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May 26, 2010



Mr. Robert Corbin  
Office of Fuels Programs, Fossil Energy  
U.S. Department of Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

**Re:    *The Dow Chemical Company, Docket No. 10-57 -LNG***  
**Application for Blanket Authorization to Export Liquefied Natural Gas on a**  
**Short-Term Basis**

Dear Mr. Corbin:

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy, 10 C.F.R. Part 590 (2009), The Dow Chemical Company (Dow) hereby files an original and fifteen (15) copies of its Application for Blanket Authorization to Export Liquefied Natural Gas (LNG) on a Short-Term Basis.<sup>1</sup> An electronic copy of the application is also provided on the enclosed compact disk. A check in the amount of \$50 is being provided as the filing fee stipulated by 10 C.F.R. § 590.207 (2009). I have enclosed four (4) extra copies of the application to be date-time stamped and returned to our messenger.

Thank you for your attention to this matter. Please contact the undersigned at (202) 429-8801 if you have any questions regarding this filing.

Respectfully submitted,

Douglas E. John  
Counsel for The Dow Chemical Company

Enclosures

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<sup>1</sup> The application is applicable solely to LNG imported and exported through the Freeport LNG Development, L.P. terminal in Quintana Island, Texas.

**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY**



**In the Matter of:**

**THE DOW CHEMICAL COMPANY**

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**Docket No. 10-~~51~~-LNG**

**APPLICATION OF THE DOW CHEMICAL COMPANY  
FOR BLANKET AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS**

Pursuant to Section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy (DOE), 10 C.F.R. Part 590 (2009), The Dow Chemical Company (Dow) hereby requests that the DOE Office of Fossil Energy (DOE/FE) issue an order granting Dow blanket authorization for a two-year period commencing on the date of authorization to engage in short-term exports of up to 390 billion cubic feet (390 Bcf) of previously-imported liquefied natural gas (LNG), on a cumulative basis, from the United States (U.S.) to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy. Good cause exists to grant the requested authorization for the reasons set forth below.

**I. DESCRIPTION OF APPLICANT**

Dow's corporate address is 2030 Dow Center, Midland, Michigan 48674. Dow is an international chemical and plastics manufacturing company with operations in a number of U.S. states. As relevant here, Dow owns and operates a large petrochemical manufacturing facility in Freeport, Texas. The facility is located within close proximity to the LNG import/export terminal owned and operated by Freeport LNG Development, L.P. (FLNG) in Quintana Island, Texas. In order to secure natural gas supplies for various operations at its Freeport petrochemical facility, Dow has contracted for 0.5 Bcf/day of terminal capacity from FLNG for a

twenty-year period that commenced in July 2008.<sup>1</sup> This amounts to slightly more than four LNG cargoes per month. Dow's petrochemical manufacturing facility can receive revaporized natural gas from the FLNG terminal via: (1) a 9.6-mile, 42-inch diameter send-out line that is owned and operated by FLNG, which extends from the LNG import terminal to a meter station near Stratton Ridge, Texas; and (2) a 20-inch line that is presently owned and operated by Dow, which interconnects with a 0.6 mile interconnecting pipeline near the Stratton Ridge meter station and which extends to Dow's petrochemical manufacturing plant.

## **II. COMMUNICATIONS**

Communications and correspondence concerning this filing should be directed to the following:

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## **III. AUTHORIZATION REQUESTED**

Dow requests blanket authorization to export on a short-term or spot market basis up to 390 Bcf<sup>2</sup> of previously imported LNG cumulatively over a two-year period commencing on the date the authorization is granted. Dow further requests that such authorization extend to LNG supplies imported from foreign sources to which Dow acquires title, as well as to LNG supplies

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<sup>1</sup> Dow has also secured LNG import authority from DOE/FE. *See The Dow Chemical Company*, FE10-12-NG, DOE Opinion and Order No. 2754 at p. 3, Ordering Paragraph A (Feb. 25, 2010) (authorizing Dow "to import and export natural gas from and to Canada and Mexico, and to import LNG from various international sources, up to a combined total of the equivalent of 390 Bcf of natural gas, pursuant to transactions that have terms of no longer than two years")

<sup>2</sup> This is equal to Dow's LNG import authorization. *See id.*



imported from foreign sources that Dow may export on behalf of other entities who themselves hold title. Dow does not herein seek authorization to export domestically-produced natural gas. Moreover, Dow will not export LNG to those countries with which trade is prohibited by Federal law or policy. There are no other proceedings related to this application currently pending before DOE or any other federal agency.

The blanket export authorization requested by Dow is substantially similar to the blanket export authorization granted by DOE/FE to Freeport LNG Development, L.P. (FLNG) in Order Nos. 2644, 2644-A, and 2644-B,<sup>3</sup> Cheniere Marketing, Inc. (Cheniere) in Order Nos. 2651 and 2651-A,<sup>4</sup> and, most recently, ConocoPhillips Company (ConocoPhillips) in Order No. 2731.<sup>5</sup> In each of those proceedings, the blanket export authorization granted by DOE/FE was limited to exports from a specified LNG import terminal. Consistent with that precedent, Dow requests that the blanket export authorization requested herein be applicable to exports from the FLNG terminal in Quintana Island, Texas. FLNG has previously received authorization from the Federal Energy Regulatory Commission (FERC) to modify its terminal facilities so as to enable LNG exports as well as imports.<sup>6</sup>

#### **IV. BACKGROUND AND EXECUTIVE SUMMARY**

In this application, Dow requests blanket authorization to export LNG previously imported into the U.S. from foreign sources. As has been discussed by other applicants seeking similar authority, the flexibility to export previously imported LNG is needed in order for market

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<sup>3</sup> *Freeport LNG Development, L.P.*, FE08-70-LNG, DOE Opinion and Order Nos. 2644 (May 28, 2009), 2644-A (Sept. 22, 2009), and 2644-B (May 11, 2010).

<sup>4</sup> *Cheniere Marketing, Inc.*, FE08-77-LNG, DOE Opinion and Order Nos. 2651 (June 8, 2009) and 2651-A (July 31, 2009).

<sup>5</sup> *ConocoPhillips Company*, FE09-92-LNG, DOE Opinion and Order Nos. 2731 (Nov. 30, 2009)

<sup>6</sup> *See Freeport LNG Development, L.P.*, 127 FERC ¶ 61,105 (2009).

participants to respond effectively to periodic changes in domestic and world markets for natural gas and LNG. Once LNG has been imported into the U.S. and is in storage at a U.S. import terminal, market participants desire the flexibility either to: (1) export imported LNG to other world markets; or (2) have LNG regassified for sale or use in domestic markets. This decision is generally made based on prevailing market conditions.

Dow's application for blanket authority to export previously imported LNG is, as noted, substantially identical to previous applications granted by DOE/FE. As in those other proceedings, the LNG to be exported by Dow is not needed to meet domestic needs. Granting Dow blanket export authorization will provide Dow the same opportunity granted others to use LNG terminalling capacity more efficiently, assist Dow's ability to realize its business objectives, and, as discussed below, serve the public interest by facilitating the future importation of LNG cargos into the U.S.

## **V. PUBLIC INTEREST STANDARD**

Under Section 3 of the NGA, as amended by Section 201 of the Energy Policy Act of 1992, DOE/FE must authorize exports from the U.S. to a foreign country unless there is a finding that the export "will not be consistent with the public interest."<sup>7</sup> DOE/FE has further found that Section 3 of the NGA creates a statutory presumption in favor of approval of a properly-framed export application,<sup>8</sup> and that the public interest determination is guided by DOE Delegation Order No. 0204-111, which provides that domestic need for natural gas is the principal factor to

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<sup>7</sup> 15 U.S.C. § 717b(a).

<sup>8</sup> See *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Opinion and Order No. 1473, 2 FE ¶ 70,317 at p. 13, n. 42 (Apr. 2, 1999), citing *Panhandle Producers and Royalty Owners Association v. ERA*, 822 F.2d 1105, 1111 (DC Cir. 1987).

be considered when evaluating an export application.<sup>9</sup> As explained below, the blanket export authorization requested by Dow satisfies this public interest standard.

**A. The LNG that may be exported pursuant to the blanket authorization requested herein is not needed to meet domestic needs.**

DOE/FE's evaluation of natural gas export applications typically involves an analysis of the domestic impacts that would result from the loss of domestic natural gas that is exported. DOE/FE explained the applicability of this analysis to the export of previously-imported LNG in the FLNG and Cheniere LNG export proceedings as follows:

The current proceeding is atypical because the gas for which export authority is sought was not produced in the United States. Accordingly, exporting the gas will not reduce the availability of domestically produced gas. On the other hand, exporting previously imported LNG will still affect the domestic market because, for a two-year period, the exports will reduce the volume of natural gas potentially available for domestic consumption.<sup>10</sup>

A similar analysis was relied upon in the ConocoPhillips LNG export proceeding.<sup>11</sup> Based on this reasoning, DOE/FE concluded in those cases that the "fundamental question . . . remains whether the LNG which [the applicant] seeks to export is needed to meet domestic demand."<sup>12</sup>

DOE/FE determined in the FLNG, Cheniere, and ConocoPhillips proceedings that previously-imported LNG is not needed to meet domestic demand. This conclusion was based on data compiled by the Energy Information Administration (EIA). The most recent such data were set forth in the ConocoPhillips order, issued on November 30, 2009, and were summarized as follows:

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<sup>9</sup> See *id.* at p. 14.

<sup>10</sup> Order No. 2644 at p. 9; Order No. 2651 at pp. 11-12.

<sup>11</sup> See Order No. 2731 at pp. 7-8.

<sup>12</sup> Order No. 2644 at p. 9; Order No. 2651 at p. 12; Order No. 2731 at pp. 8.



According to the EIA, the United States produced 20.4 trillion cubic feet (Tcf) of dry natural gas and imported 4.0 Tcf of natural gas and 352 Bcf of LNG during 2008. In addition, storage reservoirs in the United States held approximately 3.4 Tcf of natural gas by the commencement of the Winter heating season in October 2008 and 3.8 Tcf in October 2009, the highest volume of natural gas inventory available for winter months' consumption ever recorded. By comparison, natural gas consumption in the United States during 2008 equaled 23.2 Tcf. It is clear from the foregoing supply and demand figures that United States domestic consumption needs were met in 2008 and that if the export proposed in the current application had been authorized at that time, there would have been no significant impact on the market's ability to meet the demand for natural gas domestically.

Other statistics for calendar year 2008 likewise bear out the availability of natural gas supplies sufficient to meet current demand without the increment of previously imported LNG which [the applicant] seeks authority to export. For example, notwithstanding significant interruptions of producing activities in the Gulf of Mexico due to hurricanes in the Fall of 2008, the EIA has reported that "the natural gas market did not show the supply-demand tightness that characterized the market in 2005" when other hurricanes hit the Gulf in significant numbers. The EIA observes that as a consequence, a downward trend in natural gas prices that had begun in July 2008 continued through the end of November 2008.

More recent data confirms that this downward trend has continued to the present day due in large measure to the slowed United States economy. In particular, the estimated average city-gate price for natural gas in August 2009 was \$5.59 per thousand cubic feet (Mcf). This compares to an estimated average annual city-gate price for calendar year 2008 of \$9.18 per Mcf.<sup>13</sup>

All of these considerations apply with equal or more force today. Indeed, since the above analysis was presented in November 2009, the EIA has released additional data showing that domestic natural gas consumption has decreased while domestic production and storage inventories have increased,<sup>14</sup> thereby further supporting the conclusion that any LNG supplies

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<sup>13</sup> Order No. 2731 at pp 8-9 (citations omitted). Similar data were cited in the FLNG and Cheniere proceedings. See Order No. 2644 at pp. 10-11; Order No. 2651 at pp. 12-13.

<sup>14</sup> See EIA Natural Gas Summary (<[http://tonto.eia.doe.gov/dnav/ng/ng\\_sum\\_lsum\\_dcu\\_nus\\_a.htm](http://tonto.eia.doe.gov/dnav/ng/ng_sum_lsum_dcu_nus_a.htm)>) (indicating that domestic dry production increased from 20.3 Tcf to 21.0 Tcf from 2008 to 2009 while domestic consumption decreased from 23.2 Tcf to 22.8 Tcf); EIA Weekly Natural Gas Storage Report (May 13, 2010) (<<http://ir.eia.gov/ngs/ngs.html>>) (indicating that, as of May 7, 2010, natural gas storage inventories were approximately 97 Bcf higher than they were in May 2009 and approximately 325 Bcf higher than the five-year average).

that Dow may export pursuant to the blanket authorization requested herein would not be needed to meet domestic demand.

**B. Granting the requested export authorization will facilitate the importation of LNG into the U.S.**

In other proceedings, applicants have noted that the authority to export previously imported LNG facilitates their importation of LNG into the U.S. This is because applicants can import LNG cargos into the U.S. without fear that such cargos will become captive to the U.S. market regardless of changes in worldwide markets.<sup>15</sup> Absent such authority, applicants are likely to be less willing to import LNG into the U.S. This same analysis is applicable here. Dow is authorized to import LNG and granting the requested blanket authorization will enable Dow to export previously imported LNG, whether imported by Dow or by other parties.

**C. Granting the requested export authorization will not reduce domestically-produced natural gas supplies.**

As in the FLNG, Cheniere, and ConocoPhillips LNG export proceedings, Dow is only seeking the authority to export LNG previously imported from foreign sources. Dow is not seeking the authority to liquefy and export natural gas supplies produced in the U.S. As such, the requested export authorization will not reduce the availability of domestically-produced natural gas supplies.

