

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

CHENIERE MARKETING, LLC

FE DOCKET NO. 12-99-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE PROPOSED CORPUS CHRISTI LIQUEFACTION PROJECT
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3164

OCTOBER 16, 2012

I. DESCRIPTION OF REQUEST

On August 31, 2012, Cheniere Marketing, LLC (CMI) 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, multi-contract authorization to export liquefied natural gas (LNG) up to 782 million MM Btu per year (i.e., trillion Btu per year), a quantity CMI states is approximately 767 billion standard cubic feet of natural gas per year (Bcf/yr).² CMI seeks authorization to export the LNG by vessel from the proposed Corpus Christi Liquefaction Project (CCL Project) 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 (October 16, 2022). CMI seeks to export this LNG to any country which has or in the future develops the capacity to import LNG via ocean-going carrier and with which the United States has, or in the future enters into, a free trade agreement (FTA) requiring national treatment for trade in natural gas.³ CMI seeks to export this LNG on its own behalf and also as agent for third parties.

II. BACKGROUND

CMI, a Delaware limited liability company with its principal place of business in Houston, Texas, is affiliated with Corpus Christi Liquefaction, LLC (CCL) and Cheniere Corpus Christi Pipeline, L.P. (CCP), the developers of the CCL Project. CMI is an indirect subsidiary of Cheniere Energy, Inc. (Cheniere Energy), a Delaware corporation with its primary place of

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 CMI states 782 million MMBtu per year is equivalent to the planned peak production rate of the export facilities of approximately 15 million metric tons per year of LNG, including a margin for excess production capacity.

³ 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, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas. A FTA with Panama has been ratified by Congress but has not yet taken effect.

business in Houston, Texas. Cheniere Energy is a developer of LNG terminals and natural gas pipelines on the Gulf Coast, including the CCL Project. CMI is authorized to do business in the States of Texas and Louisiana.

CMI states that, concurrent with this Application, it is filing with DOE/FE a separate application for long-term, multi-contract authorization to engage in exports of LNG in an amount up to 782 million MMBtu per year, to any country with which the U.S. does not now or in the future have an FTA 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.

CMI states that it has not yet entered into any long-term gas supply or long-term export contracts with respect to this Application. CMI states that it currently is engaged in commercial discussions with CCL to obtain all the available liquefaction capacity at the CCL Project, and plans to negotiate with CCP for transportation capacity on the 23-mile-long pipeline to be constructed as part of the CCL Project. CMI states that it will file any executed long-term gas supply or long-term export contracts with DOE/FE as required.

CMI states that it proposes to source natural gas to be used as feedstock for LNG production at the CCL Project 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 Pipeline. CMI anticipates that the CCL project will be connected to multiple interstate and Texas intrastate pipelines that will enable CMI to purchase natural gas from multiple conventional and unconventional basins across the region and state, and throughout the U.S. CMI notes that this supply can be sourced in large volumes in the spot market, or else pursued

under long-term arrangements.

CMI states that it is requesting this authorization in order to act on its own behalf and in order to act on behalf of or as agent for third parties. CMI states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements, as first established in *Freeport LNG Development, L.P.*, and most recently set forth in *Accelerate Liquefaction Solutions I, LLC*.⁴

CMI states that it submits its Application pursuant to the standard established by the Energy Policy Act of 1992, under which applications for export to FTA countries are deemed to be in the public interest, and must be granted without modification or delay.⁵ Accordingly, CMI states that it is not submitting a detailed public interest analysis in support of the Application, but notes that based on the current supply/demand balance of natural gas in the U.S., its request for authorization to export domestic natural gas projection from the CCL project is in the public interest.

CMI requests waiver of Section 590.202(a) of DOE's regulations, 10 CFR part 590.202(a), to the extent necessary to include outside counsel on the official service list in this proceeding.

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

⁴ *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations, FE Docket No. 10-160-LNG, DOE/FE Order No. 2913 (February 10, 2011); *Accelerate Liquefaction Solutions I, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Accelerate Liquefaction Solutions I, LLC Terminal to Free Trade Agreement Nations, FE Docket No. 12-61-LNG, DOE/FE Order No. 3128 (August 9, 2012).

⁵ 15 U.S.C. §717b(c).

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 instant Application falls within section 3(c) as amended, and therefore, DOE/FE is charged with granting the Application without modification or delay.⁶

(2) 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, Peru, Republic of Korea, and Singapore.

(3) CMI requests the LNG export authorization in terms of MMBtu per year to maintain consistency with industry convention for the denomination of quantities in LNG export contracts, which CMI states are denominated in MMBtu per year. CMI states the LNG export request of 782 million MMBtu per year of is equivalent to 767 Bcf/yr of natural gas. Consistent with DOE regulations (10 CFR part 590.202(b)(1)), applications are to provide volumes in Mcf or Bcf, and their Btu equivalents. DOE/FE authorizes LNG exports in volumetric units, typically Bcf, and requires reporting of monthly exports in Mcf. DOE/FE maintains all natural gas and LNG import and export statistics for the United States and provides these data to the U.S. Energy Information Administration and publishes official statistics. In order to allow for standardized reporting, compilation of national statistics, and to ensure DOE can verify compliance with the authorized volumes, DOE/FE will authorize LNG exports equivalent to 767 Bcf/yr of natural gas.

⁶ DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 CFR 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.

(4) DOE/FE addressed the issue of agency rights in *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913 (Order 2913), issued February 10, 2011. In Order 2913, DOE/FE approved a proposal by Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) to register each LNG title holder for whom FLEX sought to export LNG as agent. This proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *Dow Chemical*,⁷ 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 considerations that supported DOE/FE's acceptance of the alternative registration proposal in Order 2913 apply here as well. Accordingly, the authorization granted herein shall require that where CMI proposes to export as agent for others, CMI will register those companies in accordance with the procedures and requirements described herein.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.⁸ In *Gulf Coast*, DOE/FE confirmed that in LNG export orders in which Agency Rights have been granted that it 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.

(5) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable." Additionally, DOE regulations at 10 CFR part 590.202(e) allow confidential treatment of the information supplied in support of or in

⁷ *The Dow Chemical Company*, DOE/FE Opinion and Order No. 2859 (FE Docket No. 10-57-LNG), October 5, 2010, at p. 7 and 8.

⁸ *Gulf Coast LNG Export, LLC (Gulf Coast)*, 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, FE Docket No. 12-05-LNG, October 16, 2012

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 CFR 1004.11.

(6) In the Application, CMI states it will file under seal with DOE/FE any relevant long-term commercial agreements between CMI and a Registrant, including LTAs, once they have been executed. In addition, DOE/FE will require that CMI will cause to be filed with DOE/FE any subsequent relevant long-term commercial agreements entered into by a Registrant, once they have been executed. 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). 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 an LTA, an agreement to provide gas processing or liquefaction services at the CCL Project, a long-term sales contract involving natural gas or LNG stored or liquefied at the CCL Project, or an agreement to provide export services from the CCL Project.

(7) DOE/FE also will require CMI to file any long-term contracts CMI enters into providing for the long-term export of LNG on its own behalf from the CCL 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) requires that CMI file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the CCL Project within 30 days of their execution that either CMI or the Registrant enters into.

(9) DOE/FE recognizes that some information in CMI's or a Registrant's long-term commercial agreements associated with the export of LNG, and long-term contracts associated with the long-term supply of natural gas to the CCL Project may be commercially sensitive. DOE will therefore require that (A) when CMI files, or causes to be filed, such a long-term contract under seal, that it also 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 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.

ORDER

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

A. CMI is authorized to export domestically produced LNG by vessel from its proposed Corpus Christi Liquefaction Project up to the equivalent of 767 Bcf per year 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 (October 16 , 2022), pursuant to one or more long-term contracts that do not exceed the term of this authorization.

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, 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.fossil.energy.gov/programs/gasregulation/index.html>.

C. CMI 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. CMI shall file, or cause to be filed, with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term export of LNG on its own behalf or as agent for or on behalf of others, from the proposed CCL Project, including both a non-redacted copy 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. Applying the same procedures, CMI shall file, or cause to be filed, with the Office of Natural Gas Regulatory Activities all executed long-term contracts associated with the long-term supply of natural gas to the proposed CCL Project, both un-redacted 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, CMI shall show why the redacted or non-disclosed information should be exempted from public disclosure.

E. CMI shall include the following provision in any 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. 3164, issued October 16, 2012, in FE Docket No. 12-99-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 Cheniere Marketing, 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 Cheniere Marketing, LLC is made aware of all such actual destination countries."

F. CMI is permitted to use its authorization in order to export LNG on behalf of or as agent for others, after registering the other party with DOE/FE. Registration materials shall include an acknowledgement and agreement by the registrant to supply CMI with all information necessary to permit CMI 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 CFR 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, including

both a non-redacted copy for filing under seal and either: i) a redacted version of the contract, or ii) major provisions of the contract, for public posting.

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. Within two weeks after the first export of domestically produced LNG occurs from the proposed CCL Project, CMI shall provide written notification of the date that the first export of LNG authorized in Order Paragraph A above occurred.

I. CMI shall file with the Office of Natural Gas Regulatory Activities, on a semi-annual basis, written reports describing the progress of the planned liquefaction facility 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 CCL 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. The first such report shall be filed on or by April 1, 2013.

J. Monthly Reports: With respect to LNG exports authorized by this Order, CMI shall file with the Office of Natural Gas Regulatory Activities, 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; (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)

K. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at Yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faxed to Ms. Caudillo at (202) 586-6050.

Issued in Washington, D.C., on October 16, 2012.

A handwritten signature in black ink, appearing to read "John A. Anderson", with a horizontal line underneath it.

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