

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-184-LNG]

Pangea LNG (North America) Holdings, 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 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 December 19, 2012, by Pangea LNG (North America) Holdings, LLC (Pangea), requesting long-term, multi-contract authorization to export domestically produced liquefied natural gas (LNG) in an amount up to the equivalent of 398.5 billion cubic feet (Bcf) per year (Bcf/y) of natural gas (equal to 1.09 Bcf/day of natural gas), the equivalent of 8 million metric tons per annum (mtpa), from its proposed South Texas LNG Export Project (ST LNG Project) located at the Port of Corpus Christi in Ingleside, Texas. Pangea requests this authorization for a 25-year term 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 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) that 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. Pangea 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
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FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

Pangea is a Delaware limited liability company with its principal place of business in The Woodlands, Texas. Pangea is a wholly owned subsidiary of Pangea LNG B.V. (Pangea LNG), a Netherlands-based company that is developing floating LNG liquefaction and storage solutions around the globe. Pangea LNG's ordinary shares are owned by Daewoo Shipbuilding & Marine Engineering Co., Ltd. (DSME) (70%), D&H Solutions AS (20%), and NextDecade International Coöperatief U.A. (NextDecade International) (10%).

DSME is a South Korea-based company whose major shareholders consist of Korea Development Bank (31.27%) and Korea Asset Management Corporation (19.11%), with the remaining shares being widely-held (with no individual entities holding five (5) percent or more of DSME's shares).¹ D&H Solutions AS is a Norwegian-based joint venture company that is owned by Hemla II AS (50%) and DSME (50%). NextDecade International is a Netherlands-based cooperative and has six (6) individual investors from the United States, Spain, and The Netherlands.

Pangea states that consistent with an executed Letter of Intent, it is working with Statoil North America, Inc. on the development of the ST LNG Project. Statoil North America, Inc. is a subsidiary of Statoil ASA (Statoil), a Norwegian upstream oil and gas company listed on the Oslo and New York stock exchanges. Pangea states that headquartered in Stavanger, Norway, Statoil is an international energy company with 40 years of offshore oil and gas production experience on the

¹ Pangea LNG states that Treasury shares comprise 1.2% of the total shares of DSME.

Norwegian Continental Shelf and currently has operations in 36 countries. Pangea states that Statoil's LNG activities include being the operator of the Snøhvit, and LNG export facility in Norway; exercising its capacity holder rights with respect to the Cove Point import and regasification terminal (in the U.S.); and producing, transporting and marketing LNG worldwide. Pangea states that Statoil has been active in the U.S. oil and gas industry for 25 years. Pangea states that over the past decade, Statoil has increased its North American business substantially through upstream positions in the Gulf of Mexico, acreages in the Marcellus shale gas play, the Eagle Ford shale gas play, the Bakken shale oil play and oil sands acreages in Alberta, Canada. Pangea further states that it and Statoil are in active negotiations with respect to Statoil procuring up to a 50% equity stake in the ST LNG Project and utilizing up to 50% of the liquefaction and export capacity of the ST LNG Project.²

Current Application

In the instant Application, Pangea seeks long-term, multi-contract authorization to export domestically produced LNG in an amount up to the equivalent of 398.5 billion cubic feet (Bcf) per year (Bcf/y) of natural gas (equal to 1.09 Bcf/day of natural gas), the equivalent of 8 million metric tons per annum (mtpa), 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. Pangea seeks to export this LNG 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. Pangea is seeking this export authorization in conjunction with its proposal to construct, own, and

² Should a change in control occur prior to DOE/FE's issuance of an order in this proceeding, Pangea will file a supplement to the instant Application to update the relevant applicant information. Pangea acknowledges that in any order granting the authorization requested in the Application, DOE/FE may require that Pangea request approval from the Assistant Secretary for Fossil Energy prior to a change in control of the authorization holder, whether by asset sale, stock transfer or other means.

operate the ST LNG Project.³ Pangea states that the ST LNG Project will consist of both land-based and floating components and will include natural gas treatment, compression, liquefaction and storage facilities, as well as ancillary facilities required to receive and liquefy natural gas, and to store and deliver LNG. Pangea states that the ST LNG Project will be capable of processing an average of approximately 398.5 Bcf/y, approximately 1.09 Bcf/d, of pipeline-quality natural gas. Pangea states that such gas will be delivered to the ST LNG Project through an approximately 27-mile-long pipeline, South Texas Pipeline, to be developed by a Pangea affiliate. Pangea intends to interconnect the ST LNG Project with nine interstate and intrastate pipeline systems⁴ via the South Texas Pipeline, thereby allowing natural gas to be supplied through displacement or direct access from a wide variety of supply sources.

Public Interest Considerations

Pangea states that the ST LNG Project has been proposed, in part, due to the markedly improved outlook for domestic natural gas reserves and production. Pangea states that improved drilling techniques and extraction technologies have contributed to the rapid growth in new supplies from unconventional gas-bearing formations across the U.S. and have been utilized to enhance production in some conventional fields. Pangea states that such developments have

³ Pangea states: i) regulatory approval also must be obtained from the Federal Energy Regulatory Commission (FERC) under Section 3 of the NGA for the siting, construction, and operation of the ST LNG Project and under Section 7 of the NGA for the siting, construction, and operation of an affiliated natural gas pipeline that will bring feed gas and fuel gas to the ST LNG Project; ii) Pangea will initiate the process to obtain such authorizations in Spring 2013 by requesting authorization from the Director of the Office of Energy Projects to commence the FERC's mandatory National Environmental Policy Act pre-filing review process for the ST LNG Project and associated pipeline; iii) the potential environmental impacts of the ST LNG Project, as well as the affiliated pipeline, will be reviewed by FERC in conjunction with that proceeding.

⁴ Pangea states these nine pipelines are: Texas Eastern Transmission Corporation, Kinder Morgan Texas Pipeline, LLC, Natural Gas Pipeline Company of America, Transcontinental Gas Pipeline Corporation, Tennessee Gas Pipeline Company, Gulf South Pipeline Company, LP, Crosstex Energy, L.P., GulfTerra Texas Pipeline, LP, and Channel Industries Gas Company. Their total estimated combined throughput is approximately 4.4 Bcf/d. The South Texas Pipeline's actual interconnects and delivery/receipt points ultimately will be determined in accordance with the needs of the users of the South Texas Pipeline. Significantly, there are various other natural gas pipelines crossed by, or in proximity to, the South Texas Pipeline's proposed route that may provide additional transportation options if needed.

completely changed the complexion of the U.S. natural gas industry and radically expanded the resource base.

Pangea states that LNG exports via the ST LNG Project represents a market-driven path toward deploying the country's vast energy reserves in a manner that will meaningfully contribute to the public interest through a variety of benefits, including: (1) More jobs⁵ and personal income, greater tax revenues, and increased economic activity; (2) Improved U.S. balance of payments (by between \$3.7 billion and \$6 billion annually) through the exportation of natural gas and the displacement of imports of other petroleum liquids; (3) Enhanced national security, as a result of the U.S.'s larger role in international energy markets, assistance provided to our allies, and reduced U.S. dependency on foreign oil and natural gas production;⁶ (4) Better opportunities to market U.S. products and services abroad, as a result of new competitively priced gas supplies introduced into world markets leading to improved economies among the U.S.'s trading partners; (5) Increased economic trade and closer ties with foreign trading partners and hemispheric allies, while displacing environmentally damaging fuels in those countries; (6) Increased production capacity able to better adjust to varying domestic demand scenarios; and (7) Dampened volatility in domestic natural gas prices.

Pangea submits that these benefits, and others discussed in this Application, demonstrate that Pangea's export proposal is not inconsistent with the public interest. Pangea states that this stance is now buttressed by the independent NERA Report, which key findings related to the macroeconomic impacts of LNG exports are overwhelmingly positive.

⁵ As discussed in the Perryman Report supporting this Application, Pangea asserts that the ST LNG Project will spur substantial job creation. The statement found at page 2 of the NERA Report ("LNG exports are not likely to affect the overall level of employment in the U.S.") should not be read to contradict this. http://www.fe.doe.gov/programs/gasregulation/reports/nera_lng_report.pdf. NERA had as a base assumption "full employment" within the U.S. economy. NERA Report at 103. Therefore, NERA could only use its model to assess shifts in employment, which were found to be within industry norms. *Id.* at 2.

⁶ John Deutch, *The U.S. Natural-Gas Boom Will Transform the World*, Wall Street Journal (August 14, 2012), <http://online.wsj.com/article/SB10001424052702303343404577514622469426012.html>.

Further discussion of the public interest and analysis of the impact of LNG exports is included in the Application and Appendix A of the Application.

Environmental Impact

Pangea states that it will request NGA Section 3 authorization from FERC so that it may site, construct, and operate the ST LNG Project. Pangea states that it intends to commence the FERC's mandatory pre-filing process in Spring 2013 and then file its final application to obtain Section 3 authorization in the Fall 2013. Pangea states that its affiliate developing the ST Pipeline will file an application for NGA Section 7(c) authorization to construct, own, and operate the South Texas Pipeline.

Pangea states that the potential environmental impacts of the ST LNG Project will be reviewed by FERC under the National Environmental Policy Act (NEPA). Pangea further states that consistent with the NEPA scheme applicable to applications for authorizations under NGA Section 3 delineated by Congress in the Energy Policy Act of 2005,⁷ it expects that FERC shall act as the lead agency, with DOE/FE acting as a cooperating agency, in connection with the ST LNG 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

⁷ Pub. L. No. 109-58, 119 Stat. 594.

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. 12-184-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. 12-184-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. 12-184-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 Pangea 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 February 21, 2013.

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