register notices for currently pending applications
- ❖ DOE/FE Order 2961 – Sabine Pass Liquefaction, LLC

10 Code of Federal Regulations Part 590

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- ❖ Applications must be filed 90 days before the requested action.
- ❖ Applications must be complete before being considered.
- ❖ DOE must publish notice in the Federal Register and provide at least thirty (30) days for persons to file protests, comments, or motions to intervene.

The Natural Gas Act (NGA)

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❖ “...no person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the Commission authorizing it to do so. The Commission shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest.”

15 USC Sec. 717b(a)

Natural Gas Act (continued)

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- ❖ “For the purposes of subsection (a) of this section, the importation of natural gas referred to in subsection (b) of this section, or the exportation of natural gas to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, shall be deemed to be consistent with the public interest, and applications for such importation or exportation shall be granted without modification or delay.”

15 USC Sec. 717b(c)

NEPA Responsibilities

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- ❖ “The Commission [Federal Energy Regulatory Commission] shall act as lead agency for the purposes of coordinating all applicable Federal authorizations and for the purposes of complying with the National Environmental Policy Act of 1969 (42 USC 4321 et seq).”

15 USC 717n(b)

Regulatory Application of NGA

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- ❖ Section 3 of the Natural Gas Act does not define “public interest.”
- ❖ DOE Policy Guidelines, February 22, 1984
 - “...thus giving broad discretion to the government in establishing criteria...”
 - “The policy cornerstone of the public interest standard is competition.”
- ❖ No prescribed time limitations in which to make a decision

“The Public Interest”

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❖ DOE Policy Guidelines, 49 FR 6684, February 22, 1984

- “These new delegation orders and policy guidelines are the result of a review of the federal government’s policies and procedures for regulating the importation of natural gas into the United States.”
- “The market, not government, should determine the price and other contract terms of imported gas...The federal government’s primary responsibility in authorizing imports should be to evaluate the need for the gas and whether the import arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market.”

Statutory/ Regulatory Application to Exports – Kenai LNG

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- ❖ ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company, DOE/FE Opinion and Order No. 2500 (June 3, 2008)
- ❖ This Order authorized the continued exports of LNG from the Kenai LNG export facility.

Kenai LNG (continued)

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- ❖ “DOE considers domestic need for the gas and any other issue determined to be appropriate, including whether the arrangement is consistent with DOE’s policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements, as the critical legal considerations to be weighed in reviewing the instant application for export authority.”

DOE Considerations (Golden Pass Products, LLC)

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- ❖ Impact of current application and the cumulative impact of previously approved applications on the domestic need for the gas proposed for export
- ❖ Adequacy of domestic natural gas supply
- ❖ U.S. Energy security
- ❖ Other issues, including the following:
 - The impact on U.S. economy (GDP)
 - Consumers
 - Industry
 - U.S. balance of trade
 - Jobs creation
 - International considerations
 - “Whether the arrangement is consistent with DOE’s policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements”

Statutory/ Regulatory Application to Exports – Sabine Pass Liquefaction, LLC

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- ❖ Sabine Pass Liquefaction, LLC, FE Docket No. 10-111-LNG, DOE/FE Order No. 2961)
- ❖ This Order conditionally authorized exports of LNG to non-free trade countries from the proposed Sabine Pass Liquefaction export facility.

Sabine Pass (continued)

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❖ DOE's Opinion stated:

- “Section 3 [of the Natural Gas Act] creates a rebuttable presumption that a proposed export of natural gas is in the public interest, and DOE must grant such an application unless those who oppose the application overcome that presumption.”

Sabine Pass (continued)

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❖ DOE's Opinion stated:

- “DOE also issued a set of Policy Guidelines in 1984 setting out the criteria that DOE/FE employs in evaluating applications for natural gas import. The goals of the Policy Guidelines are to minimize federal control and involvement in energy markets and to promote a balanced and mixed energy resource system.”

Sabine Pass (continued)

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❖ The Guidelines provide that

“[t]he market, not government, should determine the price and other contract terms of imported [or exported] natural gas. The federal government’s primary responsibility in authorizing imports [or exports] will be to evaluate the need for the gas and whether the import [or export] arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market.”

The Natural Gas Act (NGA)

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- ❖ “The Commission may by its order grant such application, in whole or in part, with such modification and upon such terms and conditions as the Commission may find necessary or appropriate, and may from time to time, after opportunity for hearing, and for good cause shown, make such supplemental order in the premises as it may find necessary or appropriate....” **15 USC Sec. 717b**
- ❖ “The Commission shall have the power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this act.” **15 USC Sec. 717o**

Existing LNG Export Authorizations



Department of Energy
Washington, DC 20585
February 24, 2012

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The Honorable Edward J. Markey
Ranking Member
Committee on Natural Resources
United States House of Representatives
2108 Rayburn House Office Building
Washington, DC 20515

Dear Representative Markey:

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amended, created a different standard of review for applications to export natural gas, including LNG, to those countries with which the United States has in effect an FTA requiring national treatment for trade in natural gas. The amended section 3(c) requires such applications to be deemed consistent with the public interest, and granted without modification or delay. DOE does not have the authority to impose conditions on the resulting authorizations. The result is a bifurcated regulatory regime over which DOE has only partial control or influence.

Existing LNG Export Authorizations

You asked whether DOE would ever withdraw approvals of any previously-granted LNG export authorizations, particularly in the event of a price spike in domestic prices of natural gas. As we observed in *Sabine Pass*, DOE's authority to issue supplemental orders modifying previous authorizations is contained in NGA section 3(a) and this authority may only be exercised after opportunity for hearing and for good cause shown. DOE does not, however, intend to use this authority as a price maintenance mechanism. Moreover, DOE takes very seriously the good-faith investment-backed expectations of private parties subject to its regulatory jurisdiction. Accordingly, DOE would be reluctant to withdraw or modify a previously-granted authorization, except in the event of extraordinary circumstances. To date, DOE has not had occasion to exercise this authority.

Overview

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Applications Received by DOE/FE to Export Domestically Produced LNG from the Lower-48 States (as of April 2, 2013)

All Changes Since March 7, 2013 Update Are in Red

| Company | Quantity ^(a) | FTA Applications ^(b) (Docket Number) | Non-FTA Applications ^(c) (Docket Number) |
|--|---|---|--|
| Sabine Pass Liquefaction, LLC | 2.2 billion cubic feet per day (Bcf/d) ^(d) | Approved (10-85-LNG) | Approved (10-111-LNG) |
| Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC | 1.4 Bcf/d ^(d) | Approved (10-160-LNG) | Under DOE Review (10-161-LNG) |
| Lake Charles Exports, LLC | 2.0 Bcf/d ^{(e)**} | Approved (11-59-LNG) | Under DOE Review (11-59-LNG) |
| Carib Energy (USA) LLC | 0.03 Bcf/d: FTA 0.01 Bcf/d: non-FTA ^(f) | Approved (11-71-LNG) | Under DOE Review (11-141-LNG) |
| Dominion Cove Point LNG, LP | 1.0 Bcf/d ^(d) | Approved (11-115-LNG) | Under DOE Review (11-128-LNG) |
| Jordan Cove Energy Project, L.P. | 1.2 Bcf/d: FTA 0.8 Bcf/d: non-FTA ^(a) | Approved (11-127-LNG) | Under DOE Review (12-32-LNG) |
| Cameron LNG, LLC | 1.7 Bcf/d ^(a) | Approved (11-145-LNG) | Under DOE Review (11-162-LNG) |
| Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC ^(h) | 1.4 Bcf/d ^(d) | Approved (12-06-LNG) | Under DOE Review (11-161-LNG) |
| Gulf Coast LNG Export, LLC ⁽ⁱ⁾ | 2.8 Bcf/d ^(d) | Approved (12-05-LNG) | Under DOE Review (12-05-LNG) |
| Gulf LNG Liquefaction Company, LLC | 1.5 Bcf/d ^(d) | Approved (12-47-LNG) | Under DOE Review (12-101-LNG) |
| LNG Development Company, LLC (d/b/a Oregon LNG) | 1.25 Bcf/d ^(d) | Approved (12-48-LNG) | Under DOE Review (12-77-LNG) |
| SB Power Solutions Inc. | 0.07 Bcf/d | Approved (12-50-LNG) | n/a |
| Southern LNG Company, L.L.C. | 0.5 Bcf/d ^(d) | Approved (12-54-LNG) | Under DOE Review (12-100-LNG) |
| Excelerate Liquefaction Solutions I, LLC | 1.38 Bcf/d ^(d) | Approved (12-61-LNG) | Under DOE Review (12-146-LNG) |
| Golden Pass Products LLC | 2.6 Bcf/d ^(d) | Approved (12-88-LNG) | Under DOE Review (12-156-LNG) |
| Cheniere Marketing, LLC | 2.1 Bcf/d ^(d) | Approved (12-99-LNG) | Under DOE Review (12-97-LNG) |
| Main Pass Energy Hub, LLC | 3.22 Bcf/d ^(d) | Approved (12-114-LNG) | n/a |
| CE FLNG, LLC | 1.07 Bcf/d ^(d) | Approved (12-123-LNG) | Under DOE Review (12-123-LNG) |
| Waller LNG Services, LLC | 0.16 Bcf/d | Approved (12-152-LNG) | n/a |
| Pangea LNG (North America) Holdings, LLC | 1.09 Bcf/d ^(d) | Approved (12-174-LNG) | Under DOE Review (12-184-LNG) |
| Magnolia LNG, LLC | 0.54 Bcf/d | Approved (12-183-LNG) | n/a |
| Trunkline LNG Export, LLC | 2.0 Bcf/d ^(d) | Approved (13-04-LNG) | Under DOE Review (13-04-LNG) |
| Gasfin Development USA, LLC | 0.2 Bcf/d | Approved (13-06-LNG) | n/a |
| Freeport-McMoRan Energy LLC | 3.22 Bcf/d ^(d) | Pending Approval (13-26-LNG) | Under DOE Review (13-26-LNG) |
| Sabine Pass Liquefaction, LLC | 0.28 Bcf/d ^(d) | Pending Approval (13-30-LNG) | Under DOE Review (13-30-LNG) |
| Sabine Pass Liquefaction, LLC | 0.24 Bcf/d ^(d) | Pending Approval (13-42-LNG) | Under DOE Review (13-42-LNG) |
| Total of all Applications Received | | 29.93 Bcf/d ^(**) ^(***) | 28.54 Bcf/d |

Office of Oil and Gas Global Security and Supply, Office of Fossil Energy, U.S. Department of Energy

The 2012 LNG Exports Study

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- ❖ “DOE commissioned the LNG Export Study to inform DOE’s decisions on applications seeking authorization to export LNG from the lower-48 states to non-free trade agreement (FTA) countries.”
- ❖ NERA developed a total of 63 scenarios, including 16 U.S. scenarios modeled by the EIA.
- ❖ NERA modeled cases with no exports and with unlimited exports.

The 2012 LNG Exports Study Conclusions

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- ❖ “The macroeconomic analysis shows that there are consistent net economic benefits across all the scenarios examined and that the benefits generally become larger as the amount of exports increases.”
- ❖ “Every scenario shows improvement in GDP over the No-Exports cases...”
- ❖ “U.S. natural gas prices will not become linked to world oil prices.”
- ❖ “The increase in investment...provides, in general, near-term stimulus to the economy.”
- ❖ “The range of aggregate macroeconomic results from this study suggests that LNG export has net benefits to the U.S. economy.”

