

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 11-162-LNG]

Cameron LNG, LLC; Application for Long-Term Authorization to Export Domestically Produced Liquefied Natural Gas to Non-Free Trade Agreement Countries for 20 Years

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of application.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt of an application (Application), filed on December 21, 2011, by Cameron LNG, LLC (Cameron), requesting long-term, multi-contract authorization to export up to 12 million metric tons per annum (mtpa) of domestically produced liquefied natural gas (LNG) (equivalent to approximately 620 billion cubic feet [Bcf] per year of natural gas¹) for a 20-year period, commencing on the earlier of the date of first export or seven years from the date of issuance of the requested authorization. Cameron seeks authorization to export LNG from the Cameron LNG Terminal, owned by Cameron, in Cameron Parish, Louisiana, to any country (1) with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas, (2) which has or in the future develops the capacity to import LNG via ocean-going carrier, and (3) with which trade is not prohibited by U.S. law or policy. Cameron is requesting this authorization both on its own behalf and as agent for other parties who hold title to the LNG at the time of export. The Application was filed under section 3 of the Natural

¹ Cameron states that 12 mtpa of LNG is equivalent to approximately 1.7 Bcf per day of natural gas.

Gas Act (NGA). Protests, motions to intervene, notices of intervention, and written comments are invited.

DATES: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures, and written comments are to be filed using procedures detailed in the

Public Comment Procedures section no later than 4:30 p.m., eastern time, **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES:

Electronic Filing on the Federal eRulemaking Portal under FE Docket No. 11-162-LNG:
<http://www.regulations.gov>

Electronic Filing by email:
fergas@hq.doe.gov

Regular Mail

U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Hand Delivery or Private Delivery Services (e.g., FedEx, UPS, etc.)

U.S. Department of Energy (FE-34)
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FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

Cameron is a Delaware limited liability company with executive offices in San Diego, California. Cameron LNG is a wholly-owned indirect subsidiary of Sempra Energy, a publicly-traded corporation. Cameron owns and operates the Cameron LNG Terminal (Terminal) in Cameron Parish Louisiana.

In 2003, the Federal Energy Regulatory Commission (FERC) approved the construction and operation of the Terminal, authorizing a maximum send-out of 1.5 Bcf/d of regasified LNG from the facility to domestic markets. In a subsequent order, issued in 2007, the FERC authorized Cameron to construct and operate additional facilities expanding the maximum send-out capacity to 1.8 Bcf/d.

Cameron LNG completed construction of the Terminal and placed it into service in July 2009. Initially, the Terminal was used for the sole purpose of receiving and storing foreign-sourced LNG, regasifying it, and sending to out for delivery to domestic markets. In January 2011, the FERC authorized Cameron to operate the Terminal for the additional purpose of exporting LNG, which had been previously imported.

The Terminal has an existing interconnection with Cameron Interstate Pipeline LLC (Cameron Interstate), an affiliate of Cameron LNG. Cameron Interstate, an interstate pipeline regulated by the FERC, consists of a 36.2 mile pipeline connecting the Terminal with five other interstate pipelines. These interstate pipelines provide Cameron, directly or indirectly, with access to all of the major gas producing basins in the Gulf Coast and Midcontinent regions of the United States, including areas with recent discoveries of shale gas and other unconventional reserves.

Cameron currently is finalizing the design for natural gas processing and liquefaction facilities to receive and liquefy domestically produced natural gas at the Terminal for export to foreign markets (the "Project"). Cameron states that its liquefaction Project will be integrated with existing facilities at its Terminal. Existing facilities at the Terminal presently consist of two marine berths, three full containment LNG storage tanks, LNG vaporization systems, and associated utilities. Cameron notes that the new facilities proposed as part of the Project will include natural gas pre-treatment, liquefaction, and export facilities with a capacity of up to 12 mtpa of LNG, plus upgrades to the existing equipment and additional utilities.

Cameron states that its proposed facilities will permit gas to be received by pipeline at the Terminal, where it will be liquefied and then loaded from the Terminal's storage tanks onto vessels berthed at its existing marine facility. Cameron states that, once operational, the terminal will have the capability to (i) liquefy domestically produced gas for export, or (ii) import LNG and either re-gasify it for delivery to domestic markets or export it to foreign markets. Cameron states that the Project will not result in an increase in the number of ship transits currently authorized for the Terminal, and that the total amount of LNG processed would not exceed the current maximum authorized send-out rate of 1.8 Bcf/d.

