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March 12, 2020

U.S. Department of Energy (FE–34),
Attn: Term Extension— Proposed Policy Statement,
Office of Regulation, Analysis, and Engagement,
Office of Fossil Energy,
P.O. Box 44375
Washington, DC 20026–4375

Dear U.S. Dept of Energy Office of Fossil Energy:

It is wrong to continue to allow Liquefied Natural Gas export projects to continue to hold landowners, rural communities and citizen's hostage when the project is not really viable and not likely to be able to proceed. This is not in the U.S. public interest.

For example, despite the fact that there is a glut of LNG and currently no international market for Pembina's proposed Jordan Cove LNG project, **Pembina's CEO Michael (Mick) Dilger has publicly stated that the purpose of the project is to get Canadian hydrocarbons to the rest of the world**. [1] Dilger feels the shorter travel time to Asian markets versus the U.S. Gulf Coast would mean lower transportation costs for its LNG. He has become frustrated by Canada's infrastructure gridlock and sees the U.S. as a way to get Canadian gas and oil projects to Asia. His company would be in direct competition with U.S. Gulf Coast LNG terminals that are already in operation and/or that have been recently approved. **This doesn't meet the U.S. test for *Convenience and Necessity*.**

Jordan Cove's plans to export Canadian gas is clearly explained in Jordan Cove's application and Final Decision from the National Energy Board of Canada[2] and in their application to the U.S. Department of Energy (DOE), who has given the project approval under DOE Order No. 3412 to **import** 1.55 billion cubic feet a day of natural gas **from Canada to the proposed Jordan Cove LNG terminal for a 25-year term**.[3] Jordan Cove also has an Order[4] from Canada that allows the export of CANADIAN gas to their proposed JCEP Export terminal.

[1] *Pembina Pipeline's new purpose: Get Canada's oil and gas to the rest of the world* ;By Claudia Cattaneo; February 16, 2018; http://business.financialpost.com/commodities/energy/pembina-pipelines-new-purpose-get-canadas-oil-and-gas-to-the-rest-of-the-world
See also rec at: https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=15306396
[2] 14-02-20 National Energy Board - Jordan Cove LNG L.P. Letter Decision (A58981) https://apps.cer-rec.gc.ca/REGDOCS/Item/View/2423890
[3] U.S. DOE/FE March 18, 2014 - Order No. 3412 - Jordan Cove LNG L.P. Application for long-term authority to import 1.55 Bcf/d natural gas by pipeline from Canada (FE Docket No. 13-141-NG): https://fossil.energy.gov/ng_regulation/sites/default/files/programs/gasregulation/authorizations/2014/orders/ord3412.pdf
[4] https://apps.cer-rec.gc.ca/REGDOCS/Item/View/2804337

In addition, the FERC March 11, 2016 Order 154 FERC ¶ 61,190 that previously denied the Jordan Cove / Pacific Connector Project a Certificate, did so *without prejudice to Jordan Cove and/or Pacific Connector submitting a new application *** **should the companies show a market need for these*** [LNG export] ***services in the future***. Order at 48 (Emphasis added). In order for the Jordan Cove project to proceed they must FIRST show a market need for their LNG Export project. That has not occurred and is not likely to occur due to:

- Jordan Cove does not have the financial resources necessary to build an LNG facility, particularly not a greenfield LNG project proposed in a protected Coastal Shoreland area.

- Most of Jordan Cove/Pacific Connector's Conditional Land Use permits are under appeal and do not meet state requirements for safety or for building in a Coastal Shoreland area that should be protected under the Coastal Zone Management Act (CZMA).

- U.S. LNG expansion is already uncertain amid oil prices that have turned LNG exports from a financial cornucopia into money-losing duds.[5] Chesapeake Energy Corp., once in the vanguard of U.S. frackers, is unprofitable and struggling with more than $9 billion of debt. It warned in November it may go bust. EQT Corp., the largest domestic gas producer, said in December it will take an impairment of up to $1.8 billion for the fourth quarter, due in part to low prices.[6] BP Plc, Repsol SA and Equinor ASA have written off more than $11 billion in total from the value of North American shale assets just last year. Chevron announced in December that "[a]*s a result of Chevron's disciplined approach to capital allocation and a downward revision in its longer-term commodity price outlook, the company will reduce funding to various gas-related opportunities **including Appalachia shale, Kitimat LNG**, **and other international projects***." [7] Chevron Corp. expects a writedown of more than $11 billion.[6] (Emphasis added)

  Morgan Stanley said it expects natural gas prices to worsen this year, amid oversupply.[8]

  "To solve this glut, we see increasing risk of U.S. LNG export capacity shut-ins next summer," the Wall Street bank said in a note to clients on Wednesday, December 11,

