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January 12, 2012

VIA COURIER

Mr. John Anderson
Office of Fossil Energy [FE-34]
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

RE: Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC
FE Docket 12- 06-LNG
Application for Long-Term Authorization to Export Liquefied Natural Gas
To Free Trade Agreement Countries

Dear Mr. Anderson:

Enclosed for filing on behalf of Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, "FLEX"), please find an original and five (5) copies of FLEX's application for long-term, multi-contract authorization to engage in exports up to the equivalent of 1.4 billion cubic feet per day, or 511 billion cubic feet per year of liquefied natural gas ("LNG"). Authorization is sought for a 25-year period, to commence on the date of first export or 8 years from the date of issuance of the authorization requested by this application, whichever is sooner.

FLEX proposes to export LNG from the United States to any country which has or in the future develops the capacity to import LNG via ocean-going carrier, and which has or in the future enters into a Free Trade Agreement with the U.S. requiring national treatment for trade in natural gas or LNG. This application is filed separately from all other currently pending LNG export applications.

FLEX requests that DOE/FE issue an order pursuant to Section 3(c) of the Natural Gas Act, for long-term, multi-contract authorization to export LNG.

Respectfully submitted,

Les Lo Baugh
Brownstein Hyatt Farber Schreck,LLP
Attorneys for
Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC

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UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

In the Matter of:
Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC

Docket No. 12 - 06 - LNG

APPLICATION OF FREEPORT LNG EXPANSION, L.P. AND FLNG LIQUEFACTION, LLC FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS TO FREE TRADE AGREEMENT COUNTRIES

Communications with respect to this Application should be addressed to:

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UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC

DOCKET NO. 12-06 - LNG

APPLICATION OF
FREEPORT LNG EXPANSION, L.P. AND FLNG LIQUEFACTION, LLC
FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS
TO FREE TRADE AGREEMENT COUNTRIES

Freeport LNG Expansion, L.P. ("FLNG Expansion") and FLNG Liquefaction, LLC ("FLNG Liquefaction") (collectively, "FLEX") request that the Department of Energy ("DOE") Office of Fossil Energy ("FE"), grant a long-term, multi-contract authorization for FLEX to export up to the equivalent of 1.4 billion cubic feet per day (Bcf/d), or 511 billion cubic feet per year (Bcf/y)[1] of liquefied natural gas ("LNG"). Authorization is sought for a 25-year period, to commence on the date of first export or 8 years from the date of issuance of the authorization requested by this application, whichever is sooner. FLEX proposes to export LNG from Quintana Island near Freeport, Texas, to any country with which the United States currently has, or in the future enters into, a free trade agreement ("FTA") requiring national treatment for trade in natural gas and LNG, and which has or in the future develops the capacity to import LNG via ocean-going carrier.

[1] 1.4 Bcf/d is equivalent to approximately 1.439 trillion BTUs per day, according to a DOE/FE conversion factor of 1,028 BTUs per cubic foot found at http://www.netl.doe.gov/energy-analyses/energy-calc.html. When operating at full capacity, the Liquefaction Project will consume approximately 0.1 Bcf/d to power the liquefaction facilities, resulting in a total natural gas volume requirement of 1.5 Bcf/d.

This application is filed independent of FLEX's prior separate applications filed with DOE/FE under Docket Nos. 10-160-LNG, 10-161-LNG, and 11-161-LNG.

This application is submitted pursuant to Section 3 of the Natural Gas Act ("NGA"),[2] Part 590 of the Regulations of the DOE,[3] and Section 201 of the Energy Policy Act of 1992.[4] Applications such as this one, which request authorization to export to countries with which the United States has an FTA, are entitled to the statutory presumption that exports to FTA countries must be authorized.[5] Such exports are "deemed to be within the public interest," and applications for such exportation "shall be granted without modification or delay."[6] In support of this application, applicants respectfully show as follows:

I. COMMUNICATIONS AND CORRESPONDENCE

Correspondence and communications regarding this application should be addressed to the following:

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[2] 15 U.S.C. § 717b (2010).