Cameron acknowledges that any modifications to the Terminal are subject to review and approval by the FERC. Cameron states that it will initiate the FERC mandatory pre-filing review process for Phase I of the project upon completion of Cameron's initial facility planning and design. Cameron anticipates the pre-filing request to FERC will be made no later than the second quarter of 2012.

Related Applications and Authorizations

This Application is the second part of a two-phased authorization sought by Cameron to export domestically produced natural gas as LNG from the Cameron Terminal. On November 10, 2011, in Docket No. 11-145-LNG, Cameron submitted an application to DOE/FE requesting authority to export domestically produced LNG to those countries with which the United States has an FTA or subsequently enters into an FTA requiring national treatment for trade in natural gas, provided that the destination country has the capacity to import LNG via ocean going vessels.² The requested export volume in that application is identical to the export volume in the current Application of 12 million metric tons of LNG per year, equivalent to 620 Bcf/year, or 1.7 Bcf/day of natural gas. The Cameron liquefaction facilities would be limited to exports of up to the equivalent of 620 Bcf/year of natural gas, including both exports to FTA and non-FTA countries. On January 17, 2012, in DOE/FE Order No. 3059 (FE Docket No. 11-145-LNG), DOE/FE granted Cameron authority to export domestically produced LNG from the Terminal to those countries with which the United States has an FTA.

On December 3, 2010, in DOE/FE Order No. 2885 (Docket No. 10-110-LNG), FE granted Sempra LNG Marketing, LLC (SLNG), an affiliate of Cameron, blanket authorization to

² The United States currently has free trade agreements requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore. FTAs with Costa Rica and Israel do not require national treatment for trade in natural gas. FTAs with Colombia, Panama, and South Korea have been ratified by Congress but have not yet taken effect.

export from the Terminal LNG that had been previously imported into the United States from foreign sources in an amount up to the equivalent of 250 Bcf of natural gas. The Order authorizes Cameron to export this LNG 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. The authorization in FE Docket No. 10-110-LNG, which does not permit the export of domestically produced LNG, extends from February 1, 2011, through January 31, 2013. On June 22, 2010, in DOE/FE Order No. 2806 (FE Docket No. 10-66-LNG), FE granted SLNG blanket authorization to import to the Terminal LNG from various international sources. DOE/FE Order No. 2806 extends from September 1, 2010, through August 31, 2012.

Cameron notes that nothing in its current application to export LNG to non-FTA nations is intended to supersede or otherwise modify the authorizations granted by DOE to SLNG.

Current Application

In the instant Application, Cameron seeks long-term, multi-contract authorization to export up to 12 mtpa of domestically produced LNG from the Terminal, equivalent to approximately 620 Bcf/year of natural gas for a 20-year period, commencing on the earlier of the date of first export or seven years from the date the authorization is issued. Cameron seeks authorization to export domestically produced LNG to countries with which the United States does not have an FTA and with which trade is not prohibited by U.S. law or policy.

Cameron requests authorization to export LNG on its own behalf (i.e., holding title to the LNG at the time of export) or by acting as agent for others. In the instances where Cameron will act as agent for other customers, Cameron states that it will comply with all DOE/FE requirements for an exporter or agent. In this regard, Cameron referenced DOE/FE Order No. 2913 (Order 2913), issued February 10, 2011, to Freeport LNG Expansion, L.P. and FLNG

Liquefaction, LLC, in FE Docket No. 10-160-LNG, which approved a proposal by the applicant and established procedures to register entities for which the authorization holder will act as agent. Cameron also states that it will file with DOE/FE any relevant long-term commercial agreements reached with LNG title holders on whose behalf the LNG would be exported.

Cameron states that the long-term authorization requested in this Application is necessary in order to permit Cameron to incur the substantial costs of developing the Project and secure customer contracts. Cameron notes that the contract terms between Cameron and its customers will be set forth in one or more long-term service or agency agreements. These agreements are expected to run for terms of up to 20 years and will run concurrently with Cameron's export authorization. Cameron states that it has not yet entered into any of these long-term arrangements, but that once executed, Cameron will file with DOE/FE any commercial agreements reached with title holders on whose behalf Cameron intends to export the LNG.

