UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SABINE PASS LIQUEFACTION, LLC	)))	FE DOCKET NO. 13-30-LNG

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

DOE/FE ORDER NO. 3306

JULY 11, 2013

I. DESCRIPTION OF REQUEST

On February 27, 2013, Sabine Pass Liquefaction, LLC (SPL) 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 authorization to export up to 104,250,000 million British thermal units (MMBtu) per year (the equivalent of 101 billion standard cubic feet (Bcf) of natural gas per year), pursuant to the LNG Sale and Purchase Agreement (FOB) between SPL as seller and Total Gas & Power North America, Inc. (TGPNA) as buyer dated December 14, 2012 (TOTAL SPA). SPL seeks authorization to export the LNG by vessel from the Sabine Pass LNG Terminal for a 20-year term commencing on the earlier of the date of first export or 8 years from the date the authorization is issued (July 11, 2021). SPL seeks to export this LNG to: (1) any nation that currently has or in the future develops the capacity to import LNG and with which the United States currently has, or in the future enters into, a free trade agreement (FTA) requiring national treatment for trade in natural gas; and (2) all countries that have not entered into an FTA with the United States requiring the national treatment for trade in natural gas, which currently have or in the future develop the capacity to import LNG, and with which trade is not prohibited by United States law or policy.[2]

The portion of SPL's Application that seeks authorization to export domestically produced LNG to FTA countries will be reviewed pursuant to NGA section 3(c), 15 U.S.C. § 717b(c), and approved in this Order. The portion of the Application that seeks authorization to

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[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, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

export domestically produced LNG to non-FTA countries will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and addressed in a separate order.

II. BACKGROUND

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), a limited partnership majority owned by Cheniere Energy, Inc. (Cheniere Energy). Cheniere Partners is a Delaware limited partnership 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 a developer of LNG terminals and natural gas pipelines on the Gulf Coast, including the Sabine Pass LNG Terminal. SPL is authorized to do business in the States of Texas and Louisiana.

SPL and its affiliate, Sabine Pass LNG, L.P. are currently developing a liquefaction project consisting of four LNG production trains at the existing Sabine Pass LNG import, storage and vaporization terminal in Cameron, Parish, Louisiana (Liquefaction Project). On April 16, 2012, the Federal Energy approved the construction and operation of the Liquefaction Project. On August 7, 2012, in Order No. 2961-A, DOE/FE issued final authorization to SPL to export LNG from the Sabine Pass LNG Terminal to non-FTA Nations.[3] On February 27, 2013, concurrent with this Application, SPL and affiliates filed with the Federal Energy Regulatory Commission (FERC) a request to initiate the Commission's pre-filing review[4] for a proposed expansion of the Liquefaction Project that would consist of two additional liquefaction trains

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[3] DOE/FE Order No. 2961, issued on May 20, 2011, granted conditional authorization to SPL to export domestically produced LNG from the Sabine Pass LNG Terminal to non-FTA nations.

[4] SPL received FERC approval to commence the mandatory National Environmental Policy Act (NEPA), 42 U.S.C. § 4321, *et seq*., pre-filing review process for the planned Liquefaction Expansion Project on March 8, 2013, in Docket No. PF13-8-000. On June 7, 2013, the FERC published a Notice of Intent to Prepare an Environmental Assessment for SPL's planned expansion.

(Trains 5 and 6) totaling approximately 1.3 Bcf/d of natural gas liquefaction capacity (Liquefaction Expansion Project).[5]

The parties to the TOTAL SPA are SPL and TGPNA. TGPNA is a Delaware corporation with a primary place of business in Houston, Texas. TGPNA is a wholly-owned indirect subsidiary of Total S.A., a multinational energy company based in Paris, France, with operations in numerous sectors, including oil and gas exploration, oil refining, electricity production and chemical manufacturing, among others.

SPL states that the volume of natural gas to be exported and dates of commencement and completion for the proposed exports are set forth in the TOTAL SPA. Specifically, the TOTAL SPA provides for TGPNA to purchase LNG commencing on the date of first commercial delivery from the fifth liquefaction train.[6] SPL further states that it will deliver to TGPNA an annual contract quantity consisting of two components: an annual contract tranche of 91,250,000 MMBtu per year, and a seasonal tranche of 13,000,000 MMBtu per year, which together are equivalent to approximately 101 Bcf of natural gas per year. The price of LNG made available under the TOTAL SPA consists of a two-part rate: the first part reimburses SPL for the capital and operating costs of the facilities that will be constructed; and the second part reimburses SPL for the cost of fuel and feed gas purchased to satisfy loading nominations under the contract. The TOTAL SPA has a primary term of 20 years and may be extended for an additional ten year term upon election by TGPNA. SPL states that the remaining terms and conditions of the TOTAL SPA are substantially similar to other sales and purchase agreements in

[5] SPL's pre-filing request also includes a request by an affiliated interstate pipeline company, Cheniere Creole Trail Pipeline, L.P. (CCTPL), for a proposed extension and expansion of the existing Cheniere Creole Trail Pipeline system in order to deliver feed-gas to the Liquefaction Expansion Project.

[6] SPL states their delivery obligations under its SPAs are not tied to individual trains. Instead, SPL's obligation to deliver LNG under its contracts becomes effective upon the date that specified trains become commercially operable, but SPL retains the flexibility to stratify its delivery obligations with LNG from any train at its facility.

the industry.

SPL states that it will 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 that are both upstream and downstream of the CCTPL system and other systems that interconnect with the Liquefaction Expansion Project. SPL anticipates that the Liquefaction Expansion Project will have access to various other interstate and intrastate pipeline systems that will enable SPL to purchase natural gas from multiple conventional and unconventional basins across the region and state, and throughout the U.S. SPL notes that this supply can be sourced in large volumes in the spot market, or else pursued under long-term arrangements. SPL notes that, to date, it has not entered into any natural gas purchase agreements for the purpose of supplying natural gas feedstock for the exports contemplated by the TOTAL SPA.

SPL states that the potential environmental impact of the Liquefaction Expansion Project will be reviewed by FERC as the lead agency, in accordance with the Energy Policy Act of 2005, in the oversight and coordination of compliance activities under the National Environmental Policy Act. SPL further notes that it anticipates that DOE/FE will participate as a cooperating agency in FERC's environmental review for the Liquefaction Expansion Project.

SPL requests that DOE/FE issue the FTA Authorization without modification or delay in accordance with the applicable standard of review under Section 3(c) of the NGA, and requests that DOE/FE issue the non-FTA Authorization prior to March 31, 2014. SPL requests that the non-FTA Authorization be issued as a conditional order, pursuant to Section 590.402 of the DOE regulations, followed by issuance of a final order immediately upon completion of the environmental review of the Liquefaction Expansion Project by FERC.

III. 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 FTA portion of the instant Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting that part of the Application without modification or delay.[7]

(2) In light of DOE's statutory obligation to grant the Application without modification or delay, there is no need for DOE to review the other arguments posed by SPL in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments. Nor should it be read to indicate how DOE may dispose of that portion of the Application seeking authorization to export LNG to non-FTA nations. DOE will address the non-FTA portion of the Application in a subsequent order.

(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, Panama, Peru, Republic of Korea, and Singapore.

(4) DOE/FE notes that according to the term of the TOTAL SPA, title of the LNG transfer from SPL to TGPNA occurs at the "flange coupling of the LNG intake manifold of the

[7] DOE further finds that the requirements governing public notice of applications and other procedures set forth in 10 C.F.R. Part 590 apply only to applications seeking to export natural gas, including LNG, to non-FTA countries, and therefore do not apply here.

relevant LNG tanker."[8] DOE/FE has previously stated that the flange of the LNG vessel is the point of export.[9] As such, SPL will be the exporter of the LNG.

(5) DOE/FE's regulations require applicants to supply transaction-specific factual information "to the extent practicable."[10] Additionally, DOE/FE regulations allow confidential treatment of the information supplied in support of or in opposition to an application if the submitting party requests such treatment, shows why the information should be exempted from public disclosure, and DOE/FE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.[11]

(6) DOE/FE finds that section 590.202(c) of DOE/FE's regulations[12] requires that SPL file, or cause to be filed, all relevant contracts and purchase agreements, including all long-term contracts associated with the long-term supply of natural gas to the Sabine Pass LNG Terminal within 30 days of their execution.

DOE/FE recognizes that some information in long-term contracts associated with the long-term supply of natural gas to the Sabine Pass LNG Terminal may be commercially sensitive. DOE /FE therefore will provide SPL the option to file or cause to be filed either unredacted contracts, or in the alternative (A) SPL may file, or cause to be filed, long-term contracts under seal, but it also will filed either: i) a copy of each long-term contract with commercially sensitive information redacted, or ii) a summary of all major provision of the contract(s) including, but not limited to, the parties to each contract, contract term, quantity, any take or pay or equivalent provisions/conditions, destination, re-sale provisions, and other relevant

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[8] *See TOTAL SPA* at 31.
[9] *See Dow Chem. Co.*, DOE/FE Order No. 2859, Order Granting Blanket Authorization to Export Liquefied Natural Gas (Oct. 5, 2010).
[10] 10 C.F.R. § 590.202(b).
[11] *Id.* § 590.202(e).
[12] *Id.* § 590.202(c).

provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

ORDER

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

A. SPL is authorized to export domestically produced LNG by vessel from the Sabine Pass LNG Terminal up to the equivalent of 101 Bcf per year of natural gas for a 20-year term, beginning on the earlier of the date of first commercial delivery from the fifth liquefaction train or 8 years from the date the authorization is issued (July 11, 2021), pursuant to the LNG Sale and Purchase Agreement between SPL as seller and Total Gas & Power North America, Inc. as buyer dated December 14, 2012.

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, 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.energy.gov/fe/services/natural-gas-regulation.

C. SPL shall ensure that all transactions authorized by this order are permitted and lawful under U.S. 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. SPL shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply all executed long-term contracts associated with the long-term supply of natural gas to the proposed Sabine Pass Liquefaction Project. SPL shall file, or cause others to file, a non-redacted copy of each contract for public posting. Alternatively, SPL shall file, or cause others to file, both a non-redacted copy of the contract filed under seal, and either: i) a redacted version of the contract, or ii) major provisions of the contract, for public posting within 30 days of their execution. In these filings, SPL shall show why the redacted or non-disclosed information should be exempted from public disclosure.

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

"Total Gas & Power North America, Inc. 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. 3306, issued July 11, 2013, in FE Docket No. 13-30-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. Total Gas & Power North America, Inc. further commits to cause a report to be provided to Sabine Pass Liquefaction, LLC 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 Sabine Pass Liquefaction, LLC is made aware of all such actual destination countries."

F. Within two weeks after the first export of domestically produced LNG occurs from the Sabine Pass LNG Terminal pursuant to the LNG Sale and Purchase Agreement between SPL as seller and Total Gas & Power North America, Inc. as buyer dated December 14, 2012, SPL shall provide written notification of the date that the first export of LNG authorized in Order Paragraph A above occurred.

G. SPL shall file with the Office of Oil and Gas Global Security and Supply, on a semi-annual basis, written reports describing the progress of the Sabine Pass LNG 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 Sabine Pass LNG Project, 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.

H. Monthly Reports: With respect to LNG exports authorized by this Order, SPL shall file with the Office of Oil and Gas Global Security and Supply, 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 into which the exported LNG was actually delivered; (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)

I. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to (202) 586-6050.

Issued in Washington, D.C., on July 11, 2013.

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