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VIA FEDERAL EXPRESS

December 20, 2010



Mr. John Anderson
Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

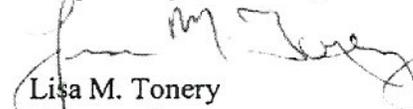
**Re: In the Matter of Sabine Pass Liquefaction, LLC
FE Docket No. 10-111-LNG
Answer of Sabine Pass Liquefaction, LLC To Motion To
Intervene of Industrial Energy Consumers of America**

Dear Mr. Anderson:

Enclosed for filing on behalf of Sabine Pass Liquefaction, LLC please find an original and fifteen (15) copies of the Answer of Sabine Pass Liquefaction, LLC To Motion To Intervene of Industrial Energy Consumers of America.

Should you have any questions about the foregoing, please feel free to contact the undersigned at (212) 318-3009.

Respectfully submitted,


Lisa M. Tonery
Attorney for
Sabine Pass Liquefaction, LLC

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

In the matter of:

Sabine Pass Liquefaction, LLC

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Docket No. 10-111-LNG

**ANSWER OF SABINE PASS LIQUEFACTION, LLC
TO MOTION TO INTERVENE OF
INDUSTRIAL ENERGY CONSUMERS OF AMERICA**

Pursuant to Sections 590.303(e) and 590.304(f) of the Department of Energy's ("DOE") regulations, Sabine Pass Liquefaction, LLC ("Sabine Pass") hereby answers the December 13, 2010 Motion to Intervene of Industrial Energy Consumers of America ("IECA") which was filed in the above-captioned proceeding ("Motion"). In support of this Answer, Sabine Pass states the following:

I. PROCEDURAL BACKGROUND

On September 7, 2010, Sabine Pass filed an application with DOE's Office of Fossil Energy ("DOE/FE") for long-term, multi-contract authorization to engage in exports of up to 16 million metric tons per annum of domestically produced liquefied natural gas ("LNG") from the Sabine Pass LNG Terminal ("SPLNG Terminal") to any country with which the United States does not have a free trade agreement requiring the national treatment for trade in natural gas and LNG, that has or in the future develops the capacity to import LNG, and with which trade is not prohibited by U.S. law or policy ("September 7 Application"). In the September 7 Application, Sabine Pass requested that DOE/FE grant such authorization for a 20-year period, commencing the earlier of the date of first export, or five years from the issuance date of the requested authorization.

Notice of the September 7 Application was published in the Federal Register on October 12, 2010, and provided, among other things, that motions to intervene and comments be filed no later than December 13, 2010. A number of entities filed timely comments and/or motions to intervene in response to the October 12 notice. Not surprisingly, the majority of filings received by DOE recognized the benefits to the U.S. economy of approving the September 7 Application, whereas certain other submissions took no position on the September 7 Application. IECA was the only entity to file in opposition to the September 7 Application.

II. ANSWER

Sabine Pass submits this Answer in response to IECA's Motion which espouses the position that the export of domestically produced natural gas as LNG as proposed by the September 7 Application has the potential to materially increase the price of natural gas in the U.S. for the manufacturing sector and the public at large. IECA states that higher natural gas prices could result in a further loss of manufacturing jobs in the U.S. As discussed below, IECA's Motion does not address or otherwise challenge the empirical market studies and other data submitted by Sabine Pass which establish that the construction and operation of the Sabine Pass Liquefaction Project and the associated export of natural gas as LNG will not have a material impact on U.S. natural gas prices, but rather, will significantly benefit the U.S. economy, including through the maintenance and creation of tens of thousands of jobs. In sum, IECA's Motion is wholly unsupported and fails to overcome the statutory presumption in favor of granting the September 7 Application. Accordingly, it should be accorded no weight by DOE/FE in its deliberations.

1. IECA's Motion Fails to Show that Approval of the September 7 Application Will Not Be Consistent with the Public Interest

Pursuant to Section 3 of the Natural Gas Act ("NGA"), DOE/FE is required to authorize exports to a foreign country unless there is a finding that such exports "will not be consistent with the public interest."¹ Section 717b(a) of the NGA thus creates a statutory presumption in favor of approval of the September 7 Application which an opponent, such as IECA, bears the burden of overcoming.² In evaluating an export application, DOE/FE applies the principles described in DOE Delegation Order No. 0204-111, which focuses primarily on domestic need for the gas to be exported, and the Secretary's natural gas policy guidelines ("Policy Guidelines"),³ which presume the normal functioning of the competitive market will benefit the public.

As Sabine Pass demonstrated in the September 7 Application through empirical market studies and other data, the longstanding principles of minimizing federal interference and involvement in natural gas markets, as articulated in the Policy Guidelines, are particularly relevant in the context of the instant proceeding and existing and projected natural gas market conditions of abundant domestic supply.⁴ Without challenging or otherwise addressing the market studies and other data submitted by Sabine Pass that demonstrate limited impacts on

¹ 15 U.S.C. § 717b(a).

² See *Panhandle Producers and Royalty Owners Ass'n v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987), in which the D.C. Circuit Court of Appeals found that Section 3 of the NGA "requires an affirmative showing of inconsistency with the public interest to deny an application" and that a "presumption favoring ... authorization ... is completely consistent with, if not mandated by, the statutory directive." See also *Indep. Petroleum Ass'n v. ERA*, 870 F.2d 168, 172 (5th Cir. 1989) (confirming that the burden of proof falls on the party challenging a Section 3 application as inconsistent with the public interest); *Panhandle and Royalty Owners Ass'n v. ERA*, 847 F.2d 1168, 1176 (5th Cir. 1988) (agreeing with the D.C. Circuit holding in *PPROA v. ERA*).

³ Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6,684 (Feb. 22, 1984).

⁴ While the *Policy Guidelines* deal specifically with imports, the principles are applicable to exports as well. See *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, FE Docket No. 96-99-LNG, Order No. 1473 at 13 (April 2, 1999).

domestic natural gas prices and tremendous benefits to the U.S. economy associated with the proposed export of natural gas as LNG, IECA asks DOE to deny the September 7 Application.

IECA bases its request on the unsubstantiated grounds that exporting natural gas could result in a material increase in the domestic price of natural gas for manufacturers, which in turn, could result in the loss of U.S. manufacturing jobs. While IECA does not substantiate a causal link between natural gas prices and manufacturing jobs, third-party analyses have concluded that structural macroeconomic factors are the dominant forces that influence manufacturing-sector employment. According to the Congressional Budget Office (“CBO”), long-term employment trends in U.S. manufacturing have been driven by strong productivity growth and capital investments by manufacturing industries, a shift in U.S. consumer spending towards services and away from finished goods, competition from foreign producers resulting from expanded international trade, and an increased preference by manufacturers to employ temporary labor.⁵ Notably, the CBO did not identify energy commodity prices as a contributing factor to employment trends in the manufacturing sector.

IECA’s unsupported request is contrary to DOE/FE orders issued to date authorizing exports of natural gas, insofar as these orders reflect and reinforce the principles laid out in the Policy Guidelines that emphasize the ideas of free trade and limited government involvement.⁶ In sum, IECA has not satisfied its burden of showing that approval of the September 7 Application will not be consistent with the public interest.

⁵ “What Accounts for the Decline in Manufacturing Employment?,” Congressional Budget Office, Feb. 18, 2004. <http://www.cbo.gov/doc.cfm?index=5078&type=0>

⁶ See, e.g., *Phillips Alaska*, Order No. 1473, at 51 (stating that the public interest is generally best served by a free trade policy); *ConocoPhillips Alaska Natural Gas Corp.*, FE Docket No. 07-02-LNG, Order No. 2500, at 44-45 (June 3, 2008) (stating that DOE’s general policy is to minimize federal government involvement and allow commercial parties to freely negotiate their own trade arrangements).

2. IECA's Request that DOE/FE Restrict Exports Is Not Consistent with the Public Interest

IECA asks DOE/FE to: (1) place artificial market constraints on natural gas market participants, and (2) interfere with free commerce in one sector of the economy for the purported benefit of another. If DOE/FE were to grant this request, such action would amount to an effective subsidy of one economic sector at the expense of another. These types of market constraints and subsidies are not in keeping with U.S. policy, which favors the open exchange of goods, including energy, with international trade partners as serving the public interest.⁷ As a consequence of this policy, dual imports and exports of all major classes of energy commodities, including coal,⁸ petroleum,⁹ petrochemicals, natural gas and electricity, are permitted and transpire in the U.S. market.

President Obama very recently noted the benefit to the U.S. economy of open and free trade, and emphasized the Administration's goal of increasing exports:¹⁰

I also want to make it easier for our businesses and workers to sell their products all over the world. **The more we export abroad, the more jobs we support at home.** We've got to change the formula. We've got to flip the script, because what's been happening is, is that we've been doing all the buying; somebody else has been doing all the selling. We've got to start selling and have them do some buying. **And that's why we've set a goal of doubling U.S. exports in five years.** And that's why I'm pleased that last week, we came closer to meeting that goal by finalizing a trade agreement with our ally, South Korea. This is a nation that offers one of the fastest-growing markets for American goods. (Emphasis supplied).

⁷ In this regard, it would be inconsistent with U.S. obligations under the World Trade Organization ("WTO") Agreements to restrict exports of natural gas or LNG to other WTO Countries in almost all circumstances.

⁸ U.S. coal companies in 2008 exported 81.5 million short tons and imported 34.2 million short tons of coal, equivalent to 7.0% and 2.9%, respectively, of domestic coal production of 1.17 billion short tons. <http://www.eia.doe.gov/emeu/aer/txt/stb0701.xls>

⁹ In 2009, the U.S. petroleum industry exported 739 million barrels of crude oil and petroleum products to approximately 140 countries. http://www.eia.gov/dnav/pet/pet_move_expc_a_EP00_EEX_mbb1_a.htm

¹⁰ Press Release, The White House, Remarks by the President on the Economy in Winston-Salem, North Carolina (December 6, 2010).

3. Contrary to IECA's Position, There Is No Evidence that Exporting Natural Gas Would Have a Material Impact on Domestic Natural Gas Prices

Notably, IECA provides no empirical market studies in support of its position that approval of the September 7 Application would materially increase energy prices for the manufacturing sector and result in the loss of U.S. jobs in that sector. By contrast, Sabine Pass commissioned reports by two highly regarded consulting firms, Advanced Resources International, Inc. ("ARI") and Navigant Consulting, Inc. ("NCI") in support of the September 7 Application. The ARI report, *U.S. Natural Gas Resources and Productive Capacity* ("ARI Report"), was commissioned to evaluate the scope of natural gas resources in the United States and their potential for future recovery. The ARI Report concluded that U.S. natural gas productive capacity would reach 93 Bcf/d by 2035 based on the U.S. Energy Information Administration's ("EIA's") forecast of future prices, resulting in up to 29 Bcf/d of surplus productivity capacity. The NCI report, *Market Analysis for Sabine Pass LNG Export Project* ("NCI Report"), was commissioned to evaluate the market price impact of LNG exports from the SPLNG Terminal under several future U.S. demand scenarios.¹¹ Based on conservative assumptions of future supply additions, the NCI Report concluded that the addition of LNG export capability would have minimal price impacts on the U.S. market.

Both the ARI Report and the NCI Report, as well as publicly available information, indicate that the United States has significant natural gas resources available at a substantial discount to world prices that are sufficient to meet projected domestic needs over the 20-year period for which Sabine Pass requests authorization in the September 7 Application. Further, new market research in the public domain serves to reinforce the potential abundance of U.S.

¹¹ The ARI Report and NCI Report were submitted as Exhibits D and F, respectively to the September 7 Application.

natural gas supply. The EIA in its recently updated Annual Energy Outlook 2011 has more than doubled its estimate of technically recoverable U.S. gas reserves, to 827 Tcf from 353 Tcf.¹² The EIA predicts that U.S. natural gas production will grow at a 0.8% annual rate between 2011 and 2035, outstripping U.S. natural gas demand growth over this period. By 2035, EIA anticipates that U.S. imports of natural gas effectively will have ceased, falling to 2 Bcf from 940 Bcf in 2009.¹³

In this regard, subsequent to filing of the September 7 Application, U.S. natural gas market trends have served to confirm further the need for additional outlets for growing domestic production. Despite a summer of much above-normal temperatures and strong fuel demand for electricity generation,¹⁴ natural gas prices have fallen to new lows on ample supplies and record storage inventories.¹⁵ Domestic natural gas production has grown sequentially in eight of nine months to date in 2010, and in September 2010, U.S. dry gas production levels of 60.4 Bcf/d were 7.6% higher than a year ago.¹⁶ Natural gas producers once again have been forced to shut-in production to cope with low wellhead prices,¹⁷ and investors plan to reduce future capital investments in the natural gas sector on low price expectations.¹⁸

As discussed in the September 7 Application, following construction of the Sabine Pass Liquefaction Project, the SPLNG Terminal will operate as a bi-directional LNG terminal and

¹² "EIA more than doubles shale reserve estimate," Platt's Gas Daily, December 17, 2010, at 1.

¹³ *Id.*

¹⁴ US population-weighted cooling degree days over the June 2010-August 2010 period were 23.8% above normal, according to data from the National Oceanic and Atmospheric Association. ftp://ftp.cpc.ncep.noaa.gov/hdocs/products/analysis_monitoring/cdus/degree_days/archives/Cooling%20Degree%20Days/monthly%20cooling%20degree%20days%20state/2010/

¹⁵ "Nymex expires at lowest level in 13 months," Platt's Gas Daily, October 28, 2010, at 1.

¹⁶ Source: <http://www.eia.gov/dnav/ng/hist/n9070us2m.htm>

¹⁷ "CEO: Prices led Conoco to shut in 185,000 Mcf/d," Platt's Gas Daily, October 28, 2010, at 1.

¹⁸ "Barclays Says U.S. E&Ps to Spend More in Oily Shales, Less in Gas," NGI's Shale Daily, December 16, 2010, at 1.

accordingly, will help to stabilize market price volatility since gas may be imported when demand is high in the United States and exported when demand is low. It stands to reason that the ability to export domestic gas as LNG would greatly expand the market scope and access for domestic natural gas producers and thus serve to encourage domestic production at times when U.S. market prices might not otherwise do so. The additional natural gas productive capacity created by the permitting of LNG exports would be available to meet unexpected shifts in domestic market conditions, and thereby serve to moderate U.S. gas price volatility and keep prices for manufacturers and other U.S. consumers at reasonable levels.

4. Approval of the September 7 Application Will Produce Extensive Economic Benefits for U.S. Businesses

Contrary to IECA's representations, approval of the September 7 Application will benefit U.S. businesses, including the manufacturing sector. The Sabine Pass Liquefaction Project will stimulate the national, regional and local economies through job creation, increased economic activity and tax revenues, both directly and indirectly. As discussed extensively in the September 7 Application, much of the technology, equipment and materials needed to construct the Liquefaction Project can be obtained from U.S. sources. The manufacturing and supply of the required materials would result in an investment of over \$400 million per LNG train, which equates to over \$1.6 billion of potentially sourced U.S. material for the Liquefaction Project as a whole.¹⁹ Moreover, the national economy would benefit indirectly from the Project's role in supporting the exploration and production ("E&P") chain for natural gas extraction. This indirect stimulus would have a profound multiplier effect due to the wages, taxes and lease payments involved in the natural gas supply chain. In this regard, design and construction of the Sabine Pass Liquefaction Project is anticipated to result in the creation or continuation of

¹⁹ September 7 Application at 54.

approximately 3,000 engineering and construction jobs, and indirectly, 30,000 – 50,000 new U.S. jobs associated with natural gas upstream development.²⁰ Moreover, the Liquefaction Project would help to reduce barriers to trade and promote U.S. businesses with the goal of increasing exports, thereby creating jobs and boosting the economy.

III. CONCLUSION

NGA Section 3 creates a rebuttable presumption that the proposed export of natural gas is in the public interest. DOE/FE must grant an application for export authorization unless opponents can overcome that presumption through an affirmative showing of inconsistency with the public interest. IECA clearly has failed to meet that burden.

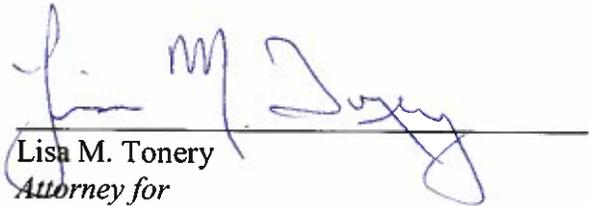
The key to bolstering the competitive position of U.S. manufacturing companies in international markets cannot be to preclude the U.S. energy industry from competing in those markets. Contrary to IECA's Motion, construction and operation of the Sabine Pass Liquefaction Project and grant of the associated export authorization as requested in the September 7 Application will benefit its members. Following construction of the Sabine Pass Liquefaction Project, the SPLNG Terminal will function as a bi-directional LNG terminal and therefore will have a moderating effect on U.S. natural gas prices. Moreover, the economic benefits associated with construction and operation of the Sabine Pass Liquefaction Project and the exportation of natural gas supplies, as proposed in the September 7 Application, will have a significant multiplier effect that yields economic benefits across the U.S. economy. As noted above and discussed extensively in the September 7 Application, these benefits include the creation or continuation of approximately 3,000 engineering and construction jobs, and 30,000 - 50,000 new jobs associated with natural gas upstream development. As a result of this economic

²⁰ September 7 Application at 54–59.

stimulus, more Americans will be gainfully employed and have the resources to purchase the products that are produced by IECA's members.

For all of the reasons discussed herein and as more fully supported in the September 7 Application, IECA's opposition to the September 7 Application is without merit or support and should be rejected.

Respectfully submitted,

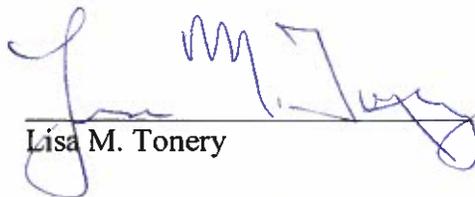


Lisa M. Tonery
Attorney for
Sabine Pass Liquefaction, LLC

VERIFICATION

State of New York)
County of New York)

BEFORE ME, the undersigned authority, on this day personally appeared Lisa M. Tonery, who, having been by me first duly sworn, on oath says that she is the Attorney for Sabine Pass Liquefaction, LLC and is duly authorized to make this Verification; that she has read the foregoing instrument and that the facts therein stated are true and correct to the best of her knowledge, information and belief.



Lisa M. Tonery

SWORN TO AND SUBSCRIBED before me on the 20th day of December, 2010.

Name: Linda Salas

Title: Notary Public

My Commission expires:

Aug. 13, 2011

LINDA SALAS
Notary Public, State of New York
No. 01SA6172469
Qualified in Queens County
Commission Expires August 13, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Answer of Sabine Pass Liquefaction, LLC To Motion To Intervene of Industrial Energy Consumers of America by first-class mail to all parties on the service list for this proceeding.

Dated at New York, NY this 20th day of December, 2010.



Dionne McCallum-George
*Legal Secretary, on behalf of
Sabine Pass Liquefaction, LLC*