

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

Cameron LNG, LLC

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FE Docket No. 11-162-LNG

**NOTICE OF CAMERON LNG, LLC
OF EXECUTION OF LNG TOLLING AGREEMENTS
AND JOINT AGREEMENTS
AND COMMENTS REGARDING SEQUENCING OF APPLICATION REVIEW**

Cameron LNG, LLC (“Cameron LNG”) hereby provides notice that it has signed 20-year tolling capacity agreements with GDF SUEZ S.A. (“GDF SUEZ”) and affiliates of Mitsubishi Corporation (“Mitsubishi”) and Mitsui & Co., Ltd. (“Mitsui”) to support the development, financing, and construction of the liquefied natural gas (LNG) export facility at the site of the Cameron LNG terminal in Hackberry, La., as discussed in Cameron LNG’s applications in FE Docket Nos. 11-162-LNG and 11-145-LNG.

The tolling capacity agreements are a significant milestone in the development of the liquefaction facility as they subscribe for a 20-year period the full nameplate capacity of the three-train, 13.5-million tonnes per annum (Mtpa) facility that will provide an export capability of 12 Mtpa of LNG, or approximately 1.7 billion cubic feet per day (Bcf/d), and the full regasification capacity of 1.5 Bcf/d. Each tolling capacity agreement is for 4 Mtpa.¹

In addition, affiliates of GDF SUEZ, Mitsubishi (through a related company jointly established with an affiliate of Nippon Yusen Kabushiki Kaisha (“NYK”)), and Mitsui have signed a joint agreement that calls for such affiliates each to acquire an indirect 16.6 percent

¹ This is equivalent to 4.5 Mtpa of nameplate capacity.
With respect to the tolling agreements, Cameron LNG will be making the filing required by Ordering Paragraph (D) of DOE/FE Order No. 3059. See *Cameron LNG, LLC*, DOE/FE Order No. 3059 at 7, FE Docket No. 11-145-LNG (Jan. 17, 2012).

equity interest in Cameron LNG Holdings, LLC, which in turn will own 100 percent equity interest in Cameron LNG (the owner and operator of the existing regasification facilities and the proposed liquefaction project). Sempra Energy, the indirect parent company of Cameron LNG, will retain a 50.2 percent indirect interest in Cameron LNG Holdings, LLC through its ownership of Sempra LNG Holdings II, LLC. Cameron LNG, the owner and operator of the facilities, will be an independent company owned by Cameron LNG Holdings, LLC. The owners will staff the company to manage the construction of the facility as well as the operation of the facilities after the commercial operations date.²

The tolling capacity agreements and the joint agreement are subject to a final investment decision to proceed by each party, finalization of permit authorizations, securing financing commitments that are expected to occur by early 2014, as well as other customary conditions.

GDF SUEZ

GDF SUEZ develops its businesses (electricity, natural gas, services) around a model based on responsible growth to take up today's major energy and environmental challenges: meeting energy needs, ensuring the security of supply, fighting against climate change and maximizing the use of resources. GDF SUEZ provides highly efficient and innovative solutions to individuals, cities and businesses by relying on diversified gas-supply sources, flexible and low emission power generation as well as unique expertise in four key sectors: liquefied natural gas, energy efficiency services, independent power production and environmental services. GDF SUEZ employs 219,300 people worldwide and achieved revenues of €97 billion in 2012.

² The effectiveness of the joint agreement is subject to satisfaction of a number of conditions, including receipt of approval from the Office of Fossil Energy of the partial change in ownership of Cameron LNG. Cameron LNG will file an application under section 590.405 of DOE/FE's rules, 10 C.F.R. § 590.405 (2012), to obtain such approval at the appropriate time and the joint ownership of Cameron LNG will not become effective until such approval is obtained.

Mitsubishi Corporation

Mitsubishi Corporation is a global integrated business enterprise that develops and operates businesses across virtually every industry including industrial finance, energy, metals, machinery, chemicals, foods, and environmental business. MC's current activities are expanding far beyond its traditional trading operations as its diverse business ranges from natural resources development to investment in retail business, infrastructure, financial products and manufacturing of industrial goods. With over 200 offices & subsidiaries in approximately 90 countries and a network of over 500 group companies, Mitsubishi employs a multinational workforce of nearly 60,000 people.

Mitsui

Mitsui & Co., Ltd. is one of the most diversified and comprehensive trading, investment and service enterprises in the world, with 150 offices in 67 countries as of May, 2013. Utilizing the global operating locations, network and information resources, Mitsui is multilaterally pursuing business that ranges from product sales, worldwide logistics and financing, through to the development of major international infrastructure and other projects in the following fields, Iron & Steel Products, Mineral & Metal Resources, Infrastructure Projects, Motor Vehicles & Construction Machinery, Marine & Aerospace, Chemicals, Energy, Food Resources, Food Products & Services, Consumer Services, IT, Financial & New Business and Transportation Logistics. Mitsui is actively taking on challenges for global business innovation around the world.

NYK

NYK is one of the world's leading transportation companies. At the end of March 2013, the NYK Group was operating 846 major ocean vessels, as well as fleets of planes, trains, and

trucks. The company's shipping fleet includes 389 bulk carriers, 126 containerships (including semi-containerships), 120 car carriers, 82 tankers, 51 wood-chip carriers, 28 LNG carriers, 18 heavy-load carriers or conventional ships, three cruise ships, and 29 other ships. NYK's revenue in fiscal 2012 was about \$23 billion, and as a group NYK employs about 55,000 people worldwide. NYK is based in Tokyo and has regional headquarters in London, New York, Singapore, Hong Kong, Shanghai, Sydney, and Sao Paulo.

DOE/FE SHOULD PRIORITIZE APPLICATIONS THAT CAN DEMONSTRATE AN ABILITY TO REACH MARKET REALITY

Given DOE/FE's conclusions regarding the LNG export study in the recently released DOE/FE Order No. 3282³ and the other information provided in the pending applications such as that of Cameron LNG, DOE/FE can now begin making substantive determination on the remaining applications. Prompt action is essential to permit the United States to capitalize upon its current, and potentially short-lived, competitive advantage. The execution of the tolling capacity agreements and joint agreement with well established, experienced industry participants show that the Cameron LNG project is among the most viable before DOE/FE.

DOE/FE has stated it will generally act first upon applications for which the applicants have commenced the pre-filing process at FERC and in the order in which the DOE/FE received non-FTA export applications. However, there are additional important considerations that fall within DOE/FE's public interest review criteria and that would be sensible and objective for the DOE/FE to consider in addition to simply reviewing applications in the order they were submitted.

Cameron LNG believes that DOE/FE should approve all LNG export applications that satisfy the public interest standard. However, in light of natural gas competition abroad, there is

³ *Freeport LNG Expansion, L.P.*, DOE/FE Order No. 3282, FE Docket No. 10-161-LNG (May 17, 2013).

a limited window of opportunity for projects to be economically feasible, which will close fairly quickly. In fact, it is likely that a U.S. LNG export project would need to be operational by 2017 or early 2018 to capture any advantage currently held by the United States over other international liquefaction projects currently under development. As Dr. Daniel Yergin recently testified to the House Subcommittee on Energy and Power:

Many LNG projects for the United States have been announced. These would be expensive facilities to build—\$10 billion or more. Only a handful, in our view, are likely to end up being financed and built. The reason is both cost and the scale of global competition. Currently, 95 million tons of new annual capacity around the world are either under construction or have been committed, which is equivalent to fully a third of existing capacity. *Capacity in the U.S. that might be coming into a market late in this decade or early in the next will have to compete with new supply from existing exporters, such as Australia, and the new sources, such as off-shore East Africa and the Eastern Mediterranean.* Moreover, western Canada is likely to become a major exporter of LNG to the main markets in Asia. This competition will create a global market offset on how many projects are actually built.⁴

In light of these global market realities, Cameron LNG believes that DOE/FE should focus its resources on the applications that can demonstrate an ability to reach market reality and where the United States could reap economic benefits the soonest. Christopher Smith, Acting Assistant Secretary for Fossil Energy, stated at a Senate briefing on May 21, 2013, that “it would not be out of the realm of possible for us to look at different ways of considering order precedent.”⁵

To identify those projects that have satisfied the greatest number of commercial and regulatory hurdles (and therefore are further along in the permitting and development process), DOE/FE should first review those projects that:

⁴ Yergin, Daniel, “Testimony submitted for Hearings on ‘America’s Energy Security and Innovation,’” Subcommittee of Energy and Power of the House Energy and Commerce Committee (Feb. 5, 2013) (“Yergin Testimony”) (emphasis added). Dr. Yergin is Vice Chairman of IHS and founder of IHS Cambridge Energy Research Associates and serves on the U.S. Secretary of Energy Advisory Board.

⁵ Ryan Tracy & Tennile Tracy, *New U.S. Energy Chief is Cautious on Gas Exports*, Wall Street Journal, May 22, 2013, at B2, available at <http://online.wsj.com/article/SB10001424127887324787004578497762644925132.html>.

- (1) Have completed FERC's NEPA pre-filing process and have already filed a formal FERC permit application under Part 153 of FERC's regulations for LNG export facilities with capacity sufficient to meet the applicant's requested non-FTA export volumes;
- (2) Minimize environmental impacts by constructing their LNG export facilities on sites that already have operational LNG import facilities; and
- (3) Have in place executed agreements with customers in an amount equal to the applicant's requested non-FTA export volume to assure that the LNG export facilities can rapidly commence construction once regulatory approval is received.

In addition, DOE/FE may also wish to take into account such considerations as the level of government and community support, the involvement of well capitalized sponsors, and the geopolitical benefits of the project.

