

[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 13-121-LNG]

Sabine Pass Liquefaction, 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 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 September 10, 2013, by Sabine Pass Liquefaction, LLC (SPL), requesting long-term authorization to export liquefied natural gas (LNG) produced from domestic sources in a volume equivalent to approximately 314 billion cubic feet per year of natural gas (Bcf/yr). SPL requests authorization to export the LNG for a 20-year term from the Sabine Pass LNG Terminal in Cameron Parish, Louisiana. In the portion of SPL's Application subject to this Notice, SPL seeks authorization under § 3(a) of the Natural Gas Act (NGA), 15 U.S.C. § 717b(a), 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), and with which trade is not prohibited by U.S. law or policy.¹ SPL seeks to export this LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. SPL

¹ In its Application, SPL also requested authorization to export LNG to any nation that currently has, or in the future develops into, a FTA requiring national treatment for trade in natural gas (FTA countries). On January 22, 2014, DOE/FE granted that portion of SPL's Application pursuant to NGA § 3(c), 15 U.S.C. § 717b(c). See *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 3384, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Sabine Pass LNG Terminal to Free Trade Agreement Nations (Jan. 22, 2014).

requests that this authorization commence on the earlier of the date of first export or eight years from the date the authorization is issued.

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].

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SUPPLEMENTARY INFORMATION:

Background

SPL states that, together with its affiliate, Sabine Pass LNG, L.P. (Sabine Pass LNG), it is developing a liquefaction project consisting of four LNG production trains (Trains 1 through 4) located at the Sabine Pass LNG Terminal (Liquefaction Project).² Additionally, SPL states that it has announced plans to construct two additional LNG production trains—Trains 5 and 6 (Liquefaction Expansion Project)—for a total of six trains.

Applicant. SPL, a limited liability company with its principal place of business in Houston, Texas, is an indirect subsidiary of Cheniere Energy Partners, L.P. (Cheniere Partners). Cheniere Partners is a Delaware limited partnership owned by Cheniere Energy, Inc. (Cheniere Energy), with its primary place of business in Houston, Texas. Cheniere Energy is a Delaware corporation with its primary place of business in Houston, Texas. Cheniere Energy is developing the Sabine Pass LNG Terminal in Louisiana, as well as other LNG terminals and natural gas pipelines on the Gulf Coast. SPL states that it is authorized to do business in the States of Texas and Louisiana.

Procedural History. SPL provides an overview of the history and/or existing authorizations associated with the Liquefaction Project and proposed Liquefaction Expansion Project, which is summarized as follows:

² SPL states that the Sabine Pass LNG Terminal is currently being used for the import, storage, and vaporization of LNG.

On September 7, 2010, DOE/FE issued DOE/FE Order No. 2833, in which it authorized SPL to export LNG from the Sabine Pass LNG Terminal to FTA nations in a volume totaling 803 Bcf/yr of natural gas (2.2 Bcf per day (Bcf/d)).³

Subsequently, on April 16, 2012, the Federal Energy Regulatory Commission (FERC) authorized the construction and operation of the Liquefaction Project.⁴ SPL notes that Trains 1 through 4 are currently under construction.

On August 7, 2012, in DOE/FE Order No. 2961-A, DOE/FE granted final authorization to SPL to export LNG from the Sabine Pass LNG Terminal to non-FTA countries in a volume equivalent to approximately 803 Bcf/yr of natural gas (2.2 Bcf/d).⁵ Therefore, the total, non-additive volume of LNG authorized in both DOE/FE Order No. 2833 (FTA) and No. 2961-A (non-FTA) is equivalent to 803 Bcf/yr of natural gas.

On February 27, 2013, SPL and its affiliates (Sabine Pass LNG and Sabine Pass Liquefaction Expansion, LLC) sought authorization from FERC to initiate the pre-filing review process for the Liquefaction Expansion Project, which would consist of siting, constructing, and operating Trains 5 and 6.⁶ SPL states that the peak combined LNG production capacity of Trains 5 and 6 is estimated to be 503 Bcf/yr of natural gas, or 251.5 Bcf/yr for each train.

Most recently, DOE/FE granted SPL two additional long-term export authorizations to FTA countries. First, on July 11, 2013, in DOE/FE Order No. 3306, DOE/FE authorized SPL to export LNG in a volume equivalent to 101 Bcf/yr of natural gas, pursuant to a LNG Sale and Purchase

³ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2833, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Sabine Pass LNG Terminal to Free Trade Nations (Sept. 7, 2010).

⁴ *Sabine Pass Liquefaction, LLC & Sabine Pass LNG, L.P.*, 139 FERC ¶ 61,039 (2012), *reh'g denied*, 140 FERC ¶ 61,076 (2012).

⁵ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961-A, Final Opinion and Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Sabine Pass LNG Terminal to Non-Free Trade Agreement Nations (Aug. 7, 2012). This order finalized the conditional authorization granted to SPL in DOE/FE Order No. 2961, dated May 20, 2011, to export domestically produced LNG from the Sabine Pass LNG Terminal to non-FTA nations.