Cameron states that the sources of natural gas for the Project will include supplies available from the Texas and Louisiana producing regions, as well as various unconventional supply areas, such as the Barnett, Haynesville, and Eagle Ford shale gas formations. Cameron states that their customers will be able to deliver natural gas supplies to the Terminal from five interstate pipelines: Florida Gas Transmission Company, Transcontinental Gas Pipeline Company, LLC, Texas Eastern Transmission Corporation, Tennessee Gas Pipeline Company, and Trunkline Gas Company. In addition, Cameron notes that the Terminal is in close proximity to the Henry Hub and to 11 other market centers in Louisiana and Texas, which will give customers additional options for purchasing supplies.

Cameron notes that in recent orders granting long-term authorizations to export LNG, DOE/FE did not require that applicants submit transaction-specific contract information with

their applications, pursuant to Section 590.202(b) of the DOE's regulations. Cameron requests that the DOE maintain this same position in the review of its Application. Cameron maintains that the submittal of the transaction-specific information is only appropriate after a long-term contract has been executed.

Lastly, Cameron requests that DOE/FE issue a conditional order authorizing the long-term export of LNG subject to completion of a satisfactory environmental review by FERC.

Public Interest Considerations

In support of its Application, Cameron states that section 3(a) of the NGA sets forth the statutory standard for review of this Application and creates a rebuttable presumption that proposed exports of natural gas are in the public interest. Cameron acknowledges that DOE has explained that opponents of an export application must make an affirmative showing of inconsistency with the public interest in order to overcome the rebuttable presumption favoring export applications. Cameron also notes that DOE has repeatedly reaffirmed the continued applicability of its policy guidelines and has held that they apply equally to export applications though originally written to apply to imports. In addition, Cameron highlights that the DOE, guided by its Policy Guidelines and DOE Delegation Order No. 0204-111, presumes that competitive markets largely free of governmentally-imposed restrictions will benefit the public. Cameron also states that DOE has applied additional considerations in determining whether proposed exports are in the public interest such as: whether the exports will be beneficial for regional economies, the extent to which the export will foster competition and mitigate trade imbalances with foreign nations, and the degree to which the export of LNG would encourage efficient management of U.S domestic natural resources. Cameron contends that the export of LNG as proposed in the Application satisfies each of these considerations.

In support of its Application, Cameron submitted the following studies: a study on natural gas prices commissioned by Cameron from the independent consulting firm of Black & Veatch, and an in-house economic impact study prepared by Cameron. In addition, in support of its Application, Cameron references numerous studies and reports published by the Energy Information Administration (EIA.) Based on these studies, Cameron contends that the export of domestically produced LNG, as proposed in the Application, is in the public interest for the following reasons:

First, Cameron contends that sufficient reserves now exist to satisfy domestic demand as well as the proposed LNG exports. Cameron points to the gains in drilling productivity and extraction technology enhancements that have enabled rapid growth in supplies from unconventional shale formations in the United States. In addition, Cameron states that, based on numerous studies and reports, the United States has an approximate 90- to 100-year inventory of recoverable natural gas resources.

Second, Cameron contends that over the past decade, there has been minimal growth in the demand for natural gas in the United States. Based on a comparison of actual demand and prices in 2010, along with forecasted demand and prices in the year 2025, Cameron contends that U.S. natural gas resources are more than sufficient to accommodate both domestic demand and the exports proposed in the Application.

Third, based on the Black & Veatch analysis of the proposed LNG export impact on U.S. natural gas prices, Cameron concludes that the exports proposed in this Application will have a minimal impact on domestic natural gas prices. In addition, Cameron contends that any upward pressure on prices due to increased demand for export would likely be offset by a reduction in domestic price volatility.

Fourth, Cameron states that the export of domestically produced LNG will provide the following economic benefits, as detailed by its own Economic Impact Assessment of the Project:

A. There will be substantial benefits to the national, regional and local economies, including an improvement in the U.S. balance of trade of \$2.8 billion to nearly \$7.1 billion per year, equal to 0.6 to 1.4 percent of the trade deficit, based on the expected value of the exports.

B. There will be increased exports and international trade based on Cameron's estimate that its customers will export an average of approximately \$8.6 billion of LNG per year.

