

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-97-LNG]

Cheniere Marketing, LLC; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Domestic Natural Gas Resources to Non-Free Trade Agreement Countries for a 22-Year Period

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 August 31, 2012, by Cheniere Marketing, LLC (CMI), requesting long-term, multi-contract authorization to export up to 782 million MMBtu per year of LNG, equivalent to approximately 767 Bcf per year of natural gas, for a period of 22 years beginning on the earlier of the date of first export or eight years from the date the authorization is granted by DOE/FE. The LNG would be exported from the proposed Corpus Christi Liquefaction Project (CCL Project) to be located near Corpus Christi, Texas, to any country with which the United States does not have now or in the future has a free trade agreement (FTA) requiring national treatment for trade in natural gas and LNG; that has, or in the future develops, the capacity to import LNG; and with which trade is not prohibited by U.S. law or policy. On October 10, 2012, in a letter to DOE/FE, CMI clarified that it is requesting this authorization to export LNG both on its own behalf and as agent for other parties who hold title to the LNG at the point of export. The Application was filed under section 3 of the Natural 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 by email:

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Regular Mail

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

U.S. Department of Energy (FE-34)
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SUPPLEMENTARY INFORMATION:

Background

CMI, a Delaware limited liability company with its principal place of business in Houston, Texas, is affiliated with Corpus Christi Liquefaction, LLC (CCL) and Cheniere Corpus Christi Pipeline, L.P. (CCP), the developers of the CCL Project. CMI is an indirect subsidiary of Cheniere Energy, Inc. (Cheniere Energy), a Delaware corporation with its primary place of business in Houston, Texas. Cheniere Energy is a developer of LNG terminals and natural gas pipelines on the Gulf Coast, including the CCL Project. CMI is authorized to do business in the States of Texas and Louisiana.

CMI states that it is filing this Application in conjunction with the CCL Project being developed by CMI's affiliates, CCL and CCP, at the site of the previously authorized CCLNG import terminal and associated pipeline in San Patricia and Nueces Counties Texas.¹ CMI states that, concurrent with this Application, CCL is filing an application with the Federal Energy Regulatory Commission (FERC) for authorization pursuant to Section 3(a) of the NGA to site, construct, and operate the CCL Terminal facilities (CCL Terminal). In addition, CCP is filing an application with the FERC pursuant to Section 7(c) of the NGA to construct, own, and operate the Corpus Christi Pipeline (Pipeline) to connect the CCL Terminal facilities to interstate and intrastate natural gas supplies and markets.

On August 31, 2012, in Docket No. 12-99-LNG, CMI filed with DOE/FE a separate application for long-term multi-contract authorization to engage in the export of LNG in an amount

¹ The CCL Project is being developed at the same general locations proposed for in the previously authorized Corpus Christi LNG, L.P. import terminal and associated pipeline. *See Corpus Christi LNG, L.P. and Cheniere Corpus Christi Pipeline Company, Order Granting Authority Under Section 3 of the Natural Gas Act and Issuing Certificates*, 111 FERC ¶ 61,081 (2005).

up to 782 million MMBtu per year, to any country with which the U.S. does not now or in the future will have an FTA requiring the national treatment for trade in natural gas and LNG; that has developed, or in the future develops, the capacity to import LNG; and with which trade is not prohibited by U.S. law or policy. DOE/FE subsequently issued an order in FE Docket No 12-99-LNG granting long-term export authorization to FTA countries from the CCL Project.²

Current Application

In the instant Application, CMI seeks long-term, multi-contract authorization to export up to 782 million MMBtu per year of LNG, equivalent to approximately 767 Bcf per year of natural gas, for a period of 22 years beginning on the earlier of the date of first export or eight years from the date the authorization is granted by DOE/FE. CMI requests authorization to export LNG to any country with which the United States does not have an FTA requiring national treatment for trade in natural gas, that has, or in the future develops, the capacity to import LNG, and with which trade is not prohibited by U.S. law or policy.

CMI states that the CCL Project will be located on the northern shore of the La Quinta Channel north and east of the City of Corpus Christi, Texas. CMI states that the CCL Project will include three ConocoPhillips Optimized CascadeSM LNG trains, each with a nominal liquefaction capacity of approximately five million metric tons per year. CMI states that the CCL Project will be designed to export 782 million MMBtu of LNG per year and to import up to 400,000 MMBtu of LNG per day. CMI states that at the CCL Project site, natural gas will be liquefied into LNG and stored in three 160,000 cubic meters full-containment LNG storage tanks. CMI further states that the LNG will be exported on LNG carriers that will arrive at the CCL Terminal through the La Quinta Channel in the Corpus Christi Bay.

² *Cheniere Marketing, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Corpus Christi Liquefaction Project to Free Trade Agreement Nations, DOE/FE Order No. 3164, October 16, 2012 (FE Docket No 12-99-LNG).

CMI states that concurrent with this Application, CCL is filing an application with the Federal Energy Regulatory Commission (FERC) for authorization pursuant to Section 3(a) of the NGA to site, construct and operate the CCL Terminal, and CCP is filing an application with FERC pursuant to Section 7(c) of the NGA to construct, own and operate the Corpus Christi Pipeline to connect the CCL Terminal facilities to interstate and intrastate natural gas supplies and markets.² DOE/FE will act as a cooperating agency in the FERC's environmental review process for the CCL Project and in the preparation of an environmental assessment (EA) or environmental impact statement (EIS) to satisfy DOE/FE's NEPA responsibilities.

CMI states that it proposes to source natural gas to be used as feedstock for LNG production at the CCL Project from the interstate and intrastate grid at points of interconnection with other pipelines and points of liquidity both upstream and downstream of the Pipeline. CMI notes that through the Pipeline's interconnects with various interstate and intrastate pipeline systems, the CCL Project will have access to virtually any point on the U.S. interstate pipeline system through direct delivery or by displacement.

CMI states that it currently is engaged in commercial discussions with CCL to obtain all the available liquefaction capacity at the CCL Terminal. CMI states that either CMI or the CCL Project will bear the responsibility for sourcing gas supplies for delivery to the CCL Terminal. CMI states that CCL will commence negotiations with CCP for transportation capacity on the Pipeline once commercial discussion between CCL and CMI progress.

CMI states that it will comply with all DOE/FE requirements for exporters and agents, including the registration requirements as first established in *Freeport LNG Development, L.P.*,

² CMI stated that CCL commenced the FERC's mandatory National Environmental Policy Act (NEPA), 42 U.S. C. § 4321, *et seq.*, pre-filing process for the CCL Project on December 22, 2011 in Docket No. PF12-3-000. Through a May 31, 2012, filing, CCL and CCP formally notified the Commission of the inclusion of CCP in the NEPA pre-filing process in Docket No. PF 12-3-000.

DOE/FE Order No. 2913 and most recently set forth in *Excelerate Liquefaction Solutions I, LLC*, DOE/FE Order No. 3128.³

CMI states that it has not yet entered into any long-term gas supply or long-term export contracts with regards to this Application. CMI states that, accordingly, it is not submitting transaction-specific information (e.g., long-term supply agreements and long-term export agreements) at this time and requests that DOE/FE make a similar finding to that made in *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, issued on May 20, 2011, in Docket No. 10-111-LNG, with regard to the transaction-specific information requested in Section 590.202(b) of the DOE regulations. CMI states that it is cognizant of the DOE/FE Policy Guidelines (of 1984) and expects to enter into export transactions that are responsive to the relative level of natural gas prices in the United States, similar to those entered into in connection with the Sabine Pass liquefaction and export project (DOE/FE Docket No. 10-111-LNG), thereby creating supply to mitigate price impacts if the U.S. market is in greater need of natural gas than would otherwise be exported.

Lastly, CMI requests that DOE/FE issue a conditional Order authorizing the export of domestically produced LNG as requested in this Application by February 2013, followed by issuance of a final order immediately upon completion of the environmental review of the CCL Project by the FERC.

Public Interest Considerations

CMI states that it proposed the project in part due to the improved outlook for domestic natural gas production, owing to drilling productivity gains that have enabled rapid growth in new supplies in South Texas and elsewhere in the United States. CMI contends that improvements in

³ *Freeport LNG Development, L.P., Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations*, FE Docket No. 10-160-LNG, DOE/FE Order No. 2913 (February 10, 2011); *Excelerate Liquefaction Solutions I, LLC*, FE Docket No. 12-61-LNG, DOE/FE Order No. 3128 (August 9, 2012).

drilling and extraction technologies have coincided with a rapid diffusion of knowledge in the natural gas industry of the resource base and best practices in drilling and resource development. CMI notes that these changes have rendered obsolete once prominent concerns of declining future domestic natural gas production. CMI maintains that authorizing exports of LNG will further the responsible development of these emerging sources of domestic natural gas, providing a positive market solution that will:

1) raise domestic natural gas productive capacity and promote stability in domestic natural gas pricing,

2) stimulate the regional, state, and national economy through job creation and increased economic activity,

3) promote the liberalization of contract structures in global LNG markets by lowering the cost of energy in foreign nations, thereby fostering economic growth abroad and creating demand for U.S.-sourced goods and services,

4) expand economic activity and job creation in the domestic natural gas and petrochemicals sectors,

5) promote greater national security by expanding American influence in international energy markets while enabling greater production in domestic petroleum basins,

6) improve the U.S. balance of payments between \$5.88 billion and \$9.52 billion annually through the exportation of natural gas and the displacement of imports of other petroleum liquids, and

7) increase economic trade and ties with foreign trading partners and hemispheric allies, and displace environmentally damaging fuels in those countries.

In support of its Application, CMI commissioned a report from Advanced Resources International (ARI), titled *U.S. Natural Gas Resources and Productive Capacity: Mid-2012* (ARI Resource Report), to assess the scope of domestic natural gas resources and their potential for future recovery. CMI states that the ARI Resource Report, as well as publicly available information, demonstrates that the U.S. has significant natural gas resources available to meet projected future domestic needs, including the quantities contemplated for export under this Application. CMI also states that the ARI Resource Report establishes that the availability of new natural gas reserves is likely to continue expanding into the future as new unconventional formations are discovered and the oil and gas industry continues to improve drilling and extraction techniques. CMI further states that the ARI Resource Report also shows that the incremental price impact of such exports is modest in comparison to the benefits garnered by the CCL Project, and when compared to the normal year-to-year price volatility in the natural gas market, is statistically insignificant.

In support of its Application, CMI also commissioned a report from the Perryman Group, titled *The Anticipated Impact of Cheniere's Proposed Corpus Christi Liquefaction Facility on Business Activity in Corpus Christi, Texas, and the US* (Perryman Report). Based on this report, CMI presents the following reasons why the CCL Project is in the public interest:

First, with respect to economic activity, the Perryman Report estimates that the cumulative beneficial direct impact to business activity and tax receipts due to the construction and operation of the CCL project over 25 years will range from \$9.9 billion to \$11.2 billion to the regional economy, \$19.6 billion to \$23.5 billion to the Texas economy, and \$25.5 billion to \$31.1 billion to the U.S. economy.

Second, the Perryman Report estimates that the total indirect benefits due to enhanced natural gas exploration and production investments over 25 years made possible by the CCL Project will be \$13.8 billion to the regional economy, \$101.0 billion to the Texas economy, and \$111.4 billion to the U.S. economy.

Third, with respect to job creation, the Perryman Report estimates the construction and operation of the CCL Project over 25 years will create between 39,823 and 52,613 jobs nationwide, and that an additional 44,341 jobs will be indirectly generated owing to stimulus in the E& P sector.

Fourth, CMI states that another indirect benefit of the CCL Project will be captured by the chemical industry, which CMI says will be advantageously impacted by the additional production of NGLs, such as ethane, made possible through LNG exports. CMI states that the economic benefits due to the construction of new chemical manufacturing facilities supported by exports from the CCL Project will be \$1.1 billion to the regional economy, \$2.1 billion to the Texas economy, and \$3.0 billion to the U.S. economy.

CMI states that these as well as other benefits enumerated in this Application compellingly demonstrate that the export of LNG and the approval of this Application are in the public interest.

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

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

Environmental Impact

CMI states that the potential environment impacts of the Project will be reviewed by the FERC under the National Environmental Policy Act (NEPA). CMI notes that DOE/FE has agreed to act as a cooperating agency in the environmental review process for the CCL project, including the preparation of an EA or EIS, which will satisfy the NEPA responsibilities associated with the

LNG exports as proposed in the Application. Accordingly, CMI requests that DOE/FE issue a conditional order authorizing the export of LNG as requested in the Application, conditioned on completion of the environmental review of the CCL Project by the 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 Redesignation 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 environmental 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) e-mailing the filing to fergas@hq.doe.gov with FE Docket No. 12-97-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Office Natural Gas Regulatory Activities at the address listed in ADDRESSES. The filing must include a reference to FE Docket No. 12-97-LNG; or (3) 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. The filing must include a reference to FE Docket No. 12-97-LNG.

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 CMI 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>.

Issued in Washington, D.C., on October 18, 2012.

A handwritten signature in black ink, appearing to read "John A. Anderson", with a long horizontal flourish extending to the right.

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