[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 13-132-LNG]

Magnolia 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 October 11, 2013, by Magnolia LNG, LLC (Magnolia), requesting long-term, multi-contract authorization to export liquefied natural gas (LNG) produced from domestic sources in a volume equivalent to approximately 394.2 billion cubic feet per year (Bcf/yr) of natural gas, or 1.08 Bcf per day (Bcf/d). Magnolia seeks authorization to export the LNG by vessel from the proposed Magnolia LNG Terminal, to be located near Lake Charles, Louisiana (Liquefaction Project), for a 25-year term commencing on the earlier of the date of first export or 10 years from the date the authorization is granted. Magnolia requests authorization to export the LNG by vessel 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), and with which trade is not prohibited by U.S. law or policy. Magnolia requests this authorization on its own behalf and as agent for other parties who hold title to the LNG at the time of export. This application was filed under section 3(a) of the Natural Gas Act (NGA), 15 U.S.C. § 717b(a).

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:
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Regular Mail
U.S. Department of Energy (FE-34)
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FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

Applicant. Magnolia states that it is a Delaware limited liability company with its principal place of business in Houston, Texas. Magnolia further states that it is a wholly-owned indirect subsidiary of Liquefied Natural Gas Limited (LNG Limited). According to Magnolia, LNG Limited is a publicly listed Australian company formed with the objective of identifying and developing LNG projects overseas and in Australia.

Procedural History. On February 27, 2013, DOE/FE issued Order No. 3245, in which it authorized Magnolia to export LNG produced from domestic sources to FTA countries (*i.e.*, countries with which the United States currently has, or in the future will have, a free trade agreement requiring national treatment for trade in natural gas) in a volume equivalent to approximately 197.1 Bcf/yr of natural gas (0.54 Bcf/d), or 4 million metric tons per annum (mtpa) of LNG.[1]

On October 15, 2013, Magnolia filed a second application requesting authorization to export domestically produced LNG to FTA countries in an identical volume as its first FTA order—197.1 Bcf/yr of natural gas (4 mtpa of LNG). DOE/FE granted that application on March 5, 2014, in DOE/FE Order No. 3406.[2] Thus, Magnolia is currently authorized under both orders to export LNG to FTA countries in a total volume equivalent to 394.2 Bcf/yr of natural gas (1.08 Bcf/d) .

[1] *Magnolia LNG, LLC*, DOE/FE Order. No. 3245, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal in Lake Charles, Louisiana, to Free Trade Agreement Nations (Feb. 27, 2013).
[2] *Magnolia LNG, LLC*, DOE/FE Order. No. 3406, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal in Lake Charles, Louisiana, to Free Trade Agreement Nations (March 5, 2014).

In the Application subject to this notice, Magnolia requests the same total export volume for non-FTA countries—394.2 Bcf/yr of natural gas, or 8 mtpa of LNG. Magnolia states that this requested non-FTA volume is not additive to its FTA authorizations and that, if granted, would allow the total FTA and non-FTA export volumes to match.

Liquefaction Project. Magnolia seeks long-term authorization to export domestically produced LNG from the Magnolia LNG Terminal, which Magnolia proposes to construct, own, and operate. Magnolia states that the Liquefaction Project will be constructed on Industrial Canal South Shore PLC Tract 475, a parcel of land approximately 120 acres in size located in Calcasieu Parish, south of Lake Charles, Louisiana. Magnolia notes that the Terminal will be located in an area zoned for heavy industrial use.

Magnolia states that, on March 6, 2013, it secured property from the Port of Lake Charles to construct the Magnolia LNG Terminal. Specifically, it signed an exclusive, binding four-year Real Estate Lease Option Agreement with the Lake Charles Harbor & Terminal District for the opportunity to assess the project site for the purpose of locating, constructing, operating, and maintaining the proposed Liquefaction Project.[3] Magnolia states that, subject to compliance with the terms of the Option Agreement, it may exercise the option and enter into the ground lease with the Port at any time.

Magnolia states that the Liquefaction Project is anticipated to include four LNG trains, two LNG storage tanks each with capacity of approximately 160,000 m^3, and vessel loading facilities. According to Magnolia, each of the LNG trains will be capable of producing up to 2 mtpa of LNG, for a total capacity of 8 mtpa of LNG. Magnolia further states that it plans to receive natural gas by pipeline at the Magnolia LNG Terminal, liquefy the gas, and load the LNG from the storage tanks onto an LNG carrier berthed alongside the Magnolia LNG Terminal.