Cameron contends that this will have a positive impact on the balance of trade between the United States and its international trading partners, and will promote liberalization of the global gas market by fostering increased liquidity and trade at prices established by market forces.

C. There will be environmental benefits associated with LNG exports. Specifically, the United States will be in a position to provide countries with low-carbon natural gas as an alternative to higher CO₂-emitting fossil fuels such as coal and fuel oil. LNG exports from the United States would serve as an interim fuel for countries that are in the process of developing their own unconventional natural gas resources.

Further details can be found in the Application, which has been posted at

<http://www.fe.doe.gov/programs/gasregulation/index.html>.

Environmental Impact

Cameron states that in the next several months, it will initiate the pre-filing review process at FERC for the proposed Project facilities. Cameron anticipates that, consistent with the requirements of the National Environment Policy Act (NEPA), FERC will act as the lead agency for environmental review, with DOE/FE acting as a cooperating agency. Cameron acknowledges that the requested authorization to be issued by DOE/FE would not take effect

until FERC has completed its NEPA review and has granted Cameron authorization for the export of domestic LNG from the Cameron facility. Cameron requests that DOE/FE issue a conditional order authorizing the export of domestic LNG from the Terminal conditioned on completion of a satisfactory environmental review and subsequent authorization by FERC.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3 of the NGA, as amended, and the authority contained in DOE Delegation Order No. 00-002.00L (April 29, 2011) and DOE Redefinition Order No. 00-002.04E (April 29, 2011). In reviewing this LNG export Application, DOE will consider any issues required by law or policy. To the extent determined to be relevant or appropriate, these issues will include the impact of LNG exports associated with this Application, and the cumulative impact of any other application(s) previously approved, on domestic need for the gas proposed for export, adequacy of domestic natural gas supply, U.S. energy security, and any other issues, including the impact on the U.S. economy (GDP), consumers, and industry, job creation, U.S. balance of trade, international considerations, and whether the arrangement is consistent with DOE's policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose this Application should comment in their responses on these issues, as well as any other issues deemed relevant to the Application.

NEPA requires DOE to give appropriate consideration to the environmental effects of its proposed decisions. No final decision will be issued in this proceeding until DOE has met its NEPA responsibilities.

Due to the complexity of the issues raised by the Applicants, interested persons will be provided 60 days from the date of publication of this Notice in which to submit comments, protests, motions to intervene, notices of intervention, or motions for additional procedures.

Public Comment Procedures

In response to this notice, any person may file a protest, comments, or a motion to intervene or notice of intervention, as applicable. Any person wishing to become a party to the proceeding must file a motion to intervene or notice of intervention, as applicable. The filing of comments or a protest with respect to the Application will not serve to make the commenter or protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the Application. All protests, comments, motions to intervene, or notices of intervention must meet the requirements specified by the regulations in 10 CFR part 590.

Filings may be submitted using one of the following methods: (1) submitting comments in electronic form on the Federal eRulemaking Portal at <http://www.regulations.gov>, by following the on-line instructions and submitting such comments under FE Docket No. 11-162-LNG. DOE/FE suggests that electronic filers carefully review information provided in their submissions and include only information that is intended to be publicly disclosed; (2) e-mailing the filing to fergas@hq.doe.gov, with FE Docket No. 11-162-LNG in the title line; (3) mailing an original and three paper copies of the filing to the Office Natural Gas Regulatory Activities at the address listed in **ADDRESSES**; or (4) hand delivering an original and three paper copies of the filing to the Office of Natural Gas Regulatory Activities at the address listed in **ADDRESSES**.

A decisional record on the Application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures

will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final Opinion and Order may be issued based on the official record, including the Application and responses filed by parties pursuant to this notice, in accordance with 10 CFR 590.316.

The Application filed by Cameron is available for inspection and copying in the Office of Natural Gas Regulatory Activities docket room, Room 3E-042, 1000 Independence Avenue, S.W., Washington, DC 20585. The docket room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays. The Application and any filed protests, motions to intervene or notice of interventions, and comments will also be available electronically by going to the following DOE/FE Web address:

<http://www.fe.doe.gov/programs/gasregulation/index.html>. In addition, any electronic comments filed will also be available at: <http://www.regulations.gov>.

Issued in Washington, D.C., on February 16, 2012.

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