Status Report

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- ❖ DOE released its macro-economic study prepared by NERA Economic Consulting on December 3, 2012.
- ❖ The study has been available for a public comment period, which closed on January 24, 2013.
- ❖ A reply comment period closed on February 25, 2013.
- ❖ DOE is considering the comments filed, and will eventually begin considering applications again.

Status Report (continued)

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Pending Long-Term Applications to Export LNG to Non-FTA Countries - Listed in Order DOE Will Commence Processing

| Order to Be Processed | Company | DOE/FE Docket No. | Date DOE Application Filed | FERC Pre-Filing Docket No. | Date Applicant Received FERC Approval to Begin Pre-Filing Process |
|-----------------------|---|-------------------|----------------------------|----------------------------|---|
| 1 | Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC | 10-161-LNG | 12/17/2010 | PF11-2 | 1/5/2011 |
| 2 | Lake Charles Exports, LLC | 11-59-LNG | 5/6/2011 | PF12-8 | 4/6/2012 |
| 3 | Dominion Cove Point LNG, LP | 11-128-LNG | 10/3/2011 | PF12-16 | 6/26/2012 |
| 4 | Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC | 11-161-LNG | 12/19/2011 | PF11-2 | 1/5/2011 |
| 5 | Cameron LNG, LLC | 11-162-LNG | 12/21/2011 | PF12-13 | 5/9/2012 |
| 6 | Jordan Cove Energy Project, L.P. | 12-32-LNG | 3/23/2012 | PF12-7 | 3/6/2012 |
| 7 | LNG Development Company, LLC (d/b/a Oregon LNG) | 12-77-LNG | 7/16/2011 | PF12-18 | 7/16/2012 |
| 8 | Cheniere Marketing, LLC | 12-97-LNG | 8/31/2012 | PF12-3 | 12/22/2011 |
| 9 | Excelsior Liquefaction Solutions I, LLC | 12-146-LNG | 10/5/2012 | PF13-1 | 11/20/2012 |
| 10 | Carib Energy (USA) LLC | 11-141-LNG | 10/20/2011 | | |
| 11 | Gulf Coast LNG Export, LLC | 12-05-LNG | 1/10/2012 | | |
| 12 | Southern LNG Company, L.L.C. | 12-100-LNG | 8/31/2012 | PF13-3 | Not yet approved |
| 13 | Gulf LNG Liquefaction Company, LLC | 12-101-LNG | 8/31/2012 | PF13-4 | Not yet approved |
| 14 | CE FLNG, LLC | 12-123-LNG | 9/21/2012 | | |
| 15 | Golden Pass Products LLC | 12-156-LNG | 10/26/2012 | | |
| 16 | Pangea LNG (North America) Holdings, LLC | 12-184-LNG | 12/19/2012 | | |

DOE will begin processing all long-term applications to export LNG to non-FTA countries in the following order:

1. All pending DOE applications where the applicant has received approval (either on or before December 5, 2012) from the Federal Energy Regulatory Commission (FERC) to use the FERC pre-filing process, in the order the DOE application was received.
2. Pending DOE applications in which the applicant did not receive approval (either on or before December 5, 2012) from FERC to use the FERC pre-filing process, in the order the DOE application was received.
3. Future DOE applications, in the order the DOE applications are received.

Last Revised: 01/08/2013 (added #16 Pangea LNG to list)

Summary

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- ❖ The Natural Gas Act creates a rebuttal presumption that applications are consistent with the public interest.
- ❖ In the absence of evidence to the contrary, the granting of authorizations is consistent with DOE's established policies and previous decisions.
- ❖ The NERA study supports LNG exports as providing net benefits to the U.S. economy.
- ❖ The procedural framework provides opportunities for stakeholders to be involved in the process.

For more information visit:

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www.lngfacts.org

The Center for Liquefied Natural Gas

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