

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

LNG DEVELOPMENT COMPANY, LLC
(D/B/A OREGON LNG)

FE DOCKET NO. 12-48-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE PROPOSED LNG TERMINAL IN WARRENTON,
CLATSOP COUNTY, OREGON
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3100

MAY 31, 2012

I. DESCRIPTION OF REQUEST

On May 3, 2012, LNG Development Company, LLC (d/b/a Oregon LNG) (Oregon LNG), filed an application (Application), with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)¹ for long-term, multi-contract authorization, to export liquefied natural gas (LNG) in an amount up to 9.6 million metric tons per year, the equivalent of 456.25 billion cubic feet (Bcf) per year (1.25 Bcf/day) of natural gas from its proposed LNG terminal site in Warrenton, Clatsop County, Oregon, for a 30-year term. Oregon LNG seeks to export LNG by vessel to any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring the national treatment for trade in natural gas, and that currently has, or in the future develops, the capacity to import LNG via ocean-going carriers.² Oregon LNG seeks to export this LNG on its own behalf and also as agent for third parties. Oregon LNG requests that this authorization commence on the earlier of the date of first export or ten years from the date the authorization is issued (May 31, 2022).

II. BACKGROUND

Oregon LNG is a Washington limited liability company, which has its principal place of business in Warrenton, Oregon.

Oregon LNG states that this Application for export authorization is the first half of Oregon LNG's two-phased export authorization request. Oregon LNG states that it will file a

¹ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. §717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-002.04E issued on April 29, 2011.

² The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas. An FTA with Panama has been ratified by Congress but has not yet taken effect.

separate application in the near term with DOE/FE for authorization to export LNG to those countries with which a FTA requiring the national treatment for trade in natural gas is not in effect and to which the export of LNG by vessel is not prohibited by U.S. law or policy.

Oregon LNG states that it is seeking this two-phased export authorization in conjunction with the development of the Oregon LNG Bi-Directional Project (Project).³ Oregon LNG asserts that the Project is being developed primarily to liquefy Canadian-sourced supplies of natural gas, and to a lesser extent, supplies that may be domestically produced, for export to foreign markets.

The Project will be connected to an approximately 86-mile long interstate pipeline being developed by Oregon Pipeline, which will in turn connect to the interstate natural gas transmission system of Williams Northwest Pipeline Company (Williams). Oregon LNG further states that through its connection with the Williams system, Oregon LNG and its customers will be able to purchase gas for export from multiple supply sources, including British Columbia, Alberta, and Rocky Mountain Basins. Oregon LNG states that this supply can be sourced in large volumes in the spot markets or pursuant to long-term arrangements, for the account of Oregon LNG or third party customers. Oregon LNG states that given the large size of the supply in the British Columbia, Alberta, and Rocky Mountain Basins, and the well documented continuous

³ Oregon LNG states the following: The Oregon LNG Bi-Directional Project is the result of the improved outlook for North American natural gas production that is evidenced by the rapid growth in supplies in the U.S. and Canada. The Project is comprised of Oregon LNG's proposed LNG import terminal and natural gas pipeline projects that currently are pending before the Federal Energy Regulatory Commission (FERC) in Docket Nos. CP09-6-000 and CP09-7-000, respectively, and Oregon LNG's newly proposed LNG Export Project. The LNG Export Project will add liquefaction capability to Oregon LNG's pending import project, transforming it into a bi-directional facility capable of liquefying natural gas for export, in addition to re-gasifying imported foreign-sourced LNG. Oregon LNG, along with its affiliate, Oregon Pipeline Company, intend to request authorization from the Director of the Office of Energy Projects of the FERC to commence the FERC's mandatory National Environmental Policy Act (NEPA) pre-filing review process for the LNG Export Project in the near term. Upon completion of the FERC's NEPA pre-filing review process, Oregon LNG and Oregon Pipeline will submit an application to amend the currently pending application in Docket Nos. CP09-6-000 and CP09-7-000 and request authorization for the Project. When completed, the Project will be capable of processing an average of approximately 1.3 Bcf/day of pipeline-quality natural gas (including fuel and inerts) in the liquefaction mode and 0.5 Bcf/day in the vaporization mode. The potential environmental impact of the Project will be reviewed by the FERC in conjunction with those proceedings.

increase in production in other North American unconventional gas fields, the proposed exports are not anticipated to have a meaningful impact on the availability of natural gas to the Pacific Northwest region.

Oregon LNG states that it will file the long-term export contracts that are the subject of the authorization requested herein following execution of such agreements, which has yet to occur.

FINDINGS

(1) Section 3(c) of the NGA was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that applications to authorize: (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA requiring national treatment for trade in natural gas, and (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. The instant Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the Application without modification or delay.⁴

(2) In light of DOE's statutory obligation to grant the Application without modification or delay, there is no need for DOE/FE to review the other arguments posed by Oregon LNG in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments.

(3) The countries with which the United States has an FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, Republic of Korea, and Singapore.

⁴ DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 CFR Part 590, are applicable only to applications seeking to export natural gas, including LNG, to countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

(4) DOE/FE addressed the issue of agency rights in *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913 (Order 2913), issued February 10, 2011. In Order 2913, DOE/FE approved a proposal by Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) to register each LNG title holder for whom FLEX sought to export LNG as agent. This proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *Dow Chemical*,⁵ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export.

