



Department of Energy
Washington, DC 20585

November 4, 2016

BY EMAIL

David L. Wochner
K&L GATES LLP
1601 K Street, N.W.
Washington, D.C. 20006

RE: Notice of Change in Control
Magnolia LNG, LLC, FE Docket No. 12-183-LNG
Magnolia LNG, LLC, FE Docket No. 13-131-LNG
Magnolia LNG, LLC, FE Docket No. 13-132-LNG

Dear Mr. Wochner:

This correspondence constitutes the response of the Office of Fossil Energy (FE) of the Department of Energy (DOE) to your letter filed on December 5, 2014, on behalf of Magnolia LNG, LLC¹ entitled "Descriptions of Recent Equity Ownership Changes."² Upon receipt of your Letter by DOE/FE, a copy of the Letter was posted to each of the docket proceedings listed above.

In FE Docket No. 13-132-LNG—in which Magnolia LNG filed an application requesting authority to export liquefied natural gas (LNG) to non-free trade agreement (FTA) countries³—we note that Magnolia LNG did not serve the Letter on the service list at the time the Letter was originally filed. However, in an email dated August 25, 2016, you served the Letter to the

¹ Magnolia LNG is a limited liability company organized under the laws of Delaware, and a wholly owned indirect subsidiary of LNG Limited. LNG Limited is a publicly listed Australian company.

² *Magnolia LNG, LLC*, Descriptions of Recent Equity Ownership Changes, FE Docket Nos. 12-183-LNG, 13-131-LNG, 13-132-LNG (Dec. 5, 2014) [hereinafter Letter].

³ Non-FTA countries include any country with which the United States does not have a FTA requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy.



service list, stating that “[s]ervice of process was omitted inadvertently when this [Letter] was filed.”⁴ DOE/FE received no responses to the Letter, and therefore it is appropriate for DOE/FE to address the equity ownership changes described therein.

I. BACKGROUND

The Letter describes the status of the three Magnolia LNG proceedings before DOE/FE, as summarized below.

FE Docket No. 12-183-LNG. On February 26, 2013, DOE/FE issued Order No. 3245, in which it authorized Magnolia LNG to export LNG, on its own behalf and as agent for other entities, from the proposed Magnolia LNG Terminal to FTA countries⁵ in a volume equivalent to 197.1 Bcf/yr of natural gas (0.54 Bcf/d) for a 25-year period.⁶

FE Docket No. 13-31-LNG. On March 5, 2014, DOE/FE issued Order No. 3406, in which it authorized Magnolia LNG to export LNG, on its own behalf and as agent for other entities, from the proposed Magnolia LNG Terminal to FTA countries in a volume equivalent to approximately 197.1 Bcf/yr of natural gas (0.54 Bcf/d) for a 25-year period.⁷

The volumes authorized for export in these two FTA orders, DOE/FE Order Nos. 3245 and 3406, are additive to one another, for a combined total FTA export volume of 394.2 Bcf/yr of natural gas (1.08 Bcf/d).

FE Docket No. 13-132-LNG. In this pending application, Magnolia LNG requests long-

⁴ Email from David L. Wochner to Service List, FE Docket No. 13-132-LNG (Aug. 25, 2016).

⁵ The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

⁶ *Magnolia LNG, LLC*, DOE/FE Order No. 3245, FE Docket No. 12-183-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal in Lake Charles, Louisiana, to Free Trade Agreement Nations (Feb. 26, 2013).

⁷ *Magnolia LNG, LLC*, DOE/FE Order No. 3406, FE Docket No. 13-131-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal to Free Trade Agreement Nations (Mar. 5, 2014).

term, multi-contract authorization to export domestically produced LNG, on its own behalf and as agent for other entities that will hold title to the LNG, from the proposed Magnolia LNG Terminal to non-FTA countries in a volume equivalent to 394.2 Bcf/yr of domestic natural gas (1.08 Bcf/d). Magnolia LNG requests this authorization for a 25-year term, commencing on the earlier of the date of first export or 10 years from the date of the issuance of this Order.

