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To: [LNGStudy](#)
Subject: 2012 LNG Export Study
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Attachments: [LCE Initial Comments on LNG Export Study.pdf](#)

Please see the attached initial comments of Lake Charles Exports, LLC.

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**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY**

Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC)	FE Docket No. 10-161-LNG
Lake Charles Exports, LLC	)	FE Docket No. 11-59-LNG
Dominion Cove Point LNG, LP	)	FE Docket No. 11-128-LNG
Carib Energy (USA) LLC	)	FE Docket No. 11-141-LNG
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC	)	FE Docket No. 11-161-LNG
Cameron LNG, LLC	)	FE Docket No. 11-162-LNG
Gulf Coast LNG Export, LLC	)	FE Docket No. 12-05-LNG
Jordan Cove Energy Project, L.P.	)	FE Docket No. 12-32-LNG
LNG Development Company, LLC (d/b/a/ Oregon LNG)	)	FE Docket No. 12-77-LNG
Cheniere Marketing, LLC	)	FE Docket No. 12-97-LNG
Southern LNG Company, L.L.C.	)	FE Docket No. 12-100-LNG
Gulf LNG Liquefaction Company, LLC	)	FE Docket No. 12-101-LNG
CE FLNG, LLC	)	FE Docket No. 12-123-LNG
Excelerate Liquefaction Solutions I, LLC	)	FE Docket No. 12-146-LNG
Golden Pass Products LLC	)	FE Docket No. 12-156-LNG
Pangea LNG (N. America) Holdings, LLC	)	FE Docket No. 12-184-LNG
Trunkline LNG Export, LLC	)	FE Docket No. 13-04-LNG

**COMMENTS ON 2012 LNG EXPORT STUDY FILED ON
BEHALF OF LAKE CHARLES EXPORTS, LLC**

Pursuant to the Notice of Availability of 2012 LNG Export Study and Request for Comments,¹ Lake Charles Exports, LLC (“LCE”) hereby submits the following comments to the Department of Energy Office of Fossil Energy (“DOE/FE”). The two parts of the 2012 LNG Export Study demonstrate that exporting domestically produced liquefied natural gas (“LNG”) will be consistent with the public interest. After reviewing comments and reply comments, DOE/FE should act expeditiously to approve LCE’s pending application, which has been pending for more than 20 months. Failure to act expeditiously may cause the United States to

¹ 2012 LNG Export Study, 77 Fed. Reg. 73,627 (Dec. 11, 2012) (“Notice”).

forego the economic benefits of exporting LNG and would be contrary to DOE/FE's obligations under Section 3 of the Natural Gas Act ("NGA").

I. Background

LCE is a jointly-owned, indirect subsidiary of BG Group plc and of Energy Transfer Equity, L.P. On May 6, 2011, LCE filed an application for long-term authorization to export 15 million tons per year of LNG from the existing LNG import terminal in Lake Charles, Louisiana owned by Trunkline LNG Company, LLC to (i) any country with which the United States currently has, or in the future may enter into, a free trade agreement ("FTA") requiring national treatment for trade in natural gas and (ii) any country with which the United States does not have an FTA requiring national treatment for trade in natural gas with which trade is not prohibited by the United States law or policy.² DOE/FE granted LCE authorization to export LNG to FTA countries on July 22, 2011.³ Notice of the non-FTA portion of LCE's application was published on June 13, 2011 with comments due on August 12, 2011. Fifteen comments were filed in support of the application while two parties filed motions to intervene and protest.

NGA Section 3(a) creates a rebuttable presumption that proposed exports of natural gas are in the public interest. To overcome this rebuttable presumption, an opponent must affirmatively demonstrate that the proposal is inconsistent with the public interest. Although the burden of proof lies with any party opposing the proposed exports, LCE's Application nevertheless provided a detailed analysis demonstrating that recoverable natural resources in the U.S. are abundant, cheap, and sufficient to meet demand for domestic consumption as well as LCE's proposed export over the long-term. The protests, in contrast, contained only general

² Application of Lake Charles Exports, LLC for Long-Term Authorization to Export Liquefied Natural Gas, Docket No. 11-59-LNG (May 6, 2011) ("Application").

³ *Lake Charles Exports, LLC*, DOE/FE Order No. 2987 (July 22, 2011).

expressions of opposition to LNG exports and did not overcome the presumption that exports are in the public interest or the evidence contained in LCE's Application.

Despite a lack of record evidence that the proposed exports are inconsistent with the public interest, DOE/FE suspended consideration of LCE's application and all other non-FTA export applications in late 2011 and instead commissioned the 2012 LNG Export Study. The 2012 LNG Export Study consists of two studies: an analysis performed by the Energy Information Administration ("EIA") and originally published in January 2012, entitled *Effect of Increased Natural Gas Exports on Domestic Energy Markets* ("EIA Study"); and an evaluation performed by NERA Economic Consulting ("NERA"), a private contractor retained by DOE, entitled *Macroeconomic Impacts of Increased LNG Exports from the United States* ("NERA Study"), which was released on December 5, 2012. The EIA Study analyzed the price impact of LNG exports on domestic energy markets under 16 scenarios. The NERA Study built upon the EIA Study by analyzing the impact on the U.S. economy of the same 16 scenarios, plus a lower export level with capacity rising at a slower rate to 6 Bcf per day and cases with no export constraints.⁴ NERA states that its "model was calibrated to give the same results for natural gas prices as EIA at the same levels of LNG exports."⁵

II. The 2012 LNG Export Study fully supports a determination that LNG exports are not inconsistent with the public interest.

The 2012 LNG Export Study reinforces the evidence already submitted by LCE and others that LNG exports to non-FTA countries are not inconsistent with the public interest. NERA was asked to determine the directional impact of LNG exports on the U.S. economy. The NERA Study thoroughly demonstrates that LNG exports will benefit the U.S. economy. In fact, NERA concluded that "the U.S. would experience net economic benefits from increased LNG

⁴ NERA Study at 3.

⁵ NERA Study at 5.

exports” in every scenario it analyzed and that “economic welfare consistently increases as the volume of natural gas exports increased.”⁶

The NERA Study employs a general equilibrium model that indicates how, under different conditions, different decisions about levels of exports would affect the performance of the economy. While NERA used the results of the EIA study as a baseline for impacts on natural gas prices in the U.S., NERA also estimated world natural gas prices as a result of U.S. exports in order to determine whether U.S. exports would even occur at different price points and demand scenarios.⁷ NERA then used a macroeconomic model to “forecast the impact of policy, regulatory, and economic factors on the energy sectors and the economy.”⁸ The result was a study that described both the worldwide economic conditions that would drive or restrain U.S. LNG exports⁹ and the impacts on the U.S. economy from those exports.¹⁰

NERA found that all levels of LNG exports have a positive impact on the economy and, moreover, the benefits increase with the level of exports. NERA concluded that LNG exports would benefit both the general economic welfare of U.S. households as well as increase GDP.¹¹ In particular, GDP increases would be “most dramatic” in the short term during the build-out of liquefaction facilities and would provide a “near-term stimulus to the economy.”¹² NERA also concluded that LNG exports will not cause domestic natural gas prices to increase to levels seen in nations that import natural gas based on oil prices.¹³ This fear, which has been one of the

⁶ NERA Study at 6.
⁷ NERA Study at 3.
⁸ NERA Study at 20.
⁹ NERA Study at pp. 37-46.
¹⁰ NERA Study at pp. 47-75.
¹¹ NERA Study at pp. 76-77.
¹² NERA Study at p. 77.
¹³ NERA Study at p. 76.

negative impacts cited by opponents of LNG exports and mentioned by DOE/FE in the past, is refuted by the NERA Study.¹⁴

NERA was not asked to, and did not intend to, provide precise forecasts of natural gas prices, GDP growth, income effects and the like. Indeed, some of the model's assumptions, such as constant aggregate employment in all scenarios, clearly cause the study to understate the economic benefits of exports in light of current unemployment levels.

III. DOE/FE should expeditiously approve pending export applications.

As DOE/FE has long recognized, Section 3 creates a presumption that LNG exports are in the public interest and places the burden of proving that exports are not consistent with the public interest on opponents of exports. DOE/FE's decision to commission the 2012 LNG Export Study goes beyond the requirements of the statute, and the results of the study only bolster the case for a determination that the proposed exports are not inconsistent with the public interest. Having engaged in such extensive procedures, it is now time for DOE/FE to act on the pending applications.

DOE/FE views the public interest test as primarily an analysis of whether the domestic supply of natural gas is sufficient to support exports and meet domestic needs. DOE/FE follows a set of policy guidelines in assessing export applications, the goals of which are "to minimize federal control and involvement in energy markets and to promote a balanced and mixed energy resource system."¹⁵ With the 2012 LNG Export Study, DOE/FE has now moved past an assessment of whether the domestic supply of natural gas is sufficient and has gathered significant information on the potential price impacts and macroeconomic impacts of LNG exports. That study supports the policy guidelines already in place – minimizing federal

¹⁴ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 at 30 ("Order No. 2961").

¹⁵ Order No. 2961 at 28.

involvement in energy markets and issuing export licenses will allow the market to determine the optimal quantity of LNG exports and provide commensurate benefits to the U.S. economy.

LCE in its initial application presented substantial evidence that LNG exports were not inconsistent with the public interest. The 2012 LNG Study only reinforces that position. No party to LCE's proceeding has submitted evidence sufficient to rebut either LCE's evidence or the 2012 LNG Study. In the only proceeding thus far where DOE/FE approved a non-FTA export application, the Sabine Pass Liquefaction proceeding and the resulting Order No. 2961, DOE/FE found that opponents of LNG exports had failed to overcome the statutory presumption in favor of exports because they presented only "alleged potential negative impacts" that were "not supported by factual studies or analyses."¹⁶ Similarly, those opponents had not shown that those alleged negative impacts were "likely to outweigh the overall benefits" from granting the export authorization.¹⁷ Just as in the Sabine Pass Liquefaction proceeding, the same protestors made the same unsubstantiated allegations without factual support in opposition to LCE's application. Now, with a DOE/FE-commissioned, independent study concluding that exports will be beneficial to the U.S. economy, those arguments have less merit than when DOE/FE rejected them in Order No. 2961.

As other nations develop their natural gas resources, the world LNG market will become more competitive. Failure to act in a timely manner may cause the U.S. to miss its opportunity to gain the benefits of LNG exports.

LCE's application has been pending before DOE/FE for over 20 months. During that time, no party has presented substantive arguments supported by data as to why issuing the requested authorization would not be consistent with the public interest as required by the NGA.

¹⁶ Order No. 2961 at 30.

¹⁷ *Id.*

DOE/FE's 2012 LNG Study has provided substantial independent support for LCE's position, and, by taking comments on the study, DOE/FE is providing opponents of LNG exports with another opportunity to rebut the statutory presumption in NGA Section 3. Due process requires "notice and an opportunity to respond . . . to present reasons . . . why proposed action should not be taken."¹⁸ Certainly, by the end of the comment period on the 2012 LNG Study, DOE/FE will have provided more process than is due to all parties regarding LCE's Application. The evidence in the proceeding supports a determination that the requested authorization is not inconsistent with the public interest.

WHEREFORE, for the reasons set forth above, LCE respectfully request that, following the deadline for reply comments on February 25, 2013, the DOE/FE promptly issue an order granting LCE long-term authorization as requested in the Application to export up to 15 million tons per year (approximately 2 bcf per day or 0.730 tcf per year) for a term of 25 years of domestic LNG to any country with which the United States does not have a free trade agreement requiring the national treatment for trade in natural gas with which trade is not prohibited by United States law or policy.

Respectfully submitted,

Lake Charles Exports, LLC

By: BG LNG Services, LLC
Its Member

By: /s/ Elizabeth Spomer
Name: Elizabeth Spomer
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Trunkline LNG Holdings, LLC
Its Member

By: /s/ Michael J. Moran
Name: Michael J. Moran
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Dated January 24, 2013

¹⁸ *Cleveland Bd of Educ. v. Loudermill*, 470 U.S. 532, 546 (1985) (citing Friendly, "Some Kind of Hearing," 123 U.Pa.L.Rev. 1267, 1281 (1975)).