

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

LOUISIANA LNG ENERGY LLC

FE DOCKET NO. 14-19-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE PROPOSED LOUISIANA LNG ENERGY LLC PROJECT
IN PLAQUEMINES PARISH, LOUISIANA, TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3482

AUGUST 28, 2014

I. DESCRIPTION OF REQUEST

On February 5, 2014, Louisiana LNG Energy LLC (LLNG) 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) produced from domestic sources in a volume equivalent to export two million metric tons per year (mtpa) of LNG, which LLNG states is equivalent to approximately 103.4 billion cubic feet per year (Bcf/yr) of natural gas (0.28 Bcf per day). LLNG seeks authorization to export the LNG for a 25-year term from a proposed LNG liquefaction project to be located near mile marker 46 on the East Bank of the Mississippi River, down-river from the Port of New Orleans, in Plaquemines Parish, Louisiana (Project).²

LLNG seeks to export this LNG by vessel from the proposed Project to any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring the national treatment for trade in natural gas,³ and with which trade is not prohibited by U.S. law or policy (FTA countries). LLNG seeks to export this LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. LLNG requests that this authorization commence on the earlier of the date of first export or 10 years from the date the authorization is issued (*i.e.*, August 28, 2024).

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. 00-002.04F, issued on July 11, 2013.

² On July 24, 2014, LLNG submitted a supplement to its Application, in which it provided additional detail on the requested export volume, corporate structure, and source of the natural gas to be exported. LLNG also provided a description of the Project's LNG marine facilities, LNG truck loading facilities, and modular design plan. *See* Louisiana LNG Energy LLC, Supplement to Applications of Louisiana LNG Energy LLC for Long-Term Authorization to Export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Countries, Docket Nos. 14-19-LNG, 14-29-LNG (July 24, 2014) [hereinafter Supplement]. The additional Project detail provided in the Supplement is incorporated herein.

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

II. BACKGROUND

Applicant. LLNG is a Texas limited liability company with its principal place of business in Houston, Texas. LLNG is owned and controlled by five equal members who also serve as officers of the LLC: James H. Lindsay, Ralph Summers, J.Q. Delap, Steven P. Martin, and Thomas W. Burgess. Each member holds a 20% ownership interest in LLNG. LLNG states that it intends to transfer a controlling ownership interest from the five members to ArcLight Capital Partners, LLC, a Massachusetts-based private equity firm specializing in the energy sector.

Liquefaction Project. LLNG proposes to construct a liquefaction facility on a 200-acre site near mile market 46 on the East Bank of the Mississippi River, in Plaquemines Parish, Louisiana. LLNG states that the proposed site is currently under lease by LLNG with multiple renewal options extending through May 31, 2091.

LLNG states that the liquefaction facility will consist of four 74,380 thousand cubic feet per day (Mcf/d) liquefaction trains with a total annual capacity of approximately 100 Bcf (or two mtpa) of LNG. LLNG further states that the facility will include two amine and dehydration units, which will be located upstream of the four liquefaction trains to remove residual moisture, CO₂, and natural gas liquids. These and other facility components, including storage tanks, heat exchangers, air coolers, and gas turbines, will be built in a modular fashion and assembled on-site.⁴

LLNG states that it plans to construct a marine loading terminal and LNG truck loading facilities. According to LLNG, the marine loading terminal will consist of one berth for LNG cargo ships ranging in size from 130,000 to 175,000 cubic meters (m³) cargo capacity, and will

⁴ In the Supplement, LLNG describes how construction is anticipated to proceed and identifies the planned designer and/or manufacturer of the major facility components. See Supplement at 5-6.

have cryogenic loading arms for the loading of LNG. The LNG storage tanks will be fitted with pumps to transfer LNG to cargo ships at a loading rate of 10,000 m³ per hour.

LLNG states that the LNG truck loading station will be fenced off and separate from the main liquefaction facility site. Two truck loading bays, with weigh stations, will have pumps to transfer LNG from the LNG storage tanks to the trucks. Flexible cryogenic hoses will enable the transfer of LNG to each truck at a rate of approximately 400 gallons per minute. LLNG states that hoses will send boil-off gas to a handling system.

Procedural History. As noted above, LLNG filed the Application on February 5, 2014. Shortly thereafter, on February 18, 2014, LLNG filed a separate application seeking authorization to export domestic LNG to any country with which the United States does not have a FTA requiring national treatment for trade in natural gas and LNG (non-FTA countries).⁵ In the non-FTA application, LLNG seeks to export LNG in a volume equivalent to approximately 103.4 Bcf/yr—the same volume sought in this Application.⁶ LLNG states that the export volumes requested in the current Application and the non-FTA application are not additive.