II. SUMMARY OF EQUITY OWNERSHIP CHANGES

Magnolia LNG's Letter was submitted pursuant to DOE/FE's Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas (CIC Procedures).⁸ The Letter describes two transactions related to Magnolia LNG's parent company, LNG Limited, set forth below.

A. The Baupost Group, L.L.C. Transaction

Magnolia LNG states that, as of October 10, 2014, the Baupost Group, L.L.C. (Baupost) increased its holdings in the stock of LNG Limited to 46,529,906 shares. According to Magnolia LNG, this transaction raised Baupost's holdings from 8.82% to approximately 10.08% of the issued and outstanding shares of LNG Limited, implicating the 10% threshold referenced in DOE's CIC Procedures. However, Magnolia LNG states, this transaction did not result in any change in control over Magnolia LNG, nor over LNG Limited. Magnolia LNG further states that this increase in holdings has not resulted in any changes (directly or indirectly) in the power

⁸ DOE/FE construes a change in control to mean a change, directly or indirectly, of the power to direct the management or policies of an entity whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means. A rebuttable presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10% or more of the voting securities of such entity. *See, e.g.*, U.S. Dep't of Energy, Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas, 79 Fed. Reg. 65,541, 65,542 (Nov. 5, 2014) (applying 10 C.F.R. § 590.405) [hereinafter CIC Procedures].

to direct the management or policies of LNG Limited or Magnolia LNG, and the governance of both LNG Limited and Magnolia LNG remains functionally unchanged.

B. China Huanqiu Contracting & Engineering Corporation Transaction

Magnolia LNG states that, as of May 21, 2014, China Huanqiu Contracting & Engineering Corporation (HQ) reduced its holdings in LNG Limited from 53,250,000 shares to 10,000,000. According to Magnolia LNG, HQ currently controls 2.17% of outstanding shares in LNG Limited, well below the 10% threshold described in DOE/FE Procedures. Magnolia LNG states that this reduction in holdings will not result in any significant change in its management. Magnolia LNG further states that this reduction in holdings has not resulted in any changes (directly or indirectly) in the power to direct the management or policies of LNG Limited or Magnolia LNG, and the governance of both LNG Limited and Magnolia LNG remains functionally unchanged.

III. DISCUSSION AND CONCLUSIONS

Considering the equity ownership changes described by Magnolia LNG, we find that only the Baupost transaction constitutes a change of control for purposes of DOE/FE's CIC Procedures. That transaction, as described above, raised Baupost's holdings from 8.82% to approximately 10.08% of the issued and outstanding shares of Magnolia LNG's parent company, LNG Limited.

A. FTA Export Authorizations (FE Docket Nos. 12-183-LNG and 13-131-LNG)

The CIC Procedures provide that, upon receipt of a statement of change in control relating to previously issued long-term FTA export authorizations, DOE will give immediate effect to the change in control and will take no further action. Accordingly, the Baupost change

in control has taken effect insofar as it relates to the FTA authorizations in DOE/FE Order Nos. 3245 and 3406. No further action is required.

B. Pending Non-FTA Export Application (FE Docket No. 13-132-LNG)

The CIC Procedures state that applicants may amend a pending non-FTA export application to reflect a change in control, but must serve notice of the change in control on other parties to the proceeding, as provided in 10 C.F.R. § 590.107. Under the Procedures, DOE will give immediate effect to the amendment of the application, and will address any issues raised in the answers from other parties in its final order on the application. As noted above, Magnolia LNG appears to have complied with the service requirements of the CIC Procedures in relation to its amendment of the pending non-FTA application in Docket No. 13-132-LNG. The amendment to Magnolia LNG's application thus has taken effect. However, since no parties in this proceeding opposed or otherwise timely responded to the Letter, no further action is required in relation to the change in control.

Sincerely,



John A. Anderson
Director, Office of Regulation and International Engagement
Office of Oil and Natural Gas
Office of Fossil Energy