[5] *Natural gas drillers face an economic reckoning;* By David Marston; January 10, 2020 https://www.gjsentinel.com/opinion/columns/natural-gas-drillers-face-an-economic-reckoning/article_65380560-33ce-11ea-8a43-d760b4d8c573.html
WHY HAS BC'S LNG INDUSTRY STALLED? The political obstacles are bad, but the economic ones are far, far worse. http://www.sightline.org/2017/06/28/why-has-bcs-lng-industry-stalled/
[6] *America Is Awash With Natural Gas and It's About to Get Worse*; By Rachel Adams-Heard, Naureen S. Malik and Sayer Devlin – Bloomberg; January 19, 2020; https://finance.yahoo.com/news/america-awash-natural-gas-worse-120000566.html
[7] *Chevron to Reduce Funding for Proposed Kitimat LNG Terminal;* Posted Dec 12, 2019; https://www.lnglawblog.com/2019/12/chevron-to-reduce-funding-for-proposed-kitimat-lng-terminal/

2019. “We are cutting our 2020 Henry Hub price forecast from US$2.50/MMBtu to US$2.25/MMBtu, though maintain long-term estimate of US$2.50/MMBtu.” [8]

More than 200 oil and gas companies in North America have filed for bankruptcy since 2015. According to a new report from law firm Haynes and Boone,[9] from 2015 through November of last year, **208 companies filed for bankruptcy**. Those filings involved a combined $121.7 billion in debt.[10] **The rate of bankruptcies could accelerate this year as the price of natural gas recently tumbled below $2/MMBtu and crude oil prices have fallen back once again**. <u>The problem for the sector is the tidal wave of debt that comes due in the next few years</u>. According to the Wall Street Journal, [11] North American oil and gas companies have a combined $200 billion in debt that matures over the next four years, with $40 billion due this year alone.

Natural Gas (Henry Hub) Official Close 1/24/2020 $1.89: [12]

The Henry Hub price as of 2/9/2020 was down to $1.80. That should speak for itself with respect to the viability of the Jordan Cove project.

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[8] *Chevron's possible exit from Kitimat LNG project dents Canada's aspirations of building LNG hub*; Geoffrey Morgan and Reuters; December 11, 2019; https://business.financialpost.com/commodities/energy/chevrons-possible-exit-from-kitimat-lng-project-dents-canadas-hopes-of-building-lng-hub

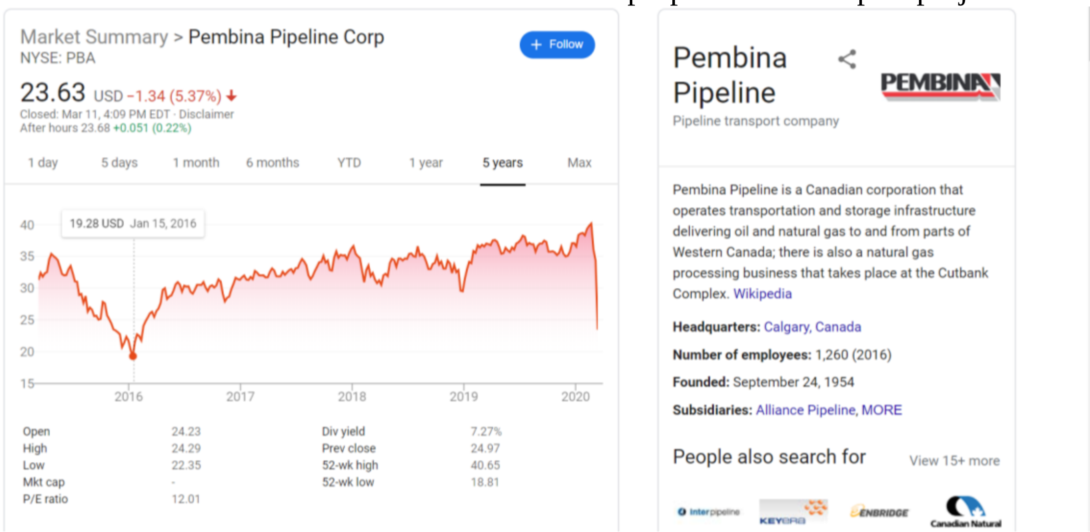
[9] https://www.haynesboone.com/-/media/Files/Energy_Bankruptcy_Reports/Oil_Patch_Bankruptcy_Monitor

[10] *U.S. Shale Patch Sees Huge Jump In Bankruptcies* By Nick Cunningham - Jan 23, 2020 https://oilprice.com/Energy/Energy-General/US-Shale-Patch-Sees-Huge-Jump-In-Bankruptcies.html

