



July 21, 2014

United States of America  
Before The Department of Energy  
Office of Fossil Energy

Electronically to: <http://energy.gov/fe/LCA-GHG-Report>

**Comments of Dominion Cove Point LNG, LP Concerning: (1) the Proposed Changes in Procedures For LNG Export Decisions, (2) the Draft Addendum to Environmental Review Documents Concerning Exports of Natural Gas from the United States and (3) the Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States**

Dear Sir or Madam:

On May 29, 2014, the Department of Energy (“DOE”) proposed changes to its procedures intended to ensure an efficient process that allows for consideration of more complete information when it makes its public interest determinations for proposed exports of liquefied natural gas (“LNG”) to non-Free Trade Agreement (“FTA”) countries. At the same time, DOE released two environmental reports that explore the environmental impacts of unconventional natural gas production and projected lifecycle greenhouse gas impacts of U.S. LNG exports.

In accordance with the procedures established by DOE, Dominion Cove Point LNG, LP (“DCP”) hereby submits these comments concerning: (1) DOE’s proposed changes in its method of processing non-FTA applications, (2) the Draft Addendum to Environmental Review Documents Concerning Exports of Natural Gas from the United States (the “Upstream Addendum”), and (3) the report Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States (the “GHG Perspective”). <sup>1/</sup> We appreciate the opportunity to comment on these matters.

**Background**

DCP owns the Cove Point LNG Terminal, as well as an 88-mile gas pipeline connecting the LNG Terminal to the interstate pipeline grid. DCP is an indirect subsidiary of Dominion Resources, Inc., one of the nation’s largest producers and transporters of energy, with a portfolio

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<sup>1/</sup> DOE/FE announced its new process and the release for public comment of the two environmental studies in a single announcement made on May 29, 2014. See <http://energy.gov/fe/doe-lng-exports-announcements-may-29-2014> . Federal Register notices seeking public comment were issued on June 4, 2014.

of approximately 23,600 megawatts of generation, 10,900 miles of natural gas transmission, gathering and storage pipeline and 6,400 miles of electric transmission lines. We operate one of the nation's largest natural gas storage systems with 947 billion cubic feet of storage capacity and serve utility and retail energy customers in 10 states.

As the owner and operator of the Cove Point LNG Terminal, we are directly affected by DOE's recent announcement. For nearly 40 years, DCP has taken great pride in being a valued member of the natural gas value chain and a responsible environmental steward. DCP's commitment to the environment has remained a priority over this period as the facility has adapted to support the energy needs of the U.S. The next chapter in this progression, the proposed [approximately \$3.4 to \$3.8 billion] investment to add natural gas liquefaction and export facilities to the existing facility, is a new phase for Cove Point that will significantly benefit the community and the economy.

DCP was an active commenter on DOE's 2012 LNG Export Study, submitting initial comments on January 24, 2013, and reply comments on February 24, 2013, that supported the public interest in LNG exports. We also submitted to DOE our applications for authorization to export LNG from our existing terminal.

On September 1, 2011, DCP submitted an application in FE Docket No. 11-115-LNG for long-term, multi-contract authorization to export LNG by vessel from its existing Cove Point terminal to countries with which the U.S. has, or in the future enters into, a FTA requiring the national treatment for trade in natural gas. DOE issued DCP its requested FTA authorization in DOE/FE Order No. 3019 on October 7, 2011.

On October 3, 2011, we submitted a non-FTA export application in FE Docket No. 11-128-LNG. On September 11, 2013, DOE conditionally granted DCP's non-FTA authorization in DOE/FE Order No. 3331, which was the fourth such authorization order issued. Our non-FTA authorization was conditioned on satisfactory completion of the environmental review process of the project, with DOE intending to complete its review pursuant to the National Environmental Policy Act ("NEPA") as a cooperating agency in the review led by the Federal Energy Regulatory Commission ("FERC").

The FERC began its review of DCP's proposed Liquefaction Project, including its environmental impact, over two years ago with the initiation on June 26, 2012 of the pre-filing process in FERC Docket No. PF12-16. The completion of the pre-filing process set the stage for our actual FERC application which was submitted over fifteen months ago, on April 1, 2013, in FERC Docket No. CP13-113. That application, including the voluminous environmental resource reports, consisted of more than 12,000 pages.

After nearly two years, FERC's extensive environmental review process culminated in the Environmental Assessment ("EA") for the Project issued on May 15, 2014, which was followed by a 30 day public comment period. The EA considered the environmental effects of the

construction and operation of Liquefaction Project in accordance with the requirements of NEPA. It concludes that approval of the Project, with the appropriate mitigation measures detailed in the EA, would not constitute a major federal action significantly affecting the quality of the human environment. While FERC was the lead agency for NEPA purposes, DOE participated as a cooperating agency in the preparation of the EA, as did the U.S. Department of Transportation (including the Pipeline and Hazardous Materials Safety Administration), U.S. Army Corps of Engineers, U.S. Coast Guard, and the Maryland Department of Natural Resources.

DCP anticipates the issuance of a favorable order from the FERC very soon – which will make our project just the third U.S. LNG export facility to receive FERC authorization for construction and operation. The EA and FERC order will set the stage for DOE to remove the prior environmental condition on its authorization of our non-FTA exports and to issue a final order.

### **Comments on the Proposed Change in Procedures for Processing Non-FTA Authorizations**

In light of changing market conditions, DOE proposes to suspend its practice of issuing conditional decisions on applications for non-FTA export authorizations and to eliminate its prior practice of acting on the applications in the published order of precedent. Instead, DOE will act on non-FTA applications only after the completion of the NEPA process. As Deputy Assistant Chris Smith explained in the statement accompanying the announcement:

By removing the intermediate step of conditional decisions and setting the order of DOE decision-making based on readiness for final action, DOE will prioritize resources on the more commercially advanced projects. 2/

The public notice further explained four reasons for the DOE's proposed change in procedures:

first, because conditional decisions no longer appear necessary for FERC or the majority of applicants to devote resources to NEPA review; second, because doing so will prioritize acting upon applications that are otherwise ready to proceed; third, because doing so will facilitate decision making informed by better and more complete information; and fourth, because doing so will better allocate agency resources. 3/

DOE explained that its new proposed procedures:

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2/ “A Proposed Change to the Energy Department's LNG Export Decision-Making Procedures,” issued May 29, 2014, available at: <http://energy.gov/articles/proposed-change-energy-departments-lng-export-decision-making-procedures> (hereinafter, the “Smith Statement”) at page 2.

3/ Notice of Proposed Procedures, 79 Fed. Reg. at 32263.

would not affect the continued validity of the conditional orders the Department has already issued. For those applications, the Department will proceed as explained in the conditional orders: When the NEPA review process for those projects is complete, the Department will reconsider the conditional authorization in light of the information gathered in the environmental review and take appropriate final action. <sup>4/</sup>

Accordingly, the new procedures would not be applicable to DCP's Liquefaction Project because it has already received a conditional non-FTA authorization. Nevertheless, we support DOE's goal of prioritizing, and devoting its resources to, the commercially-advanced LNG export projects that are most ready to proceed. We believe that the new procedures proposed by DOE are an improvement over the pre-existing procedures and commend DOE for proposing the change. Accordingly, we support the adoption of the proposed new procedures.

DCP's wishes to emphasize, however, that DOE's proposed new procedures should in no way impede or delay our Liquefaction Project, including the issuance of the final non-FTA approval needed from DOE. This is a major, important project for the nation that is ready to move forward, and it will be one of the very first U.S. LNG export projects to go into operation. The export capacity is fully subscribed by major energy companies based in Japan and India, and we are ready to proceed with construction of the Project as soon as we are authorized to do so. As DOE has repeatedly recognized, including in its non-FTA order for DCP, LNG exports will have major public benefits, including creating jobs, expanding tax revenues, improving the country's balance of trade, and helping U.S. allies around the world with an attractively priced, reliable new source of natural gas.

Our Liquefaction Project is the epitome of the sort of LNG export project for which DOE has announced it will prioritize its resources. No new procedures concerning LNG exports generally, or related comment periods, should delay the benefits of the project any longer.

### **Comments on the Upstream Addendum**

DOE prepared the Upstream Addendum to provide the public with a more complete understanding of the potential impacts of the current rapid development of unconventional natural gas resources. The Addendum is not the result of new analysis or research, but rather reflects DOE's review of existing studies and analyses.

