

Natural Gas Import/Export Regulation

Presentation at USEA

Exporting LNG: Permitting & Economic Analysis

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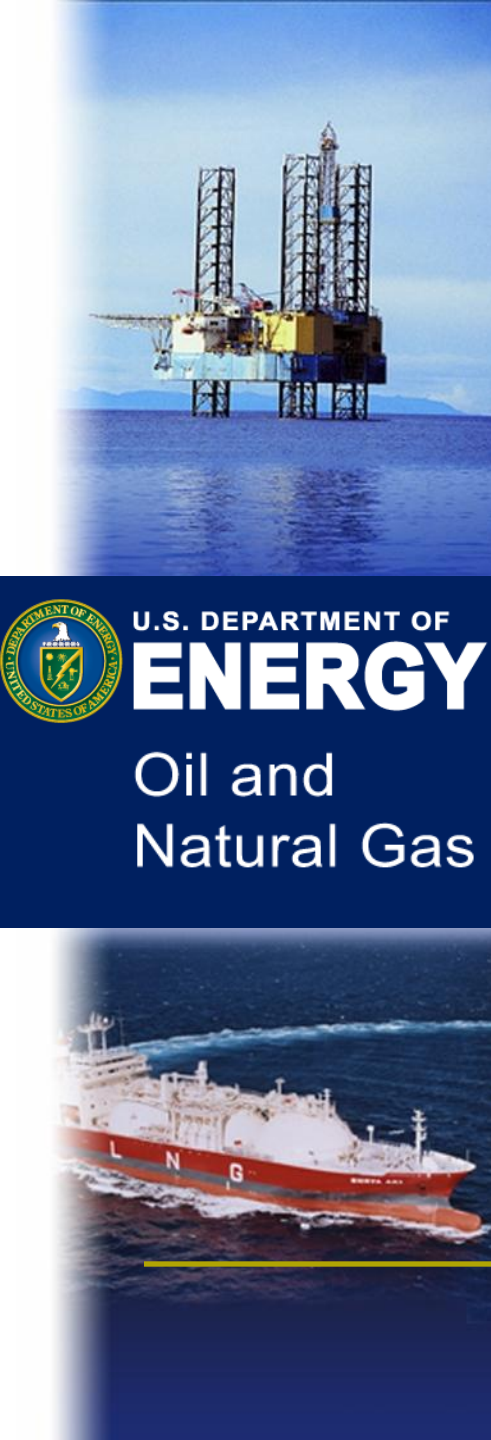
Manager

Natural Gas Regulatory Activities

Office of Fossil Energy

U.S. Department of Energy

December 6, 2011



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DOE's Statutory Authority

- **DOE/FE's authority to regulate the imports and exports of natural gas arises under**
 - **section 3 of the Natural Gas Act, 15 USC 717b and**
 - **section 301(b) of the DOE Organization Act, 42 USC 7151**
 - **