

[6450-01-P]

**DEPARTMENT OF ENERGY**

[FE Docket No. 12-100-LNG]

**Southern LNG Company, L.L.C.; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Domestic Natural Gas Resources to Non-Free Trade Agreement Countries for a 20-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 Southern LNG Company, L.L.C. (Southern LNG), requesting long-term, multi-contract authorization to export up to 4 million tons per annum (mtpa) of liquefied natural gas (LNG), the equivalent of 182.5 billion cubic feet (Bcf) of natural gas per year or 0.5 Bcf per day (Bcf/d), over a 20-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 LNG terminal in Chatham County, Georgia, near the City of Savannah (Elba Island Terminal) 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 LNG will be from direct connects with the interstate pipelines of Southern Natural Gas Company, L.L.C., Elba Express Company, L.L.C., Carolina Gas Transmission Corporation, and the indirect connects with interstate pipelines of Transcontinental Gas Pipe Line Company, LLC and Florida Gas

Transmission, LLC. Southern LNG 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**

Southern LNG is a Delaware limited liability company with its principal place of business in Birmingham, Alabama. Southern LNG is a wholly owned subsidiary of El Paso Pipeline Partners Operating Company, L.L.C. (EPPPOC). EPPPOC is a wholly owned subsidiary of El Paso Pipeline Partners, L.P. (EPPP). Kinder Morgan, Inc. owns the general partner interest in EPPP.

Southern LNG states that the Export Project (EP) will include natural gas processing and liquefaction facilities to receive, liquefy and export domestic natural gas at the Elba Island Terminal. The EP facilities will be integrated into the existing terminal facilities. Southern LNG states that the Elba Island Terminal includes (1) berthing and accommodations for two LNG vessels and unloading facilities and piping and appurtenances; (2) and LNG storage and vaporization facility (including five storage tanks capable of storing a total of approximately 550,000 cubic meters of LNG), vaporization units and associated piping and control equipment; (3) associated utilities, infrastructure, and support systems.

Southern LNG states that the EP facilities would permit gas to be (1) received by pipeline at the Elba Island Terminal, with these pipelines having indirect access to the nationally integrated interstate pipeline grid, (2) liquefied, and (3) loaded from the terminal's storage tanks onto vessels

berthed at the existing marine facility. Southern LNG further states that the EP will be designed to allow Southern LNG to be capable of providing bi-directional service. Thus, once the EP facilities are operational, the Elba Island Terminal will have the capability to (1) liquefy domestic gas for export or (2) import LNG for delivery to domestic markets. Southern LNG states that it does not expect the EP to result in vessel traffic to or from the facility in excess of that currently authorized for the existing import facility.

Southern LNG states that the new facilities proposed would be subject to review and approval by the Federal Energy Regulatory Commission (FERC). Southern LNG states that upon completion of initial facility planning and design, it will request that the FERC initiate the mandatory pre-filing review process for the EP. Southern LNG further states that this request will be made before the end of 2012.

### **Current Application**

In the instant application, Southern LNG seeks long-term, multi-contract authorization to export up to 4 mtpa of domestically produced natural gas, as LNG (the equivalent of 182.5 Bcf per year, or 0.5 Bcf/d of natural gas), for a period of 20 years beginning on the earlier of the date of first export or ten years from the date the authorization is granted by DOE/FE. Southern LNG requests that such long-term authorization provide for export from its Elba Island terminal 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.

Southern LNG requests authorization to export LNG acting on its own behalf or as agent for others. Southern LNG states that to ensure that all exports are permitted and lawful under U.S.

laws and policies, it will comply with all DOE requirements for an exporter or agent. Southern LNG states that in DOE/FE Order No. 2913<sup>1</sup>, the DOE approved a proposal to register each LNG title holder for whom the applicant sought to export LNG as agent. The applicant also proposed that this registration include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included in its export authorization and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. The applicant further stated that it would file under seal with the DOE any relevant long-term commercial agreements that it reached with the LNG title holders on whose behalf the exports were performed.