[3] 10 C.F.R. § 590 (2010).

[4] Pub. L. No. 102-486, § 201, 106 Stat. 2776. 2866 (1992) (codified as amended at 15 U.S.C. § 717b(c) (2010)).

[5] In order to deny such an application, the DOE/FE would require "an affirmative showing of inconsistency with the public interest." *Panhandle Producers v. Economic Regulatory Admin*, 822 F.2d 1105, 1111 (DC Cir. 1987).

[6] 15 U.S.C. § 717b(c) (2010). ("For purposes of [15 U.S.C. § 717b(a)] of this section, the importation of the natural gas referred to in [15 U.S.C. § 717b(b)] of this section, or the exportation of natural gas to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, shall be deemed to be consistent with the public interest, and applications for such importation or exportation shall be granted without modification or delay.").

II.

DESCRIPTION OF THE APPLICANT

The exact legal name of FLNG Expansion is Freeport LNG Expansion, L.P., a Delaware limited partnership and a wholly owned subsidiary of Freeport LNG Development, L.P. ("FLNG Development"). The exact legal name of FLNG Liquefaction is FLNG Liquefaction, LLC, a Delaware limited liability company and a wholly owned subsidiary of FLNG Expansion. The principal place of business for both FLNG Expansion and FLNG Liquefaction is located at 333 Clay Street, Suite 5050, Houston, Texas 77002. FLNG Expansion and FLNG Liquefaction are authorized to do business in the State of Texas.

FLNG Development is a Delaware limited partnership with four limited partners: (1) Freeport LNG Investments, LLLP, a Delaware limited liability limited partnership, which owns a 20% limited partnership interest in FLNG Development; (2) ZHA FLNG Purchaser LLC, a Delaware limited liability company which owns a 55% limited partnership interest in FLNG Development; (3) Texas LNG Holdings LLC, a Delaware limited liability company and wholly owned subsidiary of The Dow Chemical Company, which owns a 15% limited partnership interest in FLNG Development; and (4) Turbo LNG, LLC, a Delaware limited liability company and wholly owned subsidiary of Osaka Gas Co., Ltd., which owns a 10% limited partnership interest in FLNG Development.

In addition to the limited partners, FLNG Development has one general partner that manages the company, Freeport LNG-GP, Inc., a Delaware corporation, which is owned 50% by an individual, Michael S. Smith, and 50% by ConocoPhillips Company.

On June 18, 2004, the Federal Energy Regulatory Commission ("FERC") issued an order authorizing FLNG Development to site, construct and operate what is now known as Phase I of the Freeport Terminal on Quintana Island, southeast of the City of Freeport in Brazoria County, Texas.[7] The Phase I facilities, completed in June 2008, include an LNG ship marine terminal and unloading dock, LNG transfer lines and storage tanks, high-pressure vaporizers, and a 9.6-mile send-out pipeline extending to the Stratton Ridge meter station. FERC authorized Phase II, an expansion of the Freeport Terminal's send-out capacity, in an order dated September 26, 2006.[8] On December 9, 2011, FLNG Development applied for an amendment to the September 26, 2006 order allowing them to reorient the marine berthing dock, eliminate one of the four authorized LNG unloading arms, and eliminate the authorized vaporization facilities.[9]

On January 15, 2008, the DOE/FE granted FLNG Development blanket authorization to import LNG, in a total amount up to the equivalent of 30 billion cubic feet (Bcf) from various international sources pursuant to transactions that have terms of up to two years, and it authorized a second two-year import term on December 15, 2009.[10]

In 2009, FLNG Development was authorized by FERC to modify equipment at the Freeport Terminal to enable the loading and export of foreign-sourced LNG.[11] That same year, FLNG Development also received short-term authorization from DOE/FE to export up to 24 Bcf of foreign-sourced LNG to customers in the U.K., Belgium, Spain, France, Italy, Japan, South

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[7] *See Freeport LNG Development, L.P.*, 107 FERC ¶ 61,278, (2004), *order granting rehearing and clarification*, 108 FERC ¶ 61,253 (2004), *order amending Section 3 authorization*, 112 FERC ¶ 61,194 (2005), *order issuing authorization*, 116 FERC ¶ 61,290 (2006).

[8] *Freeport LNG Development, L.P.*, 116 FERC ¶ 61,290, (2006).

[9] *Freeport LNG Development, L.P.*, FERC Docket Nos. CP05-361-000, CP05-361-___ (Dec. 9, 2011).

[10] *Freeport LNG Development, L.P.*, FE Docket No. 07-136-LNG, Order No. 2457 (Jan. 15, 2008); *Freeport LNG Development, L.P.*, FE Docket No. 09-130-LNG, Order No. 2737 (Dec. 15, 2009). 15 U.S.C. §717b. This authority is delegated to the Assistant Secretary for FE pursuant to Redelegation Order No. 00.002.04D (November 6, 2007).

[11] *Freeport LNG Development, L.P.*, 127 FERC § 61,105 (May 6, 2009).

Korea, India, China and/or Taiwan.[12] This authorization was later amended to permit export to Canada, Mexico, and any other country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy.[13] In 2010, FLNG Expansion received short-term authorization to export up to a combined total of 876 Bcf of LNG to Canada and Mexico.[14] In 2011, FLNG Development received a second short-term authorization to export previously imported LNG to any nation with which trade is not prohibited.[15]

On December 17, 2010, FLNG Expansion and FLNG Liquefaction filed two applications to export domestically produced LNG.[16] The application filed under Docket 10-160-LNG, which requested long-term authorization to export LNG to free trade agreement countries, was granted by DOE/FE in Order No. 2913 on February 10, 2011. The application filed under Docket 11-161-LNG, which requested long-term authorization to export LNG to countries with which the U.S. does not have an FTA, is still pending before DOE/FE. On December 19, 2011, FLEX filed a second application to export domestically produced LNG to non-FTA countries, which is currently pending before DOE/FE.[17]

Although this application requests authorization substantially similar to FLEX's previously granted application in DOE/FE Docket No. 10-160-LNG, this is a wholly separate application. Demand for liquefaction capacity has been significant since FLEX filed its initial

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[12] *Freeport LNG Development, L.P.*, FE Docket No. 08-70-LNG, Order No. 2644 (May 28, 2009).

[13] *Freeport LNG Development, L.P.*, FE Docket No. 08-70-LNG, Order Nos. 2644-A (September 22, 2009) and 2644-B (May 11, 2010).

[14] *Freeport LNG Expansion, L.P.*, FE Docket No. 10-150-LNG, Order No. 2884 (Dec. 01, 2010).

[15] *Freeport LNG Expansion, L.P.*, FE Docket No. 11-51-LNG, Order No. 2986 (Jul. 19, 2011).

[16] *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, FE Docket 10-160-LNG, Order No. 2913 (Feb. 10, 2011) and *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, FE Docket 10-161-LNG (Application Pending).

[17] *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, FE Docket 11-161-LNG (Application Pending).

export applications a year ago, and FLEX expects to secure long-term contracts for the liquefaction and export of an additional 1.4 Bcf/d. To support the commercialization and financing necessary for FLEX to build facilities to meet that demand, FLEX respectfully requests a 25-year, multi-contract authorization to export an additional 1.4 Bcf/d to any country which has developed or in the future develops the capacity to import LNG via ocean-going carrier, and with which the United States has an FTA requiring national treatment for trade in natural gas and LNG.

III.

LIQUEFACTION PROJECT DESCRIPTION

FLEX, through one or more of its subsidiaries, proposes to develop, own and operate natural gas liquefaction facilities to receive and liquefy domestic natural gas for export to foreign markets (the "Liquefaction Project"). The Freeport Terminal presently consists of a marine berth, two 160,000 m^3 full containment LNG storage tanks, LNG vaporization systems, associated utilities and a 9.6-mile pipeline and meter station. The Liquefaction Project facilities will be integrated into the existing Freeport Terminal. FLEX is currently completing the mandatory National Environmental Policy Act ("NEPA") pre-filing review process for the Liquefaction Project. FLEX anticipates filing a formal application with FERC in early 2012 requesting that FERC issue an Order authorizing FLEX to site, construct and operate the Liquefaction Project.

The expanded facility will be designed so that the addition of liquefaction capability will not preclude the Freeport Terminal from operating in vaporization and send-out mode. The proposed Liquefaction Project will also include facilities that were previously authorized by

FERC in its order dated September 26, 2006,[18] including a second marine berthing dock and a third LNG storage tank.

IV.

AUTHORIZATION REQUESTED

In this application, FLEX requests that DOE/FE grant a long-term, multi-contract authorization for FLEX to export LNG from the Freeport Terminal on Quintana Island, Texas, to any country with which the United States has, or in the future enters into, an FTA requiring national treatment for trade in natural gas or LNG, and which has or in the future develops the capacity to import LNG via ocean-going carrier. FLEX requests this authorization for up to 1.4 Bcf/d, or 511 Bcf/y, of LNG, up to a total of 12.8 Tcf (the "Export Authorization"), over a 25-year term beginning on the date of first export or 8 years from the date of issuance of the authorization requested by this application, whichever is sooner.

Rather than enter into long-term natural gas supply or LNG export contracts, FLEX contemplates that its business model will be based primarily on Liquefaction Tolling Agreements ("LTA"), under which individual customers who hold title to natural gas will have the right to deliver that gas to FLEX and receive LNG. In the current natural gas market, LTAs fulfill the role previously performed by long-term supply contracts, in that they provide stable commercial arrangements between companies involved in natural gas services. The Liquefaction Project will require billions of dollars in capital expenditures on fixed assets, and long-term export authorization is required to attract prospective LTA customers willing to make the large-scale, long-term investments in LNG export arrangements necessary to finance the Liquefaction Project.

[18] *Freeport LNG Development, L.P.*, 116 FERC § 61,290, Docket No. CP05-361-000 (Sep. 6, 2006).

FLEX requests long-term, multi-contract authorization to engage in exports of LNG on its own behalf or as agent for others. FLEX contemplates that the title holder at the point of export[19] may be FLEX or one of FLEX's LTA customers, or another party that has purchased LNG from an LTA customer pursuant to a long-term contract. FLEX requests authorization to register each LNG title holder for whom FLEX seeks to export as agent, and proposes that this registration include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included by DOE/FE in FLEX's export authorization, and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. In addition to its registration of any LNG title holder for whom FLEX seeks to export as agent, FLEX will file under seal with DOE/FE any relevant long-term commercial agreements between FLEX and such LNG title holder, including LTAs, once they have been executed.[20]

FLEX is aware of DOE/FE's desire to ensure that all authorized exports are permitted and lawful under U.S. laws and policies, including the rules, regulations, orders, policies and other determinations of the Office of Foreign Assets Control of the U.S. Department of the Treasury.[21] Each of these goals of DOE can be efficiently and fully achieved through the arrangements proposed by FLEX. Whether FLEX acts on its own behalf or as agent for others, all parties involved in LNG export through the Liquefaction Project will have notice of all requirements in the export authorization order. As a result, DOE/FE will have each of the items

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[19] LNG exports occur when the LNG is delivered to the flange of the LNG export vessel. *See The Dow Chemical Company*, FE Docket No. 10-57-LNG, Order No. 2859 at p. 7 (Oct. 5, 2010).

[20] The practice of filing of contracts after the DOE/FE has granted export authorization is well-established. *See Yukon Pac. Corp.*, ERA Docket No. 87-68-LNG, Order No. 350 (Nov. 16, 1989); *Distrigas Corp.*, FE Docket No. 95-100-LNG, Order No. 1115, at 3 (Nov. 7, 1995); *See also* Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC, FE Docket No. 10-160-LNG, Order No. 2913 at 9-10 (Feb. 10, 2011).

[21] *See The Dow Chemical Company*, FE Docket No. 10-57-LNG, Order No. 2859 at 7-8 (Oct. 5, 2010).

of information it requires to fulfill its regulatory mandate.[22] This approach is responsive to real world market conditions and is fully compliant with the goals and intent of requirements of the applicable DOE regulations.

The source of natural gas supply for the Export Authorization will be the general United States natural gas market, including natural gas produced from shale deposits. Service contracts such as LTAs will fulfill the role historically played by long-term supply agreements, and each LTA customer will rely on their own sources within the general United States gas market. As noted above, FLEX has not yet entered into LTAs or other long-term supply or export contracts, but FLEX and its LTA customers will file their commercial arrangements under seal with DOE/FE once they have been executed.[23] DOE/FE has previously found that this commitment conforms to the requirements of 10 C.F.R. § 590.202(b), which calls upon applicants to supply transaction-specific information "to the extent practicable."[24]

Pursuant to NEPA, FERC will be the lead agency for environmental review and DOE will act as a cooperating agency. Such conditional orders are routinely issued by DOE/FE, which may review an application to determine whether a proposed authorization is in the public interest concurrent with FERC's review of environmental impacts.[25] FLEX requests that

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[22] *Id.*, at 7.

[23] The practice of filing of contracts after the DOE/FE has granted export authorization is well-established. *See Yukon Pac. Corp.*, ERA Docket No. 87-68-LNG, Order No. 350 (Nov. 16, 1989); *Distrigas Corp.*, FE Docket No. 95-100-LNG, Order No. 1115, at 3 (Nov. 7, 1995).

[24] *Sabine Pass Liquefaction, LLC*, FE Docket 10-85-LNG, Order No. 2833 (September 7, 2010). 10 C.F.R. 590.202(b) requests certain information, "to the extent applicable," and "supported to the extent practicable by necessary data or documents," regarding the source and security of the natural gas supply proposed for export, including contract volume and a description of the specific gas reserves supporting the project during the time of the requested export authorization.

[25] *See, e.g. Import and Export of Natural Gas*, 46 Fed. Reg. 44,696 at 44,700 (Sep. 4, 1081); *Rochester Gas and Electric Corp.*, FE Docket No. 90-05-NG, Order No. 503 (May 16, 1991).

DOE/FE authorize the requested export of LNG produced from domestically sourced natural gas conditioned upon completion of applicable environmental review of the Liquefaction Project by FERC.[26]

V.

PUBLIC INTEREST

A. Applicable Legal Standard

As noted above, this application is submitted pursuant to the standard set forth in Section 3(c) of the NGA, as amended by Section 201 of the Energy Policy Act of 1992, under which applications for export to FTA countries are deemed to be in the public interest and must be granted without modification or delay.[27] Although its application is presumptively in the public interest, the long-term, multi-contract export authorization requested by FLEX is also compatible with the principles established by the Policy Guidelines,[28] which promote free and open trade by minimizing federal control and involvement in energy markets, and DOE Delegation Order No. 0204-111, which requires "consideration of the domestic need for the gas to be exported."

As DOE/FE stated more recently in Order No. 2961, in which it authorized exports of LNG from the Sabine Pass LNG Terminal to non-FTA countries:

> [DOE's] review of export applications in decisions under current delegated authority has continued to focus on the domestic need for the natural gas proposed to be exported; whether the proposed exports pose a threat to the security of domestic natural gas supplies; and any other issue determined to be appropriate,

[26] 10 C.F.R. § 590.402 (2010) ("The Assistant Secretary may issue a conditional order at any time during a proceeding prior to issuance of a final opinion and order. The conditional order shall include the basis for not issuing a final opinion and order at that time and a statement of findings and conclusions. The findings and conclusions shall be based solely on the official record of the proceeding.")

[27] 15 U.S.C. § 717b(c) (2010), *supra* note 6.

[28] Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6,684 (Feb. 22, 1984).

> including 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.

For the reasons outlined below, FLEX's proposed exportation of domestically produced LNG serves the public interest.

B. Public Interest Analysis

The growth in domestic natural gas production has been made possible by technical advances in horizontal drilling and hydraulic fracturing that allow economical recovery of previously inaccessible reserves. These advances have also prompted a reevaluation of shale-gas plays in the Appalachian basin, the Mid-Continent, the Gulf Coast and Rocky Mountain areas — plays that some believe may make the Unites States "the Saudi Arabia of natural gas."[29] Despite the relative maturity of the United States gas supply, estimates of remaining reserves have continued to grow over time, even as production has increased in recent years.[30]

According to The Future of Natural Gas, a report published in 2011 by the Massachusetts Institute of Technology's Energy Initiative (the "MIT Report"), estimates of remaining recoverable gas resources in the U.S. currently range between 1,500 and almost 2,850 Tcf.[31] The EIA's most recent estimate of 2,543 Tcf is more than 113 times overall domestic consumption in

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[29] Joe Kamalick, *Shale Gas can Meet U.S. Needs for 100 Years – Study*, ICIS News (July 30, 2008) *available at* http://www.icis.com/Articles/2008/07/30/9144315/shale-gas-can-meet-us-needs-for-100-years-study.html.

[30] Production from unconventional natural gas resources, specifically shale gas, increased from 1.3 Tcf in 2007 to 3.1 Tcf in 2009 (EIA, SHALE GAS PRODUCTION, *available at* http://www.eia.doe.gov/dnav/ng/ng_prod_shalegas_s1_a.htm). The Annual Energy Outlook 2011, prepared by the U.S. Energy Information Administration ("EIA"), forecasts shale gas production to rise to 7.2 Tcf by 2015 and 12.25 Tcf by 2035, representing a fourfold increase between 2009 and 2035 (U.S. ENERGY INFORMATION ADMINISTRATION, ANNUAL ENERGY OUTLOOK 2011 143, Table A14 (April 26, 2011), *available at* http://www.eia.gov/forecasts/aeo/pdf/0383%282011%29.pdf (hereinafter "EIA ANNUAL ENERGY OUTLOOK 2011")). Total U.S. gas production is forecast to increase to approximately 27 Tcf in 2035, representing an average annual growth rate of 0.9% (*Id.* at 115, Table A1 (2011)).

[31] MIT ENERGY INITIATIVE, MIT STUDY ON THE FUTURE OF NATURAL GAS at 30 (2011) (herinafter "MIT REPORT").

2009.[32] IHS CERA Inc. has reported that "North American discovered natural gas resources have increased by more than 1,800 Tcf over the past three years, bringing the total natural gas resource base to more than 3,000 Tcf, a level that could supply current consumption for well over 100 years."[33] Most of the increase in recoverable resources has come from shale gas in the Barnett, Haynesville, South Texas (Eagle Ford), and Marcellus basins.[34] Large volumes of domestic shale gas reserves and continued low production costs will enable the United States to export LNG while also meeting domestic demand for natural gas for decades to come.

FLEX's requested Export Authorization will serve the public interest through:

- <u>Direct and Indirect Job Creation</u>:
    - ***Construction Jobs***: More than 3,000 on-site engineering and construction jobs will be created during the three to four year design and construction period for the additional liquefaction facilities necessary to produce the LNG that is the subject of the Export Authorization. Hundreds of off-site jobs will be created to support the design, fabrication and construction of these facilities.
    - ***Operational Jobs***: The ongoing management and operation of the expanded Liquefaction Project will create approximately 20-30 new permanent positions.
    - ***Indirect Job Creation***: Between 17,000 and 21,000 new American jobs will be indirectly created by the increase in drilling for and production of

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[32] EIA ANNUAL ENERGY OUTLOOK 2011, *supra* note 30, at 79.

[33] IHS CERA, FUELING NORTH AMERICA'S ENERGY FUTURE (2010), *available at* http://www.anga.us/media/41065/ihs%20cera%20fueling%20the%20future.pdf

[34] New York Times, *Potential U.S. Natural Gas supplies Have Jumped 3%, Industry Experts Say* (April 27, 2011) available at http://www.nytimes.com/gwire/2011/04/27/27greenwire-potential-us-natural-gas-supplies-have-jumped-37399.html. The Eagle Ford shale, discovered in 2008, contains an estimated 20.8 Tcf of technically recoverable gas and is an active developing play (EIA, REVIEW OF EMERGING RESOURCES: U.S. SHALE GAS AND SHALE OIL PLAYS 29-30 (July 2011) *available at* ftp://ftp.eia.doe.gov/natgas/usshaleplays.pdf).

natural gas required to support the Export Authorization.[35]

- Significant Economic Stimulus:
    - The total economic benefits of the Export Authorization to the American economy are estimated to be between $3.6 and $5.2 billion per year from 2015-2040, or $90 to $130 billion over the requested 25-year export term.[36]
- Material Improvement in the U.S. Balance of Trade:
    - Assuming an average value of $7 per MMBtu, exporting approximately 1.4 Bcf/d of LNG will improve the United States balance of payments by approximately $3.9 billion per year, or $97.5 billion over the requested 25-year export term.
- Significant Environmental Benefits:
    - As the cleanest-burning fossil fuel, natural gas significantly reduces total greenhouse gas emissions when used as a substitute for coal or fuel oil.
    - If the projected 1.4 Bcf/d of LNG is exported to countries that use it as a substitute for coal and fuel oil, it will significantly reduce global greenhouse emissions over the requested 25-year export term.
- Supports American Energy Security:
    - The United States has developed a massive natural gas resource base that is sufficient to supply domestic demand for a century, even with significant exports of LNG. The Export Authorization will not adversely affect U.S. energy security.
    - According to *Shale Gas and U.S. National Security*, a report published in 2011 by the James A. Baker III Institute for Public Policy at Rice University (the "Baker Institute Report"), "full development of commercial shale gas resources in the United States will have multiple

[35] See *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, FE Docket 10-161-LNG, Appendix B: THOMAS CHOI, DALE NESBITT, AND BRAD BARNDS, ANALYSIS OF FREEPORT LNG EXPORT IMPACT ON U.S. MARKETS 12 (Altos Management Partners, Inc. 2010), incorporated by reference.

[36] *Id.*

beneficial effects for U.S. energy security and national interests."[37]

- According to the MIT Report, "the U.S. should continue to provide diplomatic and security support for the siting, construction and operation of global natural gas pipelines and LNG facilities that promote its strategic interests in diversity and security of supply and global gas market development."[38]
- The MIT Report concludes that "[t]he U.S. should sustain North American energy market integration and support development of a global "liquid" natural gas market with diversity of supply. A corollary is that the U.S. should not erect barriers to gas imports or exports."[39]

VI.

ENVIRONMENTAL IMPACT

FERC has already authorized the expansion of the Freeport Terminal. The Liquefaction Project improvements, including those required to support the Export Authorization, will be contained within the previously authorized operational area of the Freeport Terminal on Quintana Island. The potential air impacts of the Liquefaction Project, including the facilities required to support the Export Authorization, will be reviewed by the Texas Commission on Environmental Quality ("TCEQ") and the Environmental Protection Agency ("EPA"). Other environmental impacts of the Liquefaction Project will be reviewed by FERC under NEPA. FERC authorization will be conditioned upon issuance of air quality permits from TCEQ and EPA. Accordingly, FLEX requests that DOE/FE issue a conditional order authorizing export of domestically produced LNG pending completion of FERC's environmental review.

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[37] KENNETH B. MEDLOCK III, AMY MEYERS JAFFE, & PETER R. HARTLEY, SHALE GAS AND U.S. NATIONAL SECURITY 54 (James A. Baker III Institute for Public Policy, July 2011) (hereinafter, the "Baker Institute Report"), *available at* http://bakerinstitute.org/publications/EF-pub-DOEShaleGas-07192011.pdf.

[38] MIT REPORT, *supra* note 31, at 158 (2011).

[39] *Id.*, at 157.

VII.

REPORTING REQUIREMENTS

For all imports and exports made pursuant to the authorization requested herein, FLEX will undertake to file reports with the DOE/FE in the month following the close of each calendar quarter indicating by month whether exports have occurred, and if so, the details of each transaction, including the total volumes of exports in Mcf and the average price for exports per MMBtu at the international border.[40] The reports shall include the name of the seller, the name of the purchaser, the estimated or actual duration of the agreements, the name of the U.S. transporter(s), the point of exit, whether the sales are made on an interruptible or firm basis, and, if applicable, the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. FLEX will notify the DOE/FE in writing of the date of the first delivery of natural gas exported under the requested authorization within two weeks of such delivery.

FLEX's reporting contact is:

Veronica Cantu
Freeport LNG Expansion, L.P.
333 Clay St., Suite 5050
Houston, Texas 77002
Tel (713) 333-4246
Fax (713) 980-2903
vcantu@freeportlng.com

VIII.

APPENDICES

Appendix A: Opinion of Counsel.

Appendix B: Verification and Certification

[40] *See* Procedural Order Eliminating Quarterly Reporting Requirement and Amending Monthly Reporting Requirement for Natural Gas and LNG Import/Export Holders, FE Docket No. 08-01-PO, DOE/FE Order No. 2464 (Feb. 6, 2008).

IX.

CONCLUSION

FLEX requests long-term, multi-contract authorization to export up to 1.4 Bcf/d, or 511 Bcf/y, of LNG, up to a total of 12.8 Tcf over a 25-year term beginning on the date of first export or 8 years from the date of issuance of the authorization, whichever is sooner. FLEX proposes to export LNG from the Freeport Terminal to any country with which the United States currently has, or in the future enters into, an FTA requiring national treatment for trade in natural gas and LNG, and which has the capacity to import LNG via ocean-going carrier. FLEX requests authorization to export LNG on its own behalf or as agent for others, and FLEX requests that it be authorized to register each LNG title holder for whom FLEX seeks to export as agent.

Based on the reasoning provided in this application, FLEX respectfully requests that the DOE/FE determine that FLEX's requested authorization is not inconsistent with the public interest. Accordingly, FLEX requests that DOE/FE issue an order pursuant to Section 3(c) of the Natural Gas Act for authorization to export LNG to FTA countries.

Respectfully submitted,

Les Lo Baugh
Brownstein Hyatt Farber Schreck, LLP
Attorneys for
Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC

January 12, 2012

Brownstein | Hyatt
Farber | Schreck

January 12, 2012

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Mr. John Anderson
Office of Fossil Energy [FE-34]
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

RE: Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC
FE Docket 12- 06-LNG
Application for Long-Term Authorization to Export Liquefied Natural Gas
To Free Trade Agreement Countries

Dear Sir:

This opinion is submitted pursuant to Section 590.202(c) of the U.S. Department of Energy's regulations. I have examined the Amended and Restated Articles of Incorporation of both Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC and other authorities as necessary, and have concluded that the proposed exportation of liquefied natural gas from the United States, as described in the application for long-term authorization to export to Free Trade Act countries to which this Opinion of Counsel is attached as Appendix A, is within the corporate powers of both Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC.

Respectfully submitted,

Les Lo Baugh

VERIFICATION
and
CERTIFIED STATEMENT

County of Los Angeles

State of California

I, Les Lo Baugh, being duly sworn on his oath, do hereby affirm that I am a duly authorized representative of Freeport LNG Expansion, LP and FLNG Liquefaction, LLC, that I am familiar with the contents of this application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.

Les Lo Baugh

Sworn to and subscribed before me, a Notary Public, in and for the State of California, this 12th day of January, 2012.

Vilma Capili, Notary Public

VILMA B. CAPILI
Commission # 1910290
Notary Public - California
Los Angeles County
My Comm. Expires Oct 24, 2014

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