Much of the opposition to LNG export projects, including our Liquefaction Project, has focused on concerns about the potential upstream impacts associated with unconventional gas production. The Upstream Addendum may help promote public understanding of this issue. But the impacts associated with upstream development and production are largely separate and apart from LNG

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<sup>4/</sup> *Id.*

export projects; concerns about upstream production should focus on that activity itself rather than on regulatory approvals of LNG export projects.

As DOE recognized in its public notice of the Draft Addendum, “Fundamental uncertainties constrain the ability to predict what, if any, domestic natural gas production would be induced by granting any specific authorization or authorizations to export LNG to non-FTA countries.... The current rapid development of unconventional natural gas resources will likely continue, with or without the export of natural gas.” 5/ Therefore, as DOE correctly explained,

By including this discussion of natural gas production activities, DOE is going beyond what NEPA requires. While DOE has made broad projections about the types of resources from which additional production may come, DOE cannot meaningfully estimate where, when, or by what method any additional natural gas would be produced. Therefore, DOE cannot meaningfully analyze the specific environmental impacts of such production, which are nearly all local or regional in nature. As DOE explained in *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961–A (Aug. 7, 2012), lacking an understanding of where and when additional gas production will arise, the environmental impacts resulting from production activity induced by LNG exports to non-FTA countries are not “reasonably foreseeable” within the meaning of the Council on Environmental Quality’s (CEQ) NEPA regulations (40 CFR 1508.7). 6/

This conclusion is consistent with a series of FERC decisions considering the same issue both with respect to LNG export projects 7/ and pipeline projects designed to transport unconventional production. 8/

DOE’s understanding of the impacts of the upstream production, as reflected in the Upstream Addendum, may inform its analysis of future LNG export proposals. Given the lack of

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5/ Notice of Upstream Addendum, 79 Fed. Reg. at 32259.

6/ *Id.*

7/ *Cameron LNG, LLC*, 147 FERC ¶ 61,230 at P 69 (2014); *Sabine Pass Liquefaction, LLC*, 139 FERC ¶ 61,039 at P 94-99, *reh’g*, 140 FERC ¶ 61,076 at P 8-22 (2012); *Cheniere Creole Trail Pipeline*, 145 FERC ¶ 61,074 at P 51-60, *reh’g*, 145 FERC ¶ 61,074 at P 8-19 (2013).

8/ *Central NY Oil and Gas Co., LLC*, 137 FERC ¶ 61,121 at P 81-101 (2011), *reh’g*, 138 FERC ¶ 61,104 at P 33-49 (2012), *petition for review dismissed, sub nom., Coalition for Responsible Growth, et al. v. FERC*, 485 Fed. Appx. 472, 2012 WL 1596341 (2d Cir., April 17, 2012) (unpublished opinion); *Texas Eastern Transmission, LP*, 139 FERC ¶ 61,138 at P 70-73, *reh’g*, 141 FERC ¶ 61,043 at P 37-41 (2012); *Tennessee Gas Pipeline Co., LLC*, 139 FERC ¶ 61,161 at P 178-200, *reh’g*, 142 FERC ¶ 61,025 at P 72-87 (2012), *rev’d on other grounds, Delaware River Keepers Network v. FERC*, Case No. 13-1015 (D.C. Cir., June 6, 2014); *Transcontinental Gas Pipe Line Co., LLC*, 141 FERC ¶ 61,091 at P 127-141 (2012), *reh’g*, 143 FERC ¶ 61,132 at P 49-60 (2013).

connection between the general analysis of potential impacts of unconventional natural gas production and any particular LNG export project, however, the Upstream Addendum provides little insight into the public interest analysis required in DOE's analysis of individual non-FTA export authorizations, such as the Cove Point Liquefaction Project. More specifically, while the Upstream Addendum provides certain general estimates about the environmental impacts associated with increased gas production, those impacts have no particular relevance to our Liquefaction Project for which a comprehensive EA has already been completed.

Accordingly, DOE's efforts to provide public information concerning the impacts of unconventional natural gas production should not delay DOE's action on individual pending LNG export applications such as Cove Point.

### **Comments on the GHG Perspective**

The GHG Perspective, prepared by DOE's National Energy Technology Laboratory, estimates the "life cycle" greenhouse gas ("GHG") emissions of U.S. LNG exports to Europe and Asia to produce electric power, compared to alternative means of production. Specifically, the report provides an analysis of four energy transportation and usage scenarios to contrast and compare the estimated GHG emissions of LNG exports with both regionally produced natural gas and coal. The analysis reflects an example of U.S. unconventional production transported to a liquefaction terminal in New Orleans and LNG exported to regasification terminals in (a) Rotterdam, Netherlands to represent European markets and (b) Shanghai, China to represent Asian markets.

This type of well-founded, science-based approach may be helpful in promoting understanding of the expected environmental impacts of LNG exports as well as contributing to an increased understanding of the impacts of maintaining existing practices. Such understanding can contribute to policy decisions promoting an overall energy strategy that addresses the need for a stable, reliable international energy value chain while considering the environmental impacts of these decisions.

The conclusions in the GHG Perspective are supportive of LNG exports. For a vast majority of scenarios in both the European and Asian regions, the generation of power from imported natural gas has lower life cycle GHG emissions than power generation from regional coal. <sup>9/</sup> The results show that the LNG and Russian natural gas cases produce similar amounts of GHG emissions on a 100-year basis, with LNG comparing favorably to piped Russian gas when comparing the scenarios on a 20-year basis. <sup>10/</sup> At a minimum, the analysis shows that exporting U.S. LNG will not increase GHG emissions on a life cycle basis compared to the likely alternatives.

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<sup>9/</sup> GHG Perspective at 9 & Figure 9.1.

<sup>10/</sup> Id. at 10 & Figure 6-2.

The GHG Perspective emphasizes that its “results should be interpreted as general guidance to provide perspective on trends only and not as perspective, scenario-specific results.” <sup>11/</sup> Further, the specific scenarios chosen for modeling do not correspond to particular LNG exports from any specific proposed project: *e.g.*, they do not reflect exports from our terminal on the Chesapeake Bay to export customers based in Japan and India.

Most importantly, this type of life cycle GHG analysis is in no way required as part of the environmental review of LNG exports. DOE has recognized that, just like the Upstream Addendum, the GHG Perspective goes “beyond what is required by NEPA.” <sup>12/</sup> Just as DOE explained regarding the Upstream Addendum, the GHG impacts of the life cycle from natural gas production to power generation overseas are not “reasonably foreseeable.”

Moreover, life cycle GHG emissions are not “caused” by DOE’s authorization of LNG exports within the meaning of NEPA. For an agency action to be considered responsible for an effect, NEPA requires a “reasonably close causal relationship” between the environmental effect and the alleged cause. <sup>13/</sup> In no sense can DOE’s authorization of LNG exports be considered the cause of GHG emissions ranging all the way from the well-head (wherever that may be for particular feed gas) to the burner-tip (wherever the exported LNG may be burned after regasification under whatever regulatory rules may apply in that country).

Therefore, our fundamental concern regarding the GHG Perspective is the same as our main concern regarding the Upstream Addendum. DOE’s effort to explain various potential environmental impacts associated in some general way with LNG exports, including by considering public comments on the life cycle GHG analysis, should not delay or impede DOE’s action on individual export applications, such as our application in FE Docket No. 11-128-LNG.

Our Liquefaction Project is a prime example of the type of ready-to-proceed project that DOE should expedite, and certainly not allowed to be delayed by additional analysis of the policy implications of LNG exports, or the agency’s consideration of public comments submitted in response to its initiatives.

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<sup>11/</sup> *Id.* at 9.

<sup>12/</sup> Smith Statement, *supra.*, at page 4.

<sup>13/</sup> *U.S. Dep’t of Transp. v. Public Citizen*, 541 U.S. 752, 767 (2004), *citing Metropolitan Edison Co. v. People Against Nuclear Energy*, 460 U.S. 766, 774 (1983).

We thank you for the opportunity to comment on DOE's recent initiatives related to LNG export authorizations. If you have any questions or wish to discuss DCP's comments, please call me at 804-273-3467.

Sincerely,

*/s/ Pamela Faggert*

Pamela Faggert  
Chief Environmental Officer &  
Vice President Corporate Compliance

On Behalf of:  
Dominion Cove Point LNG Company, LNG, LP  
The General Partner of Dominion Cove Point LNG, LLC