In the Application, LLNG stated that it expects to file a request with the Federal Energy Regulatory Commission (FERC) in May 2014 to initiate the pre-filing environmental review process for the proposed Project. We take administrative notice that LLNG made this request to FERC on July 11, 2014, and FERC accepted LLNG's pre-filing request on July 18, 2014, in FERC Docket No. PF14-17-000.

⁵ See Louisiana LNG Energy LLC, Application for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries, Docket No. 14-29-LNG (Feb. 18, 2014) [hereinafter LLNG non-FTA application]. LLNG's non-FTA application will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and addressed in a separate order.

⁶ In the Supplement, LLNG clarified the requested FTA export volume, which it changed slightly to match its requested non-FTA export volume. See Supplement at 3.

Source of Natural Gas. LLNG seeks authorization to export natural gas available in the United States natural gas pipeline system. Specifically, LLNG anticipates that the sources of natural gas will include Texas and Louisiana producing regions and the offshore gulf producing regions, but may include natural gas produced throughout the United States.

LLNG proposes to construct approximately 2.3 miles of 24-inch diameter natural gas pipeline. According to LLNG, the pipeline will interconnect with the High Point Gas Transmission interstate pipeline system located north of the proposed Project. LLNG states that this pipeline interconnection will provide LLNG access to natural gas supplies from multiple supply basins, including four major interstate pipeline systems. LLNG further states that it will install metering and any additional compressors on the Project site.

Business Model. LLNG requests this authorization on its own behalf and as agent for other entities who hold title to the LNG at the time of export. LLNG states that it expects to enter into Liquefaction Tolling Agreements (LTAs) under which individual customers who hold title to natural gas will have the right to deliver that gas to LLNG and receive LNG in return. According to LLNG, these contracts will be executed on a date closer to the date of first export. LLNG notes that the title holder at the point of export may be LLNG or one of LLNG's customers, or another party that has purchased LNG from a customer pursuant to a long-term contract.

LLNG states that it will comply with all DOE/FE requirements for exports and agents, including registration requirements. LLNG further states that, when acting as agent, it will register with DOE/FE each LNG title holder for which LLNG seeks to export LNG as agent, and will comply with other registration requirements as set forth in recent DOE/FE orders.

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 Application without modification or delay.⁷

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

(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, LLNG 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. 2913,⁸ which granted Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) authority to

⁷ 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.

⁸ *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).

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*,⁹ 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 DOE/FE Order No. 2913 apply here as well.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.¹⁰ 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 titleholder (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.¹¹

To ensure that the public interest is served, the authorization granted herein shall be conditioned to require that where LLNG proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), LLNG 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."¹² Additionally, DOE regulations at 10 C.F.R. Part 590.202(e) allow confidential treatment of the information supplied in support of or

⁹ *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.

¹⁰ *Gulf Coast LNG Export, LLC*, DOE/FE Order No. 3163, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations (Oct. 16, 2012).

¹¹ See *id.* at 7-8.

¹² 10 C.F.R. § 590.202(b).

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. § 1004.11.¹³

(6) DOE/FE will require that LLNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which LLNG exports 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 contract involving LNG stored or liquefied at the Project.

(7) DOE/FE also will require LLNG to file any long-term contracts LLNG 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 regulations¹⁴ requires that LLNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Project within 30 days of their execution that either LLNG or the Registrant enters into.

(9) DOE/FE recognizes that some information in LLNG’s or a Registrant’s long-term commercial agreements associated with the export of LNG, and/or long-term contracts

¹³ *Id.* § 590.202(e).

¹⁴ *Id.* § 590.202(c).

associated with the long-term supply of natural gas to the Project may be commercially sensitive. DOE/FE therefore will provide LLNG the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) LLNG 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 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. LLNG is authorized to export domestically produced LNG by vessel from the proposed Project, to be located in Plaquemines Parish, Louisiana. The volume authorized in this Order is equivalent to approximately 103.4 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 (*i.e.*, August 28, 2024). LLNG 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. LLNG 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) LLNG 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 Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if LLNG 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, LLNG 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, LLNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) LLNG 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 Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if LLNG 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, LLNG 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, LLNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. LLNG shall include, and require others for whom LLNG 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. 3482, issued August 28, 2014, in FE Docket No. 14-19-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 Louisiana LNG Energy 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 Louisiana LNG Energy LLC is made aware of all such actual destination countries.

F. LLNG is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other entities with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply LLNG with all information necessary to permit LLNG 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, LLNG shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by LLNG 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 Project, LLNG shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. LLNG 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 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 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.

K. Prior to any change in control of the authorization holder, LLNG must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a “change in control” shall include any change, directly or indirectly, of the power to direct the management or policies of LLNG, 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, LLNG 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 (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, or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on August 28, 2014.



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