The same policy considerations that supported DOE/FE's acceptance of the alternative proposal in Order 2913 apply here as well. The authorization granted herein shall be conditioned to require that where Oregon LNG proposes to export as agent for others, Oregon LNG must register those companies in accordance with the procedures and requirements described herein.

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. Oregon LNG is authorized to export LNG, produced from domestic natural gas and natural gas previously imported from Canada, by vessel from its proposed LNG terminal in Warrenton, Clatsop County, Oregon, up to the equivalent of 456.25 Bcf per year of natural gas for a 30-year term, beginning on the earlier of the date of first export or 10 years from the date the authorization is issued (May 31, 2022), pursuant to one or more long-term contracts with third parties that do not exceed the term of this authorization.

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua,

⁵ *The Dow Chemical Company*, DOE/FE Opinion and Order No. 2859 (FE Docket No. 10-57-LNG), October 5, 2010, at p. 7 and 8.

Oman, Peru, Republic of Korea, and Singapore, and to any nation that the United States subsequently enters into a FTA requiring national treatment for trade in natural gas, provided that the destination nation has the capacity to import ocean going vessels. FTA countries are currently identified by DOE/FE at:

<http://www.fossil.energy.gov/programs/gasregulation/index.html>.

C. Oregon LNG shall ensure that all transactions authorized by this order are permitted and lawful under United States laws and policies, including the rules, regulations, orders, policies, and other determinations of the Office of Foreign Assets Control of the United States Department of the Treasury. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. Oregon LNG shall file with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term export of LNG from its proposed LNG terminal site in Warrenton, Clatsop County, Oregon, within 30 days of their execution. Oregon LNG shall file with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term supply of natural gas to its proposed LNG terminal site in Warrenton, Clatsop County, Oregon, with the intent to process this natural gas into LNG for export within 30 days of their execution.

E. Oregon LNG shall include the following provision in any contract for the sale or transfer of LNG exported pursuant to this Order:

"Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries identified in Ordering Paragraph B of DOE/FE Order No.3100, issued May31, 2012 in FE Docket No. 12-48-LNG, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such

LNG to such countries. Customer or purchaser further commits to cause a report to be provided to Oregon LNG that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Oregon LNG is made aware of all such actual destination countries."

F. Oregon LNG is permitted to use its authorization in order to export LNG on behalf of or as agent for others, after registering the other party with DOE/FE. Registration materials shall include an acknowledgement and agreement by the registrant to supply Oregon LNG with all information necessary to permit Oregon LNG to register that person or entity with DOE/FE, including: (1) the registrant's agreement to comply with this Order and all applicable requirements of DOE's regulations at 10 CFR Part 590, including but not limited to destination restrictions; (2) the exact legal name of the registrant, state/location of incorporation/registration, primary place of doing business, and the registrant's ownership structure, including the ultimate parent entity if the registrant is a subsidiary or affiliate of another entity; (3) the name, title, mailing address, e-mail address, and telephone number of a corporate officer or employee of the registrant to whom inquiries may be directed; (4) within 30 days of execution, a copy, filed with DOE/FE under seal, of any long-term contracts, including processing agreements, that result in the export of LNG; and (5) within 30 days of execution by a person or entity required by this Order to register, a copy, filed with DOE/FE under seal, of any contracts associated with the long-term supply of natural gas to its proposed LNG terminal site in Warrenton, Clatsop County, Oregon, with the intent to process this natural gas into LNG for export pursuant to this authorization.

G. Each registration submitted pursuant to this Order shall have current information on file with DOE/FE. Any changes in company name, contact information, change in term of the

long-term contract, termination of the long-term contract, or other relevant modification, shall be filed with DOE/FE within 30 days of such change(s).

H. Within two weeks after the first export of LNG occurs from its proposed LNG terminal in Warrenton, Clatsop County, Oregon, Oregon LNG shall provide written notification of the date that the first export of LNG authorized in Order Paragraph A above occurred.

I. Oregon LNG shall file with the Office of Natural Gas Regulatory Activities, on a semi-annual basis, written reports describing the progress of the proposed liquefaction facility project. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the progress of the proposed LNG liquefaction facility in Warrenton, Clatsop County, Oregon, the date the facility is expected to be operational, and the status of the long-term contracts associated with the long-term export of LNG and any long-term supply contracts.

J. Monthly Reports: With respect to the LNG exports authorized by this Order, Oregon LNG shall file with the Office of Natural Gas Regulatory Activities, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made. The first monthly report required by this Order is due not later than the 30th day of the month following the month of first export. In subsequent months, if exports have not occurred, a report of “no activity” for that month must be filed. If exports of LNG have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the LNG tanker; (4) the date of departure from the U.S. export terminal; (5) the country of destination; (6) the name of the supplier/seller; (7) the volume in Mcf; (8) the price at point of export per million British thermal units (MMBtu); (9) the duration of the supply agreement (indicate spot sales); and (10) the name(s) of the purchaser (s).

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

K. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at Yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faxed to Ms. Caudillo at (202) 586-6050.

Issued in Washington, D.C., on May 31, 2012.

A handwritten signature in black ink, appearing to read "John A. Anderson", written over a horizontal line.

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