⁶ See FERC Docket No. PF13-8-000.

Agreement (SPA) with Total Gas & Power North America, Inc. (TGPNA).⁷ Second, on July 12, 2013, in DOE/FE Order No. 3307, DOE/FE issued a similar authorization in a volume equivalent to 88.3 Bcf/yr of natural gas, pursuant to a SPA with Centrica plc (Centrica).⁸ SPL's applications for non-FTA export authorization under the terms of its SPAs with TGPNA and Centrica are pending in DOE/FE Docket Nos. 13-30-LNG and 13-42-LNG, respectively.

Current Application

In this Application, SPL requests long-term authorization to export any surplus LNG from the Sabine Pass LNG Terminal to both FTA and non-FTA countries—specifically, any volume of natural gas produced from Trains 5 and 6 that is not already committed for export under its SPAs with TGPNA and Centrica, in an amount not to exceed the equivalent of 314 Bcf/yr of natural gas for the requested 20-year term.⁹ DOE/FE recently granted the FTA portion of SPL's Application in DOE/FE Order No. 3348, pursuant to NGA section 3(c), 15 U.S.C. § 717b(c).¹⁰ The portion of SPL's Application that seeks authorization to export domestically produced LNG to non-FTA countries will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and is the subject of this Notice.

SPL seeks authorization to export the LNG for a 20-year term, commencing on the earlier of the date of first export or eight years from the date the authorization is issued. SPL is requesting this authorization to export LNG on its own behalf and as agent for other parties who will hold title

⁷ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 3306, Order Granting Authorization to Export Liquefied Natural Gas by Vessel Pursuant to the Long-Term Contract with Total Gas & Power North America, Inc. from the Sabine Pass LNG Terminal to Free Trade Agreement Nations (July 11, 2013).

⁸ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 3307, Order Granting Authorization to Export Liquefied Natural Gas by Vessel Pursuant to the Long-Term Contract with Centrica plc from the Sabine Pass LNG Terminal to Free Trade Agreement Nations (July 12, 2013).

⁹ SPL states that its obligation to deliver LNG under the two SPAs will arise when the fifth LNG train becomes commercially operable. SPL also states, however, that its delivery obligations under its SPAs are not tied to individual LNG trains.

¹⁰ See *supra* n.1

to the LNG at the time of export. SPL states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements articulated in recent DOE/FE orders.

SPL states that it intends to purchase natural gas to be used as fuel and feedstock for LNG production from the interstate and intrastate grid at points of interconnection with other pipelines and with points of liquidity, both upstream and downstream of the Cheniere Creole Trail Pipeline system and other systems that interconnect with the Liquefaction Expansion Project. SPL anticipates that the Liquefaction Expansion Project will have access to multiple interstate and intrastate pipeline systems, enabling it to purchase natural gas from conventional and unconventional basins across the Gulf Coast region and throughout the United States. SPL notes that this supply of natural gas can be sourced in large volumes in the spot market or pursued under long-term arrangements. SPL states that, to date, it has not entered into any purchase agreements for the purpose of supplying natural gas feedstock for the proposed exports.

Additionally, SPL states that it has not yet entered into any long-term gas supply or export agreements in connection with the proposed exports. According to SPL, it is not submitting transaction-specific information at this time, but states that it will file, or cause to be filed, the transaction-specific information (*e.g.*, long-term supply and/or export agreements) requested in Section 590.202(b) of DOE/FE's regulations (10 C.F.R. § 590.202(b)), consistent with DOE/FE precedent.¹¹

Citing Section 590.402 of DOE's regulations,¹² SPL requests that DOE/FE grant its Application and issue a conditional non-FTA export authorization before March 31, 2014, followed

¹¹ App. at 8-9 (citing *Lake Charles Exports, LLC*, DOE/FE Order No. 3324, Order Conditionally Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From the Lake Charles Terminal to Non-Free Trade Agreement Nations (Aug. 7, 2013)).

¹² 10 C.F.R. § 590.402.

by issuance of a final order immediately upon FERC's completion of the environmental review of the Liquefaction Expansion Project by FERC, as discussed below.

Public Interest Considerations

SPL states that DOE/FE should grant the requested authorization because there is ample evidence in the public record that exports of LNG, such as those proposed by SPL in the Application, are in the public interest.

According to SPL, DOE/FE previously determined that LNG exports from the Liquefaction Project were in the public interest when it issued Orders No. 2961 and 2961-A—the conditional and final non-FTA authorizations issued to SPL and discussed above. SPL states that, in granting those orders in FE Docket No. 10-111-LNG, DOE/FE pointed to market studies and other evidence that SPL submitted in the proceeding, which (according to SPL) demonstrated the substantial economic and public benefits that are likely to follow from exports of natural gas as LNG. SPL asserts that the same rationale applies here to show the public benefits associated with the proposed exports. It therefore incorporates by reference the record in its earlier non-FTA proceeding. SPL also references the macroeconomic study commissioned by DOE and conducted by NERA Economic Consulting in 2012 (NERA Study),¹³ as well as letters from members of the United States Congress submitted in response to the NERA Study, which SPL states expressed their approval of the export of domestic natural gas as LNG. Finally, SPL states that, because it intends to sell natural gas from Trains 5 and 6 the Liquefaction Expansion Project under contractual arrangements that will be priced competitively with domestic natural gas, it will satisfy the public interest standard as set forth in DOE's Policy Guidelines.¹⁴

¹³ NERA Economic Consulting, *Macroeconomic Impacts of LNG Exports from the United States* (Dec. 3, 2012), available at http://energy.gov/sites/prod/files/2013/04/f0/nera_lng_report.pdf [NERA Study].