**D. Granting the requested export authorization will have positive international effects.**

In the ConocoPhillips LNG export proceeding, DOE/FE noted that the "exportation of LNG will help to improve the United States' balance of payments with destination countries

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<sup>15</sup> In this regard, the DOE/FE in the FLNG, Cheniere, and ConocoPhillips proceedings, respectively, took note of the fact that the applicant indicated that, "if market conditions change, it will consider selling the LNG into the domestic market rather than export it[.]" and that such "willingness to entertain such sales if market conditions warrant it is in keeping with the market-oriented policy of DOE's prevailing Guidelines." Order No. 2644 at p. 11; Order No. 2651 at pp. 13-14; Order No. 2731 at p. 10.



named in the application during the two-year term of the proposed blanket authorization[.]" and that "mitigation of balance of payment issues may result from a grant of the application."<sup>16</sup> These conclusions are equally applicable here.

## **VI. ENVIRONMENTAL IMPACT**

Dow's requested export authorization does not raise any environmental concerns. As noted above, FLNG received FERC authorization to modify its LNG terminal facilities so as to enable LNG exports as well as imports. Environmental review under the National Environmental Policy Act (NEPA) was performed by FERC prior to granting such authorization, with DOE acting as a cooperating agency.<sup>17</sup> DOE/FE in turn relied on and found such NEPA review to be sufficient when subsequently granting FLNG's application for blanket authority to export previously imported LNG.<sup>18</sup> DOE/FE subsequently confirmed this conclusion when granting the ConocoPhillips application for blanket authority to export LNG that was previously imported through the FLNG terminal, finding that "the proposed export requires no further environmental review."<sup>19</sup> This same conclusion is applicable here insofar as the blanket authorization requested by Dow is substantially identical to the blanket authorization granted to FLNG and ConocoPhillips.

## **VII. APPENDICES**

The following appendices are attached hereto:

Appendix A: Verification

Appendix B: Opinion of Counsel

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<sup>16</sup> Order No. 2731 at p. 10.

<sup>17</sup> See 127 FERC ¶ 61,105 at PP 16-32.

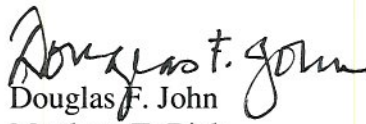
<sup>18</sup> See Order No. 2644 at p. 12.

<sup>19</sup> Order No. 2731 at p. 11.

## VIII. CONCLUSION

For the reasons set forth above, Dow respectfully requests that DOE/FE issue an order granting Dow blanket authorization for a two-year period commencing on the date of authorization to engage in short-term exports of up to 390 Bcf, cumulative, of previously imported LNG from the U.S. to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy.

Respectfully submitted,



Douglas F. John

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Attorneys for The Dow Chemical Company

May 26, 2010

# **Appendix A**

## **Verification**



VERIFICATION

County of Harris        )  
                                  )       ss  
State of Texas         )

I, Gary J. Chapman, being duly sworn under oath, do hereby depose and say that I am Sr. Commercial Manager Energy for Dow Hydrocarbons and Resources LLC, a subsidiary of The Dow Chemical Company that manages the energy business for The Dow Chemical Company; that I am familiar with the contents of the foregoing application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.

*Gary J. Chapman*  
Gary J. Chapman

Sworn to and subscribed before me, a Notary Public, in and for the State of Texas, this 24<sup>th</sup> day of May, 2010.

*Kelly Saldivar Bacon*  
Notary Public

My Commission Expires: April 29, 2013



## **Appendix B**

### **Opinion of Counsel**



The Dow Chemical Company  
1254 Enclave Parkway  
Houston, TX 77077-1607  
USA

May 24, 2010

Office of Fuels Program  
Fossil Energy, U.S. Department of Energy  
Docket Room 3F-056, FE 50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Re: The Dow Chemical Company  
Application for Blanket Authorization to Export Liquefied Natural Gas

Dear Sir or Madam:

This opinion of counsel is provided in accordance with the requirements of Section 590.202(c) of the U.S. Department of Energy's regulations, 10 C.F.R. § 590.202(c) (2009). I have examined the Certificate of Incorporation of The Dow Chemical Company (Dow) and other authorities as necessary, and have concluded that the proposed exportation of liquefied natural gas by Dow is within its corporate powers. Further, Dow is authorized to do business in Texas and other U.S. states and to engage in foreign commerce.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "John A. Gray".

John A. Gray  
Managing Counsel  
The Dow Chemical Company