

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-32-LNG]

Jordan Cove Energy Project, L.P.; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Domestic and Canadian Natural Gas Resources to Non-Free Trade Agreement Countries for a 25-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 March 23, 2012, by Jordan Cove Energy Project, L.P. (Jordan Cove), requesting long-term, multi-contract authorization to export as liquefied natural gas (LNG) both natural gas produced domestically in the United States and natural gas produced in Canada and imported into the United States, in an amount up to the equivalent of 292 billion cubic feet (Bcf) of natural gas per year, 0.8 Bcf per day (Bcf/d), over a 25-year period, commencing on the earlier of the date of first export or seven years from the date the requested authorization is granted. The LNG would be exported from the proposed LNG terminal to be located on the North Spit of Coos Bay in Coos County, Oregon, 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. Jordan Cove 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 on the Federal eRulemaking Portal under FE Docket No. 12-32-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)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
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FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

Jordan Cove is a Delaware limited partnership with its principal place of business in Coos Bay, Oregon. The general partner of Jordan Cove is Jordan Cove Energy Project L.L.C., a Delaware limited liability company. Both Jordan Cove and its general partner are owned by the two limited partners in Jordan Cove. The first, Fort Chicago LNG II U.S.L.P., a Delaware limited partnership owns seventy-five percent. It is wholly owned and controlled, through a number of intermediate wholly owned and controlled companies, by Veresen, Inc., a Canadian corporation based in Calgary, Alberta, which, prior to its organization as a corporation, was Fort Chicago Energy Partners L.P., a Canadian limited partnership (although the name of the parent changed, the name of the subsidiary owning Jordan Cove did not). The second, Energy Projects Development L.L.C., a Colorado limited liability company, owns twenty-five percent. It is owned by various private individuals, all of whom are U.S. citizens.

Jordan Cove states that its construction and operation of an LNG terminal in Coos Bay, Oregon has already been authorized by the Federal Energy Regulatory Commission (FERC) as an

import facility.¹ Jordan Cove states that it has developed modified plans for the terminal to operate as an export facility. The terminal facilities authorized by the FERC Order that will be used for exports include two 160 cubic meter LNG full-containment storage tanks, a single marine berth, and on-site utilities and services. The modified plans include large diameter LNG piping configured for exports and electrically driven liquefaction equipment. On February 29, 2012, Jordan Cove filed a request for FERC's Office of Energy Projects to commence the mandatory National Environmental Policy Act (NEPA) pre-filing review process for an application to amend its FERC authorization to add export facilities, which was docketed in FERC Docket No. PF12-7-000 and approved by letter dated March 6, 2012. Jordan Cove anticipates completing the pre-filing review process and filing its application to amend in October, 2012.

Jordan Cove states that provided that FERC authorizes the export facilities by the end of 2013, Jordan Cove would be able to complete construction and commence export service in the fourth quarter of 2017. Jordan Cove further states that this service would offer benefits unique to the Jordan Cove terminal, because it is the only currently proposed liquefaction and export project that will provide customers the opportunity to export LNG from the U.S. West Coast with natural gas likely to be sources from Canadian and the U.S. Rocky Mountain supply basins.

Current Application

In the instant application, Jordan Cove seeks long-term, multi-contract authorization to export as LNG both natural gas produced domestically in the United States and natural gas produced in Canada and imported into the United States, up to the equivalent of 292 Bcf of natural gas per year, 0.8 Bcf/d, for a period of 25 years beginning on the earlier of the date of first export or seven years from the date the authorization is granted by DOE/FE. Jordan Cove requests that such

¹ Pacific Connector Gas Pipeline, LP; Jordan Cove, 129 FERC ¶61,234 (December 17, 2009) (FERC Order). Rehearing requests of the FERC Order was pending before FERC at the time of the Application submission to DOE/FE.

long-term authorization provide for export from its LNG terminal to be located on the North Spit of Coos Bay in Coos County, Oregon 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.

Jordan Cove states that rather than enter into long-term natural gas supply or LNG export contracts, it 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 the Jordan Cove terminal for liquefaction services and to receive LNG in exchange for a processing fee paid to Jordan Cove.²

Jordan Cove requests long-term, multi-contract authorization to engage in exports of LNG on behalf of or as agent for others, as well as on its own behalf. Jordan Cove states that the title holder at the point of export, if not Jordan Cove, may be an LTA customer or a party that purchases LNG from an LTA customer pursuant to a long-term contract. Jordan Cove will file, or cause others to file, under seal, executed contracts associated with the long-term supply of natural gas to, or the long-term export of LNG from, the Jordan Cove terminal, including LTAs, within 30 days of their execution.³ Jordan Cove states that Jordan Cove's terminal, via the Pacific Connector Gas Pipeline (PCGP),⁴ will be connected to the Northwest United States market hub at Malin, Oregon, providing access to abundant and diverse gas supplies in both the United States and Canada. At the Malin hub, PCGP will interconnect with Gas Transmission Northwest Pipeline, delivering gas from

² Jordan Cove states that under the LTA business model, the decision whether to utilize liquefaction capacity will be made by the LTA customer: if the marginal cost of producing or purchasing natural gas, liquefying it, and transporting the resulting LNG to a destination market is higher than other competing source of supply in any month, the LTA customer may forego its nomination rights for that month.

³ Jordan Cove states that when any such agreement is executed, and the transaction specific information required under 10 CFR 590.202(b) becomes available, Jordan Cove will comply with that provision.

⁴ Jordan Cove states that PCGP is a new interstate natural gas pipeline also certificated by the FERC Order (PCGP, together with the Jordan Cove terminal, the Jordan Cove Project).

western Canada, and via its Stanfield interconnection with Northwest Pipeline, delivering gas from the U.S. Rockies; Ruby Pipeline, delivering gas from western Wyoming, northwestern Colorado and northern Utah; and, PG&E Redwood Path, serving northern California.

Public Interest Considerations

In support of its Application, Jordan Cove states that in DOE/FE Order No. 2961 (*Sabine Pass Liquefaction, LLC*)⁵ authorizing LNG exports to non-FTA nations, DOE/FE acknowledged its longstanding position that “Section 3(a) creates a rebuttable presumption that a proposed export of natural gas is in the public interest, and DOE must grant such an application unless those who oppose the application overcome that presumption “by making an affirmative showing of inconsistency with the public interest.”⁶

Jordan Cove states that the LNG export authorization will serve the public interest in multiple ways. It will permit exports when competitive and otherwise promote healthy domestic and international natural gas markets. Jordan Cove states that the exports will not pose any threat to the security of domestic natural gas supplies, but to the contrary, they will result in significant economic benefits. Jordan Cove states that the demand created by the exports will stimulate increased revenues and jobs in upstream industries, which in turn will benefit the overall U.S. economy. Jordan Cove states that the construction and operation of the Jordan Cove Project will also create jobs and produce revenues to the benefit of the local and regional economies. Jordan Cove states that exports will have positive international trade impacts for the United States. In sum, Jordan Cove states that the Jordan Cove Project’s economic benefits advance the Administration’s efforts to expand exports, create jobs, and otherwise stimulate the beleaguered U.S. economy.

⁵ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, FE Docket No. 10-111-LNG (May 20, 2011).

⁶ *Id.* At 28 and n. 38, citing Phillips Alaska Natural Gas Corporation and Marathon Oil Company, 2 FE ¶ 70,317 (1999) (Phillips Order).

Jordan Cove commissioned independent experts to conduct studies and prepare the following reports that Jordan Cove claims demonstrate these public interest impacts:

1. *Jordan Cove LNG Export Project Market Analysis Study*, January 2012 by Navigant Consulting, Inc. (Navigant) analyzing gas supply and demand outlooks and modeling potential price effects of the proposed exports for the North American natural gas market to 2045 (Navigant Study)
2. *Whitepaper: Analysis of the EIA Export Report 'Effect of Increased Natural Gas Exports on Domestic Energy Markets' Dated January 19, 2012*, February 2012 by Navigant commenting on the EIA Report⁷ (Navigant Whitepaper)
3. *An Economic Impact Analysis of the Construction of an LNG Terminal and Natural Gas Pipeline in Oregon*, March 6, 2012 by ECONorthwest examining impacts on the states of Oregon and Washington of the construction of the Jordan Cove Project (Construction Study)
4. *An Economic Impact Analysis of Jordan Cove LNG Terminal and Pacific Connector Gas Pipeline Operations*, March 23, 2012 by ECONorthwest examining impacts on the local communities of the operations of the Jordan Cove Project (Operations Study)
5. *Upstream Economic Contributions of the Jordan Cove Energy Project*, February 29, 2012 by ECONorthwest quantifying direct and indirect contributions of the Jordan Cove Project to the United States economy (Upstream Contributions Study)

⁷ In January 2012, the U.S. Energy Information Administration (EIA) released *Effect of Increased Natural Gas Exports on Domestic Energy Markets* (EIA Report), a case study, prepared at the request of DOE/FE, evaluating the impact of increased natural gas demand reflecting exports of LNG on domestic energy consumption, production and demand under four scenarios. The EIA Report is addressed *infra* at 16-18.

6. *Effect of the Jordan Cove Energy Project's LNG Exports on United States Balance of Trade*, March 20, 2012 by ECONorthwest analyzing the impact of the Jordan Cove Project on the nation's balance of trade (Balance of Trade Study)

Copies of the complete reports are appended to Jordan Cove's application. Jordan Cove provides further discussion on their views that the proposed export authorization is in the public interest, discussed briefly below.

(1) Jordan Cove Exports Will Benefit Natural Gas Markets – Jordan Cove claims: (a) that natural gas supply is more than adequate to serve the projected domestic demand and proposed LNG exports; (b) that the effect of Jordan Cove exports on natural gas prices is minimal; and (c) that LNG exports will strengthen the U.S. natural gas market.

(2) Jordan Cove Exports Will Cause Economic Benefits – Jordan Cove claims: (a) that construction of the Jordan Cove Project will benefit the regional economy; (b) that operation of the Jordan Cove Project will benefit the local economy; (c) that exports from Jordan Cove will foster upstream industry growth and stimulate the U.S. economy; (d) that Jordan Cove exports will provide trade benefits; and (e) that Jordan Cove exports will provide additional international benefits.

(3) Jordan Cove claims that exports will offer unique advantages due to its location.

A more complete discussion of the above public benefits claimed by Jordan Cove is highlighted in Jordan Cove's application. Based on the reasoning provided in the Application, Jordan Cove requests that the DOE/FE determine that Jordan Cove's request for long-term, multi-contract authorization to export LNG to non-FTA countries would be consistent with the goal of the *DOE Policy Guidelines* to "minimize regulatory impediments to a freely operating market."⁸

Environmental Impact

⁸ *DOE Policy Guidelines* at 6685.

Jordan Cove states that FERC has found that the proposed Jordan Cove LNG import terminal is environmentally acceptable if constructed and operated in accordance with the environmental mitigation measures set forth in the FERC Order. Jordan Cove also states that the potential environmental impacts of the terminal as modified to permit exports of LNG will be reviewed by FERC under NEPA when Jordan Cove's application to amend its certificate to authorize liquefaction and export is filed. Jordan Cove requests that DOE/FE issue an order authorizing exports of LNG conditioned upon satisfactory completion of the environmental review process 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 Redelegation 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. 12-32-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. 12-32-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 Jordan Cove 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 May 29, 2012.

A handwritten signature in black ink, appearing to read "John A. Anderson". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

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