

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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FREEPORT LNG DEVELOPMENT, L.P. )  
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FE DOCKET NO. 08-70-LNG

ORDER AMENDING BLANKET AUTHORIZATION TO  
EXPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 2644-B

I. BACKGROUND

On March 28, 2009, the Office of Fossil Energy (FE) of the Department of Energy (DOE) issued DOE/FE Order No. 2644 (Order 2644) granting Freeport LNG Development, L.P. (Freeport) authorization to export on its own behalf or as agent for others liquefied natural gas (LNG) that had been previously imported from foreign sources in an amount up to the equivalent of 24 billion cubic feet (Bcf) of natural gas on a cumulative basis over a two-year term beginning on May 28, 2009, and extending through May 27, 2011. The LNG exports were authorized pursuant to short-term or spot market sales from its Quintana Island, Texas facilities. Countries approved to receive the exported LNG were the United Kingdom, Belgium, Spain, France, Italy, Japan, South Korea, India, China and/or Taiwan. Furthermore, on September 22, 2009, Order

2644 was amended to allow Freeport to also export foreign-sourced LNG from its Quintana Island, Texas facilities to Canada and Mexico.

## II. PROCEDURAL HISTORY

On March 4, 2010, Freeport filed an application seeking to further amend Order 2644 to allow it to export previously imported foreign-sourced LNG from its Quintana Island, Texas facilities to any other country (in addition to those already specifically listed in Order 2644, as amended) with capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy. Freeport is not seeking to extend the term of its current authority, or to modify the requested volume of LNG authorized for export.

On March 23, 2010, DOE/FE published a Notice of Application to Amend Blanket Authorization (Notice) in the Federal Register. 75 FR 13755. The Notice stated that protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures, and written comments were to be filed no later than April 22, 2010.

DOE/FE received no filings in response to this notice.

## III. DECISION

### **a. Standard of Review**

This LNG export amendment application has been reviewed pursuant to section 3 of the NGA, as amended, and the authority contained in DOE Delegation Order No. 00-002.00I (Nov. 10, 2009) and DOE Redelegation Order No. 00-002.04D (Nov. 6, 2007). In reviewing this amendment to Order 2644, DOE has considered any changes that have occurred since Order

2644, as amended, was issued in the following areas: domestic need for the gas, as well as any other issues determined to be appropriate.

**b. Domestic Need**

In Order 2644, DOE/FE found that “the LNG to be exported is not needed in order to meet market demand for natural gas/LNG on a competitively priced basis.” In making this determination, DOE/FE reviewed, among other information, U.S. natural gas supply and demand data for 2007, which showed that “domestic consumption needs were met in 2007 and that if the export proposed ... 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.”

The proposed amendment does not seek to increase the volume of exports of LNG authorized in Order 2644, but only the countries to which the LNG can be exported. Further, DOE’s review of the domestic natural gas market data in 2007 versus 2009 shows an increase in domestic dry gas production, a slight decrease in domestic demand, and a decrease in both total LNG imports and net natural gas imports. Specifically, a comparison of 2009 natural gas supply and demand data with 2007 data show that the United States dry natural gas production increased to 21.0 trillion cubic feet (Tcf) in 2009 from 19.3 Tcf in 2007, imported LNG decreased from 771 billion cubic feet (Bcf) of LNG during 2007 to 452 Bcf during 2009, while net imports of all natural gas decreased from 3.8 Tcf in 2007 to 2.7 Tcf in 2009. Total consumption declined from 23.1 Tcf in 2007 to 22.8 Tcf in 2009. In addition, DOE/FE reviewed natural gas prices and price trends in which the average calendar year 2008 city-gate price was \$9.18 per thousand cubic feet

(Mcf), which declined to \$6.47 per Mcf in calendar year 2009. These data are from the latest DOE Energy Information Administration (EIA) natural gas statistics.<sup>1</sup>

No intervenor commented on the need for the LNG affected by the proposed amendment.

Given the above circumstances, including the increased supply of domestic production, flat to declining domestic natural gas consumption, and decreased imports of LNG, I find that granting the amended authority sought by Freeport will not alter the conclusions reached in Order 2644 on the domestic need for the LNG to be exported under that authority. In particular, I find that the LNG to be exported is not needed in order to meet market demand for natural gas/on a competitively priced basis and that the exports of LNG authorized by this amendment will have no significant impact on the market's ability to meet the demand for natural gas domestically.

### **c. Other Public Interest Considerations**

Consistent with Order 2644, in addition to weighing domestic need, as discussed above, DOE considers the potential effects of proposed exports on other relevant aspects of the public interest. These other relevant considerations include international effects and the environment.

#### **International Effects**

Freeport states that amendment of Freeport's short term blanket authorization as requested would provide Freeport with the necessary flexibility it requires to respond to changes in domestic and global markets for natural gas and LNG. Freeport states that the additional flexibility sought herein would further encourage Freeport to obtain and store spot market LNG cargoes. Further, Freeport states that natural gas derived from imported LNG will be available to

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<sup>1</sup> DOE/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)



supply local markets when conditions support it, and will thereby serve to moderate U.S. gas price volatility. As such, Freeport states the requested export authorization is consistent with the public interest. Freeport's position is unopposed and I find, based on the record before me, that there are potential benefits associated with the flexibility sought by this amendment which would further encourage Freeport to obtain and store spot market LNG cargoes that could be made available to local markets if conditions support it.

### **The Environment**

The National Environmental Policy Act (NEPA), 42 U.S.C. 4321 *et seq.* requires DOE to give appropriate consideration to the environmental effects of its proposed decisions. In their application, Freeport states that there would be no changes required to the Freeport LNG facilities for the proposed exportation of LNG. Consequently, granting this application will not be a federal action significantly affecting the human environment within the meaning of NEPA. I find that the proposed export requires no further environmental review.

### **d. Conclusion**

Under section 3 of the NGA, as amended, an LNG export from the United States to a foreign country shall be authorized unless "the proposed exportation ... will not be consistent with the public interest." Section 3 thus creates a statutory presumption in favor of approval of this application, and parties opposing the authorization bear the burden of overcoming this presumption. After due consideration of all facts and evidence of record, I find that a grant of the amendment to Order 2644 is not inconsistent with the public interest.

### **ORDER**

Accordingly, pursuant to section 3 of the Natural Gas Act, it is ordered that DOE/FE Order No. 2644, as amended by Order 2644-A, is further amended to permit the export of

foreign-sourced LNG from Freeport's Quintana Island, Texas facilities to any country (in addition to those already specifically listed in Order 2644, as amended) with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy, effective the date of this Order. All other terms and conditions of Order 2644, as amended, shall remain in full force and effect.

Issued in Washington, D.C., on May 11, 2010.

A handwritten signature in black ink, appearing to read "John A. Anderson", written over a horizontal line.

John A. Anderson  
Manager, Natural Gas Regulatory Activities  
Office of Oil and Gas Global Security and Supply  
Office of Fossil Energy