The Cameron LNG project is particularly well situated among the applications pending before DOE/FE. The Cameron LNG project is one of the few pending projects that meet all of the criteria described above.⁶ Moreover, on April 4, 2013, the FERC issued a "Notice of Schedule for Environmental Review of the Cameron Liquefaction Project" that calls for the final Environmental Impact Statement to be issued in November 2013. Cameron LNG is the first LNG export facility application pending before the FERC to have reached this important milestone in the permitting process and is expected to receive the FERC authorization in early 2014. The Cameron LNG project is thus currently scheduled to be the next project approved by FERC.

Additional Benefits of the Cameron LNG Project

The Cameron LNG project will yield geopolitical benefits including providing access to LNG supply to Japanese utilities. The United States has been a world leader with respect to

⁶ See Reply Comments of Cameron LNG, LLC on LNG Export Studies at 8–15 (Feb. 25, 2013).

promoting free trade among nations and has consistently urged other countries to open their borders to allow access to U.S. products and services in a fair and competitive environment.

Moreover, the NERA Study notes that Japan and Korea depend almost entirely upon LNG imports to meet their natural gas demand and are very dependent upon reliable sources of LNG.⁷ This dependence would become even more acute if Japan were to implement a long-term or permanent policy to rely less on nuclear power generation and implement greater reliance on natural gas-fired generation. As Dr. Yergin testified to the House:

While markets and economics will eventually determine the realistic scale of U.S. exports, one also has to take into account wider considerations in assessing policy regarding future LNG exports. For decades, the United States has made the free flow of energy supplies one of the cornerstones of foreign policy. It is a principle we have urged on many other nations. How can the United States, on one hand, say to a close ally like Japan, suffering energy shortages from Fukushima, please reduce your oil imports from Iran, and yet turn around and, on the other, say new natural gas exports to Japan are prohibited?⁸

The United States, and the Cameron LNG project in particular, can aid in this transition by providing a secure source of LNG supply at a delivered cost substantially below prices Japan currently pays for LNG.

To that end, on February 6, 2013, Tokyo Electric Power Company (“TEPCO”) announced publicly in Tokyo it is finalizing agreements to purchase LNG from Mitsui and Mitsubishi originating from the Cameron liquefaction project. TEPCO is the largest buyer of LNG in Japan (24 Mtpa or 3.5 Bcf/d) and the second largest LNG buyer in the world. This will be TEPCO’s first long-term purchase of LNG based on a natural gas index and not a higher, oil-linked index, which is an important policy matter for Japan in addition to security of supply.

⁷ NERA Study at 17.

⁸ Yergin, Daniel, “Testimony submitted for Hearings on ‘America’s Energy Security and Innovation,’” Subcommittee of Energy and Power of the House Energy and Commerce Committee (Feb. 5, 2013) (“Yergin Testimony”) (emphasis added). Dr. Yergin is Vice Chairman of IHS and founder of IHS Cambridge Energy Research Associates and serves on the U.S. Secretary of Energy Advisory Board.

Given the involvement of GDF Suez in the Cameron LNG project, natural gas markets in Europe, Caribbean, and South America can be expected to realize similar benefits.

Cameron LNG estimates that the Cameron LNG project's customers will export an average of approximately \$8.6 billion of LNG per year.⁹ In addition, oil and condensate production associated with the Cameron LNG project is expected to average \$2.2 billion per year, bringing the average total trade balance benefits to \$10.8 billion per year in 2011 dollars. This will have a positive and significant impact on the balance of trade that the United States has with its international trading partners.

In addition to having a beneficial impact on the U.S. trade deficit by leveling the balance of payments between the United States and the rest of the world, LNG exports also will enhance the diversity of global supply and contribute to the security interests of the United States and its allies. The export of domestically produced LNG will promote liberalization of the global gas market by fostering increased liquidity and trade at prices established by market forces.

Finally, the United States has a strong interest in encouraging the world's major energy consumers to take advantage of a global increase in natural gas supply to reduce greenhouse gas emissions.

CONCLUSION

Projects such as the Cameron liquefaction project that are in the DOE/FE's approval queue have been waiting for over a year for their LNG export permit. Prompt and definitive action by the United States would send an important signal that would benefit mutual interests in economic and energy security as well as the strategic relationship between countries. Cameron LNG, along with its international partners GDF SUEZ, Mitsubishi, and Mitsui, have all the

⁹ This assumes that the Project's tolling customers will sell LNG at a price equal to 70% of the oil price forecasts in the AEO 2011, as stated in 2011 dollars.

attributes that would provide benefits to the United States and help support America's trading partners. As an integral part of its public interest review, DOE/FE should consider the additional attributes that make a project ripe for approval now and should act quickly on Cameron LNG's application.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that, in accordance with 10 C.F.R. § 590.107 (2012), I caused a copy of the foregoing to be served on the following this 23rd day of May, 2013:

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