[3] The Real Estate Lease Option is attached to Magnolia's Application as Exhibit B.

Current Application

Magnolia requests long-term, multi-contract authorization to export LNG in a volume equivalent to approximately 394.2 Bcf/yr of domestic natural gas (1.08 Bcf/d) from the proposed Magnolia LNG Terminal 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. Magnolia requests this authorization for a 25-year term commencing on the earlier of the date of first export or 10 years from the date the requested authorization is granted.

Magnolia states that it seeks to export the requested LNG on its own behalf and as agent for others. Magnolia states that it will comply with all DOE/FE requirements for exports and agents as set forth in recent DOE/FE orders, including registering each LNG title holder for whom Magnolia seeks to export as agent. Magnolia 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 Magnolia's export authorization, and to include those requirements in any subsequent purchase or sale agreement entered into by that title holder. In addition, Magnolia states that it will file under seal with DOE/FE any relevant long-term commercial agreements between Magnolia and the LNG title holder, once those agreements have been executed.

Magnolia states that the terms and conditions related to the use of the Magnolia LNG Terminal facilities will be set forth in agreements with Project customers. Magnolia anticipates that these agreements will be for terms of up to 25 years in duration and will run concurrently with Magnolia's export authorization. Magnolia states that it has not yet entered into such agreements, but that it is engaged in commercial negotiations with several potential terminal customers. Magnolia 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 specific information "to the extent practicable."

Magnolia states that the Magnolia LNG Terminal will be situated within approximately three miles of four major interstate/intrastate natural gas pipelines owned by Trunkline Gas Company, Kinder Morgan Louisiana Pipeline (KMLP), Gulf South Pipeline Company, LP, and Chevron Pipe Line Company, respectively. Magnolia states that it currently is in advanced discussions with KMLP to provide the direct connection to the Magnolia LNG Terminal through which feed gas supplies will flow, and for the compression required to transport the feed gas to the terminal. Magnolia states that, through KMLP, its tolling customers will be able to directly access multiple interstate natural gas pipelines and storage facilities, thus providing a variety of stable and economical supply options.

According to Magnolia, the sources of natural gas will include conventional and unconventional supplies from various regions, including recent shale gas discoveries in Haynesville, Eagle Ford, Barnett, Floyd-Neal/Conasauga, and Marcellus shale plays. Magnolia emphasizes that the size to traditional and emerging natural gas supply sources in close proximity to the Magnolia LNG Terminal will provide Magnolia's customers with diverse and reliable alternative gas supply options.

Public Interest Considerations

Magnolia contends that the proposed exports from the Liquefaction Project are consistent with the public interest under section 3(a) of the NGA, 15 U.S.C. 717b(a). Magnolia cites the following in support of its position: (1) DOE/FE's two-part LNG Export Study, issued in 2012,[4] (2) data from the U.S. Energy Information Administration's (EIA) Annual Energy Outlook 2013

[4] LNG Export Study, *available at* http://energy.gov/fe/services/natural-gas-regulation/lng-export-study.

(AEO 2013),[5] and (3) a study by the Berkeley Research Group (BRG) commissioned by Magnolia to support the Application, as discussed below.

Magnolia further states that, over the last two years, no credible evidence has been presented to support the argument that LNG exports will harm the United States. Rather, according to Magnolia, the Liquefaction Project will create jobs, develop industry, foster continued production of domestic conventional and unconventional natural gas supplies, promote international trade and improve the U.S. balance of trade, and promote strong relationships with strategic international allies. In support of the Application, Magnolia discusses the following:

BRG Study. Magnolia states that the BRG Study, attached to Magnolia's Application as Exhibit A, employed a three-pronged analytic approach to assess the potential impacts of long-term LNG exports from the United States and Canada. It also provided a high level assessment of the potential range of long-term impacts on global LNG prices and their differential to U.S. prices. Magnolia states that the findings of the BRG Study support the conclusion that its proposed LNG exports are not inconsistent with the public interest.

Domestic Need for the Natural Gas to be Exported. Citing the LNG Export Study and EIA's AEO 2013, Magnolia contends that the United States has an abundant supply of natural gas that is sufficient to meet domestic demand and to support Magnolia's requested LNG export authorization. According to Magnolia, AEO 2013 shows that domestic natural gas supply as measured by proved natural gas reserves has been increasing, and that EIA projects that U.S. dry natural gas production will increase by 1.3 percent per year through 2040.