[11] https://www.wsj.com/articles/energy-producers-new-years-resolution-pay-the-tab-for-the-shale-drilling-bonanza-11577880001

[12] https://markets.businessinsider.com/commodities/natural-gas-price

Pembina does not have the resources to build the proposed LNG export project:



Larry Persily, Chief of Staff for the Kenai Peninsula Borough stated in a 2017 article, "Facing global gas glut, ConocoPhillips to mothball Kenai LNG plant":

> *"It's also a hard reminder to Alaskans that no matter how much we want to sell our oil and gas, **if the market doesn't want it, doesn't need it or isn't willing to pay a price to make it profitable — we can't sell our oil and gas**," Persily said.*
>
> *Prices have tumbled from $15-$18 per million btu, to just over $5.*
>
> *"**You can't buy gas out of Cook Inlet, pay to liquify it, burn up some of it while you're liquefying it, put it in a tanker and deliver it for $5.50 per million btu and make money**," Persily said. "**It is a[n] inhospitable market and will be for the near future**."*[13] (Emphasis added)

On December 11, 2019 the FERC issued an order under Docket CP14-517-000, et al granting Golden Pass LNG Terminal LLC an extension of time, from December 21, 2019 to November 30, 2026, (7 years) to complete the construction of its proposed liquefaction and LNG export terminal in Jefferson County, Texas, and make it available for service. In its extension request, Golden Pass stated that "*due to delays in obtaining the necessary authorizations both from the Commission as well as the DOE [Office of Fossil Energy]*, ***and the resulting uncertainty***," **additional time was needed** ***"to enable Golden Pass LNG to enter into the necessary commercial arrangements to commence construction***." [14] (Emphasis added) Qatar Petroleum owns 70 percent of the Golden Pass LNG project and ExxonMobil owns 30 percent.

[13] Facing global gas glut, ConocoPhillips to mothball Kenai LNG plant
By Rashah McChesney, Alaska's Energy Desk - Juneau - July 13, 2017
http://www.alaskapublic.org/2017/07/13/facing-global-gas-glut-conocophillips-to-mothball-kenai-lng-plant/
[14] *FERC Grants Golden Pass LNG 7-Year Extension to Complete Construction* Posted Dec 13, 2019; https://www.lnglawblog.com/2019/12/ferc-grants-golden-pass-lng-7-year-extension-to-complete-construction/

Even though Kinder Morgan Inc.'s proposal to develop the Gulf LNG export terminal in Mississippi reached a major milestone in the form of federal approval, **the company is unlikely to commercially sanction the estimated $8 billion project**. "It's big, it's expensive, it's uncontracted," Katie Bays, an energy analyst and co-founder of research and consulting firm Sandhill Strategy, said in an interview. In July CEO and Director Steven Kean said the regulatory approval was "a nice step, but there is nothing imminent there."[15]

Even though two west coast Canadian projects—LNG Canada's Kitimat LNG and Woodfibre LNG—have received approvals and are in the groundbreaking stage, the future development of Canada's LNG sector is uncertain. The most significant market development impacting Canada's LNG future is the continued depressed price of natural gas in Asia. The price of natural gas has been trending lower since the market crash of 2008.[16]

A January 10, 2020 article in the GJ Sentinel states that Russia is the reason. Russia has almost completed natural gas delivery pipelines to Europe through Tukey, and just finished a major gas pipeline to northern China. Despite new U.S. sanctions, a giant new pipeline through the Baltic Sea to Germany will surely commence operations in early 2020. NATO countries may hate Putin but they love cheap gas. **These pipelines have major advantages over U.S. LNG.** [5 / 17]

- Expanding existing global LNG projects is very competitive with larger more experienced gas industry players having the clear advantage over Jordan Cove who has no LNG export experience whatsoever.[18] Even these larger gas industry players are putting on hold or pulling the more expensive greenfield LNG projects due to current projects not penciling out, **so why hasn't Jordan Cove done the same?**

The FERC March 11, 2016 Order 154 FERC ¶ 61,190 at 46 and 48 stated the following:

> *46. Because the record does not support a finding that the Jordan Cove LNG Terminal can operate to liquefy and export LNG absent the Pacific Connector Pipeline, we find that authorizing its construction **would be inconsistent with the public interest**. Therefore, we also deny Jordan Cove's request for authorization to site, construct and operate the Jordan Cove LNG Terminal.*
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> * * * *
>
> *48. Our actions here are without prejudice to Jordan Cove and/or Pacific Connector submitting a new application to construct and/or operate LNG export facilities or natural gas transportation facilities **should the companies show a market need for these services in the future**.* (Emphasis added)

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[15] *After FERC approval, Kinder Morgan's Gulf LNG still faces a long road* July 18, 2019 https://www.spglobal.com/marketintelligence/en/news-insights/trending/kw8f6dFi3gK1G5RmSBGWiQ2

[16] http://www.gasprocessingnews.com/columns/201904/ewanalysis-canada-comes-late-to-lng-projects-and-prospects-mixed.aspx

[17] https://www.forbes.com/sites/daneberhart/2020/01/27/chinas-promise-to-buy-more-us-energy-probably-unachievable/#36f84b49400d

[18] https://www.bloomberg.com/news/articles/2017-07-06/qatar-flexing-lng-muscle-puts-new-u-s-australia-plants-at-risk

In the FERC Order denying the previous Jordan Cove application, FERC describes on pages 7, 8, and 9 the many requests which Jordan Cove was asked to clarify what executed agreements it had for use of the pipeline and export of the LNG. In all cases Jordan Cove says they "had entered into non-binding Heads of Agreements with various Asian companies for liquefaction and transportation capacity." Therefore, they did not have firm contracts to sell the LNG or volume sufficient to justify the pipeline. **Jordan Cove has <u>not proven a need</u> for their project to this day.**

On October 1, 2019 the Industrial Energy Consumers of America (IECA) wrote a letter to Dorothy DeWitt, the Director of the Division of Market Oversight at the U.S. Commodity Futures Trading Commission (CFTC). In that letter the IECA stated that:

> *When foreign country entities buy or control firm natural gas pipeline capacity, **<u>it is serving their country's public interest, not the U.S. public interest</u>**, and the two are not compatible.*
>
> *   *   *   *
>
> *Nearly 100 percent of all U.S. LNG exports are purchased or consumed by SOEs* [state-owned enterprises] *and FGCUs* [foreign government controlled utilities]. *These entities are poised to control the vast majority of the 34.5 Bcf/d, an equivalent of 42 percent of U.S. 2018 demand that has been approved for export by the U.S. Department of Energy (DOE) to **<u>non-free trade agreement</u>** (NFTA) **<u>countries for periods of up to 30 years</u>**. The DOE plans to approve another 20.0 Bcf/d, an equivalent to 25 percent of 2018 demand, that is pending or in pre-filing to export.*
>
> *There is also **<u>growing ownership in U.S. LNG export terminals, natural gas resources, and importantly, direct or indirect control of firm natural gas pipeline transportation, which results in less access to, control, and availability of these resources and pipeline capacity for U.S. consumers, manufacturers, and power generators</u>**. Inadequate pipeline capacity at peak demand would prevent power plants from operating and threaten grid reliability. **<u>Under the Natural Gas Act1 (NGA), foreign government entities should be prevented from negatively impacting the public interest and national security</u>**.* (Emphasis added)

We agree with the IECA and the FERC should also.

On November 7, 2018 Reuters reported that Japan's Toshiba Corp will exit its U.S. liquefied natural gas (LNG) business by paying China's ENN Ecological Holdings Co more than $800 million to take over the unit as part of a plan to shed money-losing assets. "***<u>The project posed a huge risk, because no one knows how the situation will be over the next 20 years</u>***," Toshiba's Chief Executive Officer Nobuaki Kurumatani told reporters at a press conference.[19]

Apparently JERA Co, the same company that Jordan Cove has stated would be willing to sign a long term contract with them for JCEP LNG was not able to help Toshiba find buyers for its LNG coming from the Freeport LNG project in the U.S. Gulf Coast [20] So what does this

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[19] *Toshiba to pay ENN more than $800 million to <u>exit</u> U.S. LNG business;* By Osamu Tsukimori, Jessica Jaganathan; November 7, 2018 https://www.reuters.com/article/us-toshiba-lng-sale/toshiba-to-pay-enn-more-than-800-million-to-exit-u-s-lng-business-idUSKCN1ND0DT

[20] https://newsbase.com/topstories/toshiba-sees-lng-business-big-risk

mean? How can JERA sign a long-term contract with Jordan Cove if they cannot even sell U.S. gas that is already under contract? …?

We are currently looking at 15+ years now that landowners have had the threat of EMINENT DOMAIN hanging over their heads for a project that would take private U.S. American landowner property for the sole benefit of a Canadian owned and operated Energy Company that has not proven they are even viable.[21]

IT IS NOT IN THE U.S. PUBLIC INTEREST for the U.S. Department of Energy to allow these gas industry export projects to continue for a longer time than they already are being given. If a gas project is not viable than project proponents should not even be applying for the right to proceed with their unviable project in the first place. No to any more extensions!

Sincerely,

/s/ Jody McCaffree

Jody McCaffree

[21] See Rec at: https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=15306395