Southern LNG states that therefore, when acting as agent, it will register with the DOE each LNG title holder for whom it seeks to export as agent, and will provide the DOE with a written statement by the title holder acknowledging and agreeing to (1) comply with all requirements in its long-term export authorization, and (2) include those requirements in any subsequent purchase or sale agreement entered into by the title holder. Southern LNG will also file under seal with the DOE any relevant long-term commercial agreements it enters into with the LNG title holders on whose behalf the exports are performed.

### **Public Interest Considerations**

Southern LNG states that DOE/FE's primary consideration is whether the exports will be transacted on a market-driven, competitive basis. Southern LNG states that this is the case here: The owners of gas or the holders of capacity at the EP facilities will make decisions whether to export gas based on then prevailing market conditions in the domestic market and the destination markets. Southern LNG states that with export capability at the Elba Island Terminal, both exports

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<sup>1</sup> Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC, FE Docket No. 10-160-LNG, Order No. 2913 (February 10, 2011).

and imports will be subject to the ultimate market test: Those with capacity at the terminal will decide whether the market warrants imports of LNG, exports of LNG or neither. Southern LNG states that while its transactions will be competitive, market-based transactions consistent with DOE/FE's public interest policy, it is aware of the ongoing debate over whether LNG exports will cause price increases in the domestic market that run counter to the public interest. In order to address such concerns, Southern LNG commissioned Navigant Consulting, Inc. (Navigant) to undertake a study of the potential impact to domestic supply and prices that might result from LNG exports. The Navigant Market Analysis Study, attached to the Application as Appendix A, considered the possible impacts that the EP might have on natural gas supply and pricing. Navigant's analysis also assumed the existence of additional LNG exports from other projects as well as an aggressive increase in natural gas demand due to the use of natural gas in transportation vehicles. Even in the High Demand Base Case, which assumes 7.2 Bcf/d of LNG exports in addition to Southern LNG's requested 0.5 Bcf/d and makes aggressive assumptions about natural gas vehicle demand, the impact on domestic prices over the term of the requested authorization is minimal.

Southern LNG states that Navigant concludes that LNG exports will actually encourage a more reliable and stable domestic natural gas market with less volatility, which will benefit all market participants. By providing an additional outlet for supply, LNG exports will help to level the peaks and valleys historically common to the natural gas industry. Southern LNG states that in other words, LNG exports will reduce the price volatility that can lead producers to curtail production and reduce investment when prices are declining, which, in turn, leads to prices to subsequently spike when production falls too low. Southern LNG also states that its EP will not

rely on any particular source of gas, but rather, through the nationally integrated gas pipeline grid, and will be able to access gas supplies from a variety of producing basins within the U.S.

Southern LNG states that while contributing to the economic vibrancy of the Southeast region, another benefit of its EP is that, once constructed and in operation, the export facilities will be located within the footprint of the existing Elba Island Terminal and new LNG storage facilities do not have to be constructed in order for Southern LNG to provide the export service. Therefore, the EP's environmental impacts will be relatively small.

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

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

### **Environmental Impact**

Southern LNG states that the EP will have minimal environmental impacts given that, following construction, the export facilities will be located within the previously authorized footprint of the existing Elba Island Terminal.<sup>2</sup> The FERC conducted an environmental review of the Elba Island Terminal site in connection with authorization of the siting, construction, and operation of the Terminal in Docket Nos. CP99-579-000, CP02-379-000, and CP06-470-000. Southern LNG states that the facilities associated with the EP will only require upgrades or additions to the existing infrastructure at the Elba Island Terminal. Southern LNG also states that any additional environmental impacts associated with construction and operation of the EP will be reviewed by the FERC and the applicable state and federal permitting agencies (e.g., United States Army Corps of Engineers, Georgia Department of Natural Resources, and Coast Guard, among others) as part of the permitting process for the EP. Consistent with its practice regarding other applications, DOE/FE will be a cooperating agency in the FERC's environmental review.<sup>3</sup>

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<sup>2</sup> See, e.g., Sabine Pass Liquefaction, LLC, et al, 139 FERC ¶ 61,039, at P 29 (2012).

<sup>3</sup> DOE/FE Order No. 2961-A, at 27.

Southern LNG further states that it will keep DOE/FE apprised of the progress of the environmental review conducted 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 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](mailto:fergas@hq.doe.gov) with FE Docket No. 12-100-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. 12-100-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. 12-100-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 Oregon LNG 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 11, 2012.



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