Turning to the adequacy of supply as compared to domestic demand for natural gas, Magnolia cites AEO 2013 in stating that U.S. dry natural gas production will exceed consumption

[5] U.S. Energy Information Administration, Annual Energy Outlook 2013 with Projections to 2040 (April 2013), *available at* http://www.eia.gov/forecasts/aeo/pdf/0383(2013).pdf.

by 2019, and that U.S. dry natural gas production alone will exceed total U.S. natural gas consumption by 3.60 trillion cubic feet in 2040. Magnolia cites the BRG Study in stating that the U.S. draw on economic shale production relative to other supply sources, like conventional gas and coal bed methane, could potentially be even higher that the figures provided by EIA. Magnolia also notes that BRG's conclusion—that increased demand for natural gas will be met by increased supply from low cost shale production—is consistent with both EIA's data and DOE/FE's conclusions in recent LNG export orders. Magnolia specifically notes DOE/FE's agreement with the macroeconomic study conducted by NERA Economic Consulting (one of two parts of the LNG Export Study) that there will be net economic benefits to the United States even in the face of unlimited LNG exports.

Impact on U.S. Natural Gas Demand Market Prices. Magnolia states that the results of the BRG Study support the conclusion that Magnolia's proposed LNG exports will have a minimal and manageable impact on U.S. natural gas market demand and prices. Specifically, BRG found that the impacts of LNG exports on U.S. natural gas prices and U.S. domestic natural gas demand under all scenarios studied would be minimal. Magnolia also points out that DOE/FE has concluded in recent LNG export orders that LNG exports will not necessarily exacerbate the risk of large upward natural gas prices spikes.

Domestic Energy Security and International Impacts. Magnolia states that authorization requested in the Application will have a minimal effect, if any, on domestic energy security. Rather, in Magnolia's view, the proposed LNG exports will promote a more robust global market for natural gas. Magnolia further states that the proposed exports, if authorized, will be consistent with President Obama's National Export Initiative (NEI), as established by Executive Order on March 11, 2010, and will support other important federal policies.

Economic Benefits. Magnolia maintains that the Liquefaction Project will stimulate the local, regional, and national economies through the direct and indirect creation of new jobs, increased economic activity, and tax revenues. In particular, Magnolia asserts that it will use U.S. companies to supply much of the equipment and materials required in the construction of the Magnolia LNG Terminal. Magnolia further states that the proposed exports will help balance the U.S. trade deficit, assist U.S. allies by diversifying their supply options, and allow commercial parties a greater opportunity to freely negotiate trade agreements with their counterparties.

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

http://www.fossil.energy.gov/programs/gasregulation/authorizations/2013_applications/13_132_lng_nfta.pdf.

Environmental Impact

Magnolia states that, on March 20, 2013, the Federal Energy Regulatory Commission (FERC) accepted Magnolia's request to commence FERC's pre-filing process. Magnolia states that, consistent with the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.*, FERC will act as the lead agency for the environmental review, with DOE acting as a cooperating agency. Magnolia states that it will also seek any necessary permits from other federal, state, and local agencies, as well as conduct any necessary consultations.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3(a) of the NGA, 15 U.S.C. § 717b(a), and DOE will consider any issues required by law or policy. To the extent determined to be relevant, these issues will include the domestic need for the natural gas proposed to be exported, the adequacy of domestic natural gas supply, U.S. energy security, and the cumulative impact of the requested authorization and any other LNG export application(s) previously approved on domestic natural gas supply and demand fundamentals. DOE may also consider other factors bearing on the public interest, including the impact of the proposed exports on the U.S. economy (including GDP, consumers, and industry), job creation, the U.S. balance of trade, and international considerations; and whether the authorization 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 address these issues in their comments and/or protests, as well as 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. 13-132-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Office of Oil and Gas Global Security and Supply at the address listed in ADDRESSES; or (3) hand delivering an original and three paper copies of the filing to the Office of Oil and Gas Global Security and Supply at the address listed in ADDRESSES. All filings must include a reference to FE Docket No. 13-132-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 Acitivities 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 March 18, 2014.

John A. Anderson,
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Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas