

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

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TEXAS LNG LLC  
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FE DOCKET NO. 13-160-LNG

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

DOE/FE ORDER NO. 3443

JUNE 11, 2014

## **I. DESCRIPTION OF REQUEST**

On December 31, 2013, Texas LNG LLC (Texas 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)<sup>1</sup> for long-term, multi-contract authorization to export liquefied natural gas (LNG) produced from domestic sources in a volume equivalent to approximately 100 billion cubic feet per year (Bcf/yr) of natural gas, or on average, 0.275 Bcf per day (Bcf/d), which Texas LNG states is equivalent to approximately two million metric tons per annum (mtpa) of LNG. Texas LNG seeks authorization to export the LNG by vessel from the proposed Texas LNG Terminal, which Texas LNG intends to construct, own, and operate at the Port of Brownsville in Brownsville, Texas (Project). Texas LNG seeks to export this LNG on its own behalf and as agent for other entities for a 25-year term, commencing on the earlier of the date of first export or 10 years from the date the authorization is issued (*i.e.*, June 11, 2024).

Texas LNG seeks to export this LNG from the Project to: i) any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) providing for national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries)<sup>2</sup>, and ii) any country with which the United States has not entered into a FTA requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (non-FTA countries).

The portion of the 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),

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<sup>1</sup> 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. 00-002.04F, issued on July 11, 2013.

<sup>2</sup> 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.

and approved in this Order. The portion of the 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 addressed in a separate order.

## II. **BACKGROUND**

**Applicant.** Texas LNG states that it is a Delaware limited liability company with its principal place of business in Houston, Texas. Texas LNG states that 60% of the company is owned by Mr. Vivek Chandra, a U.S. citizen of Asian Indian ethnicity, which Texas LNG states qualifies it as a minority-owned business. According to Texas LNG, Mr. Chandra is an international LNG and natural gas consultant, as well as an expert in the fields of natural gas and LNG commercialization, pricing, project development, training, acquisitions and divestments, fiscal regimes, and engineering.

Texas LNG states that the remaining 40% of the company is owned by Mr. Langtry Meyer, a British national. According to Texas LNG, Mr. Meyer is a business developer and strategic consultant to international entities. Texas LNG states that Mr. Meyer has extensive experience in multi-disciplined projects involving oil and gas, commodities trading, engineering and construction, financial services, electronics, and retail in locations across the Middle East, Asia Pacific, Africa, Europe, and North America.

**Procedural History.** Texas LNG filed the Application on December 31, 2013, and a Supplement to the Application on April 29, 2014. In the Supplement, as discussed in more detail below, Texas LNG provided DOE/FE with the First Amendment to Option to Lease signed by Texas LNG and the Brownsville Navigation District of Cameron County, Texas, on April 20, 2014, as well as new Exhibits A through C to the Application.

**Liquefaction Project.** Texas LNG seeks long-term authorization to export domestically produced LNG from the Texas LNG Terminal, which Texas LNG proposes to construct, own, and operate. As explained below, Texas LNG states that it will develop the Project as a tolling facility to process treated pipeline gas sourced from the domestic natural gas network into LNG for export to FTA (as well as non-FTA) countries.

The original proposed site for the Project, as described in the Application, was a parcel of land approximately 51 acres in size, located on the south side of the Brownsville ship channel at the Port of Brownsville, Texas—an area zoned for heavy industrial use. According to Texas LNG, that site was exclusively available through a lease option agreement between Texas LNG and the Port of Brownsville.

In the Supplement to its Application filed on April 24, 2014, however, Texas LNG provided a copy of the First Amendment to Option to Lease (Amendment) signed by Texas LNG and the Brownsville Navigation District on April 20, 2014. According to Texas LNG, this Amendment moves the Project to a more efficient site within the Port of Brownsville, and expands the square footage. The new Project site, as set forth in the Amendment, is a parcel of land approximately 111.5 acres in size, located on the north side of the Brownsville ship channel.<sup>3</sup>

According to Texas LNG, the Project will consist of land-based infrastructure including a grounded liquefaction barge, as well as natural gas treatment, compression, and storage facilities to store and deliver LNG to ocean-going LNG vessels. Other facilities will include a control room, flare, marine facilities (such as a single berth with marine loading arms), and other ancillary systems.

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<sup>3</sup> New Exhibits A through C filed as part of the Supplement to the Application show the new location of the proposed Texas LNG Terminal, the amended site plan, and a revised schematic, respectively.

Texas LNG states that a gas treatment plant will be built on site to treat pipeline feed gas by removing any remaining natural gas liquids and other non-methane products before the liquefaction process. Additionally, the LNG liquefaction barge will be fabricated offsite at an experienced shipyard, then transported to the Port of Brownsville. Once the barge is placed in position at Texas LNG's site, it will be permanently grounded so that it is no longer a floating vessel. Texas LNG states that the barge will be held in place with a retaining wall, which will also provide support for an offloading jetty. The LNG will be offloaded from tanks contained in the hull of the barge structure onto conventional LNG carriers berthed alongside the Terminal.

According to Texas LNG, this project strategy is designed to minimize complex onshore civil construction works, to reduce the need to construct large LNG tanks onsite, and to reduce the local environmental impact. Texas LNG states that off-the-shelf technology will be used for both the liquefaction process and the gas treatment plant. Texas LNG states that it is currently evaluating and finalizing its liquefaction technology for the Project, and is in discussions with shipyards and contractors to design and construct the liquefaction barge and associated onshore facilities.

**Source of Natural Gas.** Texas LNG states that it intends to export natural gas available from the natural gas pipeline supply and transmission system in the United States. Texas LNG states the Project will have a diverse and reliable source of natural gas, as evidenced by both the size and liquidity of the natural gas market in the Gulf Coast region and the significant growth of unconventional resources in the region.

According to Texas LNG, the Project has the potential to access several major interstate/intrastate natural gas pipelines, including those owned by Texas Eastern Transmission, LP; Tennessee Gas Pipeline Company LLC; Enterprise Products Partners LP; and Kinder

Morgan Tejas Pipeline LLC, among others. Texas LNG states that it is in discussions with LNG and gas-fired power generation projects located in the Port of Brownsville area to co-develop natural gas pipeline and connection infrastructure.

Finally, Texas LNG states that it will facilitate contractual arrangements between LNG purchasers and natural gas suppliers, including exploration and production companies and gas traders such as BP and others.

**Business Model.** Texas LNG states that, under its current business model, it will serve as a toll processor of natural gas into LNG and a producer of extracted natural gas liquids, without taking ownership of the feed gas or the produced LNG. Texas LNG states that LNG off-takers will be responsible for contracting feed gas deliveries to the Terminal, as well as ships to export the LNG. Specifically, Texas LNG anticipates that it will be compensated a fixed, variable toll by LNG off-takers who will contract to purchase feed gas from gas producers and trading organizations. Texas LNG states that the fixed (capacity) portion is expected to cover capital expenses, financing, overheads, labor, and land lease rate. Texas LNG states that the variable (operating) charge will cover energy consumed in the process and other variable costs.

As stated above, Texas LNG requests long term, multi-contract authorization to engage in exports of LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. Texas LNG states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements articulated in recent DOE/FE orders. Texas LNG also states that it will file with DOE/FE under seal any relevant long-term commercial agreements it enters into with the LNG title holders on whose behalf the exports will be performed.

Texas LNG states that the terms and conditions related to the use of the Texas LNG Terminal facilities will be set forth in agreements with customers of the Project. Texas LNG anticipates that these agreements will be for terms of up to 25 years in duration and will run concurrently with Texas LNG's export authorization. Texas LNG states that it has not yet entered into such agreements because a long-term export authorization is required to finalize agreements with prospective customers. Texas LNG states that DOE/FE has previously found that this commitment conforms to the requirements of its regulations at 10 C.F.R. § 590.202(b), which calls upon applicants to supply transaction specific information "to the extent practicable."

**Environmental Review.** Texas LNG states that the potential environmental impact of the Project will be reviewed by the Federal Energy Regulatory Commission (FERC). Texas LNG maintains that its proposed self-contained liquefaction barge unit will minimize the environmental impact of the Project, as compared to land-based liquefaction facilities. Texas LNG states that, in addition to any necessary authorizations from DOE/FE and FERC, it will seek any required permits from other federal, state, and local agencies, as well as conduct any necessary consultations with those agencies.

### **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 authorizing (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.

This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested authorization without modification or delay.<sup>4</sup>

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

(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) As described above, Texas LNG requests authorization to export LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. DOE/FE previously addressed the issue of Agency Rights in DOE/FE Order No. 2913,<sup>5</sup> which granted Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) authority to export LNG to FTA countries. In that order, DOE/FE approved a proposal by FLEX to register each LNG title holder for whom FLEX sought to export LNG as agent. DOE/FE found that this proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *The Dow Chemical Company*,<sup>6</sup> which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. We find that the same policy

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<sup>4</sup> DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. 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.

<sup>5</sup> *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).

<sup>6</sup> *The Dow Chemical Company*, DOE/FE Order No. 2859, Order Granting Blanket Authorization to Export Liquefied Natural Gas (Oct. 5, 2010), at 7-8, discussed in *Freeport LNG*, DOE/FE Order No. 2913, at 7-8.



considerations that supported DOE/FE's acceptance of the alternative registration proposal in DOE/FE Order No. 2913 apply here as well.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.<sup>7</sup> In *Gulf Coast*, DOE/FE confirmed that, in LNG export orders in which Agency Rights have been granted, DOE/FE shall require registration materials filed for, or by, an LNG title-holder (Registrant) to include the same company identification information and long-term contract information of the Registrant as if the Registrant had filed an application to export LNG on its own behalf.<sup>8</sup>

To ensure that the public interest is served, the authorization granted herein shall be conditioned to require that where Texas LNG proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), Texas LNG must register with DOE/FE those entities on whose behalf it will export LNG in accordance with the procedures and requirements described herein.

(5) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."<sup>9</sup> Additionally, DOE regulations at 10 C.F.R. § 590.202(e) 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 determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.

(6) DOE/FE will require that Texas LNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which Texas LNG exports

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<sup>7</sup> *Gulf Coast LNG Export, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3163 (Oct. 16, 2012).

<sup>8</sup> *See id.* at 7-8.

<sup>9</sup> 10 C.F.R. § 590.202(b).

LNG as agent for a Registrant once they have been executed. DOE/FE finds that the submission of all such agreements or contracts within 30 days of their execution using the procedures described below will be consistent with the “to the extent practicable” requirement of section 590.202(b). By way of example and without limitation, a “relevant long-term commercial agreement” would include an agreement with a minimum term of two years, such as a long-term sales contract involving LNG stored or liquefied at the Liquefaction Project.

(7) DOE/FE also will require Texas LNG to file any long-term contracts Texas LNG enters into providing for the long-term export of LNG on its own behalf from the Project. DOE/FE finds that the submission of these contracts within 30 days of their execution using the procedures described below will be consistent with the “to the extent practicable” requirement of section 590.202(b).

(8) In addition, DOE/FE finds that section 590.202(c) of DOE/FE’s regulations<sup>10</sup> requires that Texas LNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Liquefaction Project within 30 days of their execution that either Texas LNG or the Registrant enters into.

(9) DOE/FE recognizes that some information in Texas LNG’s or a Registrant’s long-term commercial agreements associated with the export of LNG, and/or long-term contracts associated with the long-term supply of natural gas to the proposed Texas LNG Terminal may be commercially sensitive. DOE/FE therefore will provide Texas LNG the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) Texas LNG may file, or cause to be filed, long-term contracts under seal, but it also will file either: i) a copy of each long-term contract with commercially sensitive information redacted, or ii) a summary of all major provisions of the contract(s) including, but not limited to, the parties to each contract, contract

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<sup>10</sup> *Id.* § 590.202(c).

term, quantity, any take or pay or equivalent provisions/conditions, destinations, re-sale provisions, and other relevant provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

To ensure that DOE/FE destination and reporting requirements included in the Order are conveyed to subsequent title holders, DOE/FE will include as a condition of this authorization that future contracts for the sale or transfer of LNG exported pursuant to the Order shall include an acknowledgement of these requirements.

### **ORDER**

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

A. Texas LNG is authorized to export domestically produced LNG by vessel from the proposed Texas LNG Terminal, to be located at the Port of Brownsville in Brownville, Texas. The volume authorized in this Order is up to the equivalent of 100 Bcf/yr of natural gas for a 25-year term, beginning on the earlier of the date of first export or 10 years from the date the authorization is issued (June 11, 2024). Texas LNG is authorized to export this LNG on its own behalf and as agent for other entities who hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

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 with which 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 LNG via ocean going vessels.

FTA countries are currently identified by DOE/FE at:

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

C. Texas LNG 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. (i) Texas LNG shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term export of LNG on its own behalf or as agent for other entities from the Texas LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Texas LNG has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Texas LNG shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, Texas LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) Texas LNG shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Texas LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Texas LNG has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Texas LNG shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the

preceding sentence, or ii) major provisions of the contracts. In these filings, Texas LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. Texas LNG shall include, and require others for whom Texas LNG acts as agent to include, the following provision in any agreement or other 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. 3443, issued June 11, 2014, in FE Docket No. 13-160-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 Texas LNG 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 Texas LNG LLC is made aware of all such actual destination countries.

F. Texas LNG is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other parties with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply Texas LNG with all information necessary to permit Texas 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 C.F.R. 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 of any long-term contracts not previously filed with DOE/FE, described in Ordering Paragraph D of this Order.

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. As a condition of this authorization, Texas LNG shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by Texas LNG to ensure that all such persons or entities are registered with DOE/FE shall be grounds for rescinding in whole or in part the authorization.

I. Within two weeks after the first export of domestically produced LNG occurs from the Texas LNG Terminal, Texas LNG shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. Texas LNG 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 proposed Texas LNG Terminal. 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 Texas LNG Terminal, 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.

K. Prior to any change in control of the authorization holder, Texas LNG must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a “change of control” shall include any change, directly or indirectly, of the power to direct the management or policies of Texas LNG, whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or

stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means.

L. Monthly Reports: With respect to the LNG exports authorized by this Order, Texas LNG 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 30<sup>th</sup> 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 (or countries) of destination into which the 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)

M. 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](mailto:ngreports@hq.doe.gov), or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on June 11, 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.

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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