

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 13-116-LNG]

Eos LNG 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 August 23, 2013, by Eos LNG LLC (Eos), requesting long-term, multi-contract authorization to export LNG produced from domestic sources in a volume equivalent to approximately 584 billion cubic feet per year (Bcf/yr) of natural gas, or 1.6 Bcf per day (Bcf/d). Eos seeks authorization to export the LNG for a 25-year term from the proposed Eos LNG Terminal (Project), to be located at the Port of Brownsville in Brownsville, Texas. Eos requests authorization to export LNG to any country with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas (non-FTA countries) with which trade is not prohibited by U.S. law or policy. Eos requests that this authorization commence on the earlier of the date of first export or 8 years from the date the authorization is granted. Eos requests this authorization both on its behalf and as agent for other parties who hold title to the LNG at the time of export. The Application was filed under section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b.

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

Eos is a Delaware limited liability company with its principal place of business in Boston, Massachusetts. Eos states that it qualifies as an African American minority-owned business. Eos's principal executives are Kent Strong, Eza Gadson, and Andrew Kunian. Eos states that it has recruited an LNG team to manage logistics and commercial operations of the venture.

Eos proposes to develop, own, and operate a natural gas liquefaction facility and LNG export terminal at the Port of Brownsville in Brownsville, Texas. The Application includes a copy of a signed option agreement between Eos and the Brownsville Navigation District for the lease by Eos of a 15 acre tract of land. Eos states that the site will be based on a floating liquefaction unit on a barge (FLNG) and an existing LNG tanker (utilized solely for storage) that are anchored to a dock at the Port of Brownsville. Eos states that LNG tankers owned by third parties will be loaded via ship to ship transfer from Eos's LNG storage tanker, then will set sail to buyers in Europe and Asia. Eos states that the FLNG is an autonomous floating structure that does not rely on any shore-based utilities to function. Eos states that the FLNG will be constructed in a shipyard and towed to its designated site, where it will be integrated with the gas source. Eos states that mooring and connection infrastructure requirements associated with the FLNG are minimal.

Current Application

Eos requests that DOE/FE grant a long term (in excess of two years), multi-contract authorization to export LNG from export terminals to be constructed in Brownsville, Texas to any non-FTA country which has developed or in the future develops the capacity to import LNG, and with which trade is not prohibited by U.S. law or policy. Eos requests this authorization for a

volume of LNG equivalent to approximately 1.6 Bcf/d of natural gas (584 Bcf/yr) for a 25-year term, up to 14.6 trillion cubic feet, beginning on the date of the first export or 8 years from the date of issuance of the authorization requested by this Application, whichever is sooner.

Eos states that rather than enter into Liquefaction Tolling Agreements (LTAs), its business model will be to buy natural gas at the domestic price of the Henry Hub futures contract and sell it internationally at the prevailing market rate. However, if the profitability of this model declines, Eos states that it will maintain the option to convert to an LTA model, under which individual customers who hold title to the domestic natural gas will have the right to deliver that gas to Eos's terminal and receive LNG in return.

Eos requests long term, multi-contract authorization to engage in exports of LNG on its own behalf or as agent for others. Eos contemplates that the title holder at the point of export may be Eos or one of Eos's customers, or another party that has purchased LNG from an LTA customer pursuant to a long term contract. Eos requests authorization to register each LNG title holder for whom Eos seeks to export as agent, and proposes that this registration include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included by DOE/FE in Eos's export authorization, and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. In addition to its registration of any LNG title holder for whom Eos seeks to export as agent, Eos states that it will file under seal with DOE/FE any relevant long term commercial agreements between Eos and such LNG title holder, including LTAs, once they have been executed. Eos states that DOE/FE has previously found that this commitment conforms to the requirements of 10 C.F.R. § 590.202(b), which calls upon applicants to supply transaction information "to the extent practicable."

Eos states that the natural gas supply underlying the proposed exports will come from the interconnected and highly liquid domestic market for natural gas. Eos states that while some of the proposed export supply may be secured through long term contracts, large volumes are likely to be acquired on the spot market. Eos states that the biggest market hub in North America, the Henry Hub, is located in southern Louisiana, and the Houston Ship Channel and Katy Hub provide flexibility to natural gas shippers in Texas. Eos states that it will be able to source the gas from these locations. Eos states that, alternatively, it will be able to contract directly with exploration and production companies such as Chesapeake Energy, Anadarko, Devon Energy, Encana, Southwest Energy, EOG Resources, and EQT Resources. Eos anticipates that several natural gas basins will supply the Project, including the Permian, Eagle Ford, Barnett, Woodford, and Haynesville-Bossier basins. Eos states that these basins are served by several pipelines that can transfer the natural gas to the Project.

Eos states that pursuant to the National Environmental Policy Act (NEPA), the Federal Energy Regulatory Commission (FERC) will be the lead agency for environmental review. Eos requests conditional authorization to export LNG from the Project, pending FERC authorization to site, construct, and operate it. Eos states that such conditional authorizations are routinely issued by DOE/FE, which may review an application to determine whether a proposed authorization is in the public interest concurrent with FERC's environmental impact review. Eos states that it requests that DOE/FE authorize the requested export of LNG produced from domestically sourced natural gas conditioned upon FERC's authorization of the Project pursuant to NEPA.

Public Interest Considerations

Eos states that as a result of technological advances, huge reserves of domestic shale gas that were previously uneconomic to develop are now producing natural gas in many regions of the United States. Eos states that the United States is now estimated to have more natural gas resources than it can use in a century. Eos states that large volumes of domestic shale gas reserves and continued low production costs will enable the United States to export LNG while also meeting domestic demand for natural gas for decades.

Eos states that as U.S. natural gas reserves and production have risen, U.S. natural gas prices have fallen to the point where they are the lowest in the world. Eos states that LNG prices in Asia are indexed to crude oil prices and are generally higher than elsewhere in the world. Eos states that the lack of international natural gas pipelines in Asia means that, from a practical standpoint, the industrialized Asian countries, including Japan, Korea, and Taiwan, are dependent upon LNG imports for their natural gas supplies. Eos states that while Europe receives pipeline gas from various sources, the long supply chains and inflexibility of European markets have made diversification of supply a high priority. Eos states that competitively priced LNG supplies from the United States will play a significant role in this diversification. Eos states that domestic natural gas prices in the United States are projected to remain low relative to European and Asian markets far into the future, making exports of LNG by vessel a viable long term opportunity for the United States.

Eos states that a grant of the Application will serve the public interest in several respects. These include: (1) support to United States energy security; (2) significant environmental benefits due to substitution of cleaner burning natural gas for coal or oil; (3) direct and indirect job creation; (4) significant economic stimulus, including growing the tax base and increasing overall economic activity; and (5) material improvement in the United States's balance of trade. Eos states that these

benefits will be obtained with only a minimal effect on domestic natural gas prices. Eos states that at current and forecasted rates of demand, U.S. natural gas reserves will meet demand for 100 years. Eos states that the requested export authorization will allow the United States to benefit now from natural gas resources that may not otherwise be produced for many decades.

Finally, Eos asks that, in its review of the Application, DOE/FE consider the status of Eos as an African-American minority-owned enterprise. Eos refers to Executive Orders 10925 and 11625 in support of this request. According to Eos, Executive Order 10925 stated that “it is the policy of the executive branch of the Government to encourage by positive measures equal opportunity for all qualified persons within the Government.” Eos states that Executive Order 11625 sought the participation of all Federal departments and agencies in an increased minority enterprise effort and directed each Federal department and agency to continue all current efforts to foster and promote minority business enterprises. In particular, Eos asks that DOE/FE consider the adoption by the Federal Communications Commission of a policy of granting preferences to minority-owned businesses applying for radio and television licenses. This policy, according to Eos, was upheld by the Supreme Court in *Metro Broadcasting v. FCC*, 497 US 547 (1990).

Additional details can be found in Eos’s Application, which is posted on the DOE/FE website at:

http://www.fossil.energy.gov/programs/gasregulation/authorizations/2013_applications/EOS_LNG_LLC_-_FE_DK_-_13-116-LNG.html.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3(a) of the NGA, 15 U.S.C. § 717b(a), and the authority contained in DOE Delegation Order No. 00-002.00N (July 11, 2013) and DOE

Redelegation Order No. 00-002.04F (July 11, 2013). 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 the Application should address these issues in their comments and/or protests, as well as any other issues deemed relevant to the Application.

NEPA requires DOE to give appropriate consideration to the environmental effects of its 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 Applicant, 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 C.F.R. 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. 13-116-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Division of Natural Gas Regulatory Activities at the address listed in ADDRESSES; 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. All filings must include a reference to FE Docket No. 13-116-LNG. PLEASE NOTE: If submitting a filing via email, please include all related documents and attachments (e.g., exhibits) in the original email correspondence. Please do not include any active hyperlinks or password protection in any of the documents or attachments related to the filing. All electronic filings submitted to DOE must follow these guidelines to ensure that all documents are filed in a timely manner. Any hardcopy filing submitted greater in length than 50 pages must also include, at the time of the filing, a digital copy on disk of the entire submission.

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 C.F.R. § 590.316.

The Application is available for inspection and copying in the Division 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 December 5, 2013.



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