¹⁴ *Policy Guidelines & Delegation Orders Relating to the Regulation of Imported Natural Gas*, 49 Fed. Reg. 6684 (Feb. 22, 1984).

Next, SPL points to the current supply/demand balance of natural gas in the United States in asserting that the proposed exports will not impinge on any national or regional need for the gas. SPL addresses these issues in Appendix B to the Application, entitled “Further Discussion of the Projected Need for the Natural Gas to be Exported.” Specifically, SPL states as follows:

(1) The Liquefaction Expansion Project supports and encourages the continued development of natural gas resources during times when domestic prices of natural gas are depressed, and subsidizes the production of a quantity of natural gas that can be deployed on short notice when and if market prices induce the cancellation of the export of LNG cargoes, thereby mitigating volatility that would otherwise arise and ensuring that domestic supplies will be available over the duration of commodity market cycles.

(2) SPL previously commissioned a report from Advanced Resources International (ARI), entitled *U.S. Natural Gas Resources and Productive Capacity: Mid-2012* (ARI Resource Report), to assess the scope of domestic natural gas resources and its potential for future recovery. SPL states that the ARI Resource Report demonstrates that the United States has significant natural gas resources available to meet projected future domestic needs, including the quantities contemplated for export under this Application. SPL further states that the ARI Resource Report establishes that the availability of new natural gas reserves is likely to continue expanding into the future, as new unconventional formations are discovered and the oil and gas industry continues to improve drilling and extraction techniques.

(3) SPL states that the United States Energy Information Administration’s (EIA) *Annual Energy Outlook 2013* (AEO 2013) supports the assumption that the domestic natural gas resource base continues to expand rapidly. According to SPL, AEO 2013 forecasts that domestic dry natural gas production will increase by an average of 1.3% per year through 2040. SPL states that AEO

2013 also predicts U.S. dry natural gas production will total 33.14 trillion cubic feet (Tcf) by 2040, a 44.1% increase from production levels of 23.0 Tcf in 2011. SPL further notes that the AEO 2013 Reference Case projects that domestic demand growth for natural gas will average 0.7% annually through 2040, with domestic demand projected to expand to 29.54 Tcf (80.9 Bcf/d) by 2040. According to SPL, over this same period of time, domestic natural gas production is projected to grow by 1.3% per year on average, or approximately twice the rate of growth in domestic natural gas demand. SPL cites AEO 2013 in stating the United States will become a net exporter of natural gas after 2020.

In summary, SPL states that domestic natural gas resources are currently available for export and will not interfere with the public interest. SPL cites the ARI Resource Report, EIA's AEO 2013, and other publicly-available information in stating that the United States has sufficient natural gas resources available at modest prices to meet projected domestic demand over the next 25 years. According to SPL, these reports indicate that the availability of new natural gas reserves is likely to continue expanding in the future, as new unconventional formations are discovered and drilling and extraction techniques are improved. SPL maintains that this anticipated future surplus of deliverable supply, in excess of domestic need, demonstrates that the resources proposed for export by SPL from the Liquefaction Expansion Project are not required to meet domestic need.

Additional details can be found in Appendix B of the Application, which has been posted at http://www.fossil.energy.gov/programs/gasregulation/authorizations/2013_applications/13_121_In_g_fta1.pdf.

Environmental Impact

SPL states that the potential environmental impact of the Liquefaction Expansion Project will be reviewed by FERC as the lead agency for the purposes of coordinating all applicable federal

authorizations and complying with the National Environmental Policy Act (NEPA). SPL anticipates that DOE/FE will participate as a cooperating agency in FERC's environmental review process. SPL maintains that DOE/FE has adopted regulations of the Council on Environmental Quality (CEQ) that govern its role as a cooperating agency in the NEPA process, and that these regulations require DOE to cooperate with the other agencies in developing environmental information. Finally, SPL states that CEQ's regulations further provide for DOE/FE to adopt FERC's findings, so long as FERC has satisfactorily addressed any comments raised by DOE/FE in its role as a cooperating agency.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3(a) of the NGA, 15 U.S.C. § 717b(a). In reviewing the 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 on domestic need for the gas proposed for export, 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 will also consider other relevant 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 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 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 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. 13-121-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Office 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 before 4:30 p.m. EST. All filings must include a reference to FE Docket No. 13-121-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 Office of Oil and Gas Global Security and Supply 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 7, 2014.

A handwritten signature in black ink, appearing to read "John A. Anderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

John A. Anderson,
Director, Division of Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas