

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-123-LNG]

CE FLNG, 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 30-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 September 21, 2012, by CE FLNG, LLC (CE FLNG), requesting long-term, multi-contract authorization to export up to 8 million tons per annum (mtpa) of domestically produced liquefied natural gas (LNG), the equivalent of about 391 billion cubic feet (Bcf) of natural gas per year, or 1.07 Bcf per day (Bcf/d), over a 30-year period, commencing on the earlier of the date of first export or ten years from the date the requested authorization is granted. The LNG would be exported from the proposed CE FLNG LNG terminal in Plaquemines Parish, Louisiana, (Project) 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 developed 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. The source of the natural gas will be from direct connects with the interstate pipelines of Tennessee 500 leg, SONAT, Transcontinental, Gulf South and several intrastate pipelines in Louisiana. CE FLNG anticipates that it will need to extend pipeline approximately 100 miles to connect to the proposed Project. CE

FLNG anticipates that sources of natural gas will include Texas and Louisiana producing regions and the offshore gulf producing regions, with CE FLNG's primary source of natural gas coming from the Gulf of Mexico rather than from shale gas plays. CE FLNG 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:

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)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
Washington, DC 20585

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

CE FLNG is a Delaware limited liability company with its principal place of business in Greensboro, Georgia. CE FLNG is a subsidiary of Cambridge Energy Holdings, LLC which is owned by Cambridge Energy Group Limited. CE FLNG's affiliate Cambridge Energy, LLC is a marketer of natural gas and currently has a two-year blanket authorization to import and export natural gas and LNG to and from Canada and Mexico, and import LNG from international sources under DOE/FE Order No. 2991.

CE FLNG states that it is finalizing the design of natural gas processing and liquefaction facilities to receive and liquefy domestic natural gas at the proposed Project. CE FLNG states that the Project facilities will consist of two floating liquefaction, storage and offloading units (FLSO), each capable of producing up to 4 mtpa of LNG for a total capacity of 8 mtpa of LNG. CE FLNG states that the units will have an LNG storage capacity of 250,000 cubic meters. CE FLNG further states that each FLSO unit will be capable of limited natural gas treatment, liquefaction, and capability to export LNG to off-taking LNG carriers utilizing ship-to-ship process. CE FLNG also states that the Project facilities would permit natural gas to be received by pipeline at the Project,

liquefied, and loaded from the FLSO unit's storage tanks onto LNG carriers berthed alongside. CE FLNG states that it will construct, own, and operate the Project.

In this same Application, CE FLNG also requested long-term authorization to export domestically produced LNG to countries that have or will enter into FTAs with the United States calling for national treatment of trade in natural gas. Subsequently, on November 12, 2012, DOE/FE issued an order in FE Docket No 12-123-LNG granting long-term export authorization to FTA countries.¹

Current Application

In the instant application, CE FLNG seeks long-term, multi-contract authorization to export up to 8 mtpa of domestically produced natural gas, as LNG (the equivalent of 391 Bcf per year, or 1.07 Bcf/d of natural gas), for a period of 30 years beginning on the earlier of the date of first export or ten years from the date the authorization is granted by DOE/FE, to any nation with which the United States does not have an FTA requiring national treatment for trade in natural gas or LNG with which trade is not prohibited by United States law or policy. CE FLNG requests that such long-term authorization provide for export from its proposed Project in Plaquemines, Louisiana to any country with which the United States does not have an FTA requiring national treatment for trade in natural gas, which has developed or in the future develops the capacity to import LNG via ocean-going carrier, and with which trade is not prohibited by U.S. law or policy. CE FLNG requests authorization to export LNG acting on its own behalf or as agent for other parties who themselves hold title to the LNG at the time of export.

CE FLNG seeks long-term multi-contract authorization to export natural gas available in the United States natural gas pipeline system. CE FLNG states that the source of natural gas supply

¹ On November 21, 2012, DOE/FE issued Order No. 3193, granting long-term multi-contract authorization to export LNG by vessel from the proposed CE FLNG LNG terminal in Plaquemines Parish, Louisiana to FTA nations.

will come from the interstate grid at different liquidity points. CE FLNG states that the pipeline infrastructure will be expanded and extended to connect to the proposed Project allowing CE FLNG and its customers to purchase gas for export from any point in the U.S. interstate pipeline system. CE FLNG states that this supply will be sourced in large volumes in the spot markets, in medium term markets, or pursuant to long-term arrangements, for the account of CE FLNG or third party customers of CE FLNG.

Public Interest Considerations

CE FLNG states that DOE/FE recently affirmed that “principal focus of this agency’s review of export applications in decisions under current delegated authority has continued to be the domestic need for the natural gas proposed to be exported, and any other factors to the extent they are shown to be relevant to a public interest determination.”² CE FLNG states as demonstrated herein, its application is not inconsistent with the public interest.

CE FLNG states that the main focus of the DOE/FE’s public interest analysis has been the projected domestic need for the gas to be exported. CE FLNG states that domestic need can be measured by looking at domestic natural gas supply versus natural gas demand. CE FLNG states that DOE/FE has historically compared the total volume of natural gas reserves and recoverable resources available to be produced during the proposed export period to total gas demand during the export period to determine whether there is a domestic need for the gas to be exported.³

CE FLNG states that it is their view that recoverable natural gas resources in the U.S. are abundant, cheap, and sufficient to meet demand for domestic consumption and CE FLNG’s proposed export over the long-term. In addition, CE FLNG states that it is their belief that exports will not cause a significant increase in domestic natural gas prices. CE FLNG states that

² *Sabine Pass Liquefaction, LLC*, DOE/FE Order Denying Request for Review Under Section 3(c) of the Natural Gas Act, at page 6, October 21, 2010.

³ *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 1473 at pp. 29, 40, 46.

accordingly, the proposed export authorizations will not have a detrimental impact on the domestic supply of natural gas and, therefore, are not inconsistent with the public interest.

CE FLNG states that for temporary jobs, it estimates that 750-1,000 construction jobs will be created during the design and construction of the Project. CE FLNG states that for permanent jobs, it estimates a further 200 jobs will be created for CE FLNG Production Staff (100 people assigned per vessel), 120 jobs for staff on the carriers, 50 jobs for support staff personnel, as well as various other jobs for support vessels, tugs, etc.

CE FLNG also states that granting the requested authorizations would also positively impact the U.S. balance of trade. CE FLNG states that in 2010, the U.S. trade deficit was \$497.8 billion, an increase of \$122.9 billion from the 2009 figure.⁴ CE FLNG state that notably, of the \$497.8 billion deficit, \$265 billion (over half) resulted from a negative balance in the trade of petroleum products.⁵ CE FLNG asserts that its exports of 1.07 Bcf/d will make a positive impact on the balance of trade. CE FLNG states that the DOE/FE, in approving export applications has acknowledged the positive impact that LNG exports can have on the balance of trade with destination nations.⁶ CE FLNG states moreover, consistent with the aims of the National Export Initiative and the DOE's policy of "promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements",⁷ the export of LNG will help to improve economic trade and ties between the U.S. and the destination nations, which could include key industrialized nations in Europe and Asia, as well as developing nations in Asia, South America, the Middle East, and the Caribbean.

⁴ Bureau of Economic Analysis, U.S. Department of Commerce, U.S. International Trade in Goods and Services, (Feb. 11, 2011), available at <http://www.bea.gov/newsreleases/international/trade/2011/pdf/trad1210.pdf>.

⁵ Id. at 11. In 2010, the U.S. exported only \$70 billion in petroleum products while importing over \$335 billion.

⁶ See, e.g., *ConocoPhillips Company*, FE Docket No. 09-92-LNG, Order No. 2731 at 10 (Nov. 30, 2009); *Cheniere Marketing, Inc.*, FE Docket No. 08-77-LNG, Order No. 2651 at 14 (June 8, 2009) ("[M]itigation of balance of payments issues may result from a grant of the [export] application.")

⁷ *Cheniere Marketing, Inc.*, FE Docket No. 08-77-LNG, Order No. 2651 at 11 (June 8, 2009).

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

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

Environmental Impact

CE FLNG states that following the issuance of this long-term multi-contract authorization requested in this Application, it will initiate the pre-filing review process at the Federal Energy Regulatory Commission (FERC) for the proposed Project facilities. CE FLNG states that this will be the initial step in a comprehensive and detailed environmental review of the Project by FERC. CE FLNG states that it anticipates, consistent with the requirements of the National Environmental Policy Act (NEPA), FERC will act as the lead agency for environmental review, with the DOE acting as a cooperating agency. CE FLNG requests that the DOE issue an order approving this Application, with such approval subject to completion by FERC of a satisfactory environmental review of the Project.

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 Redelelegation 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. 12-123-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. 12-123-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. 12-123-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 CE FLNG 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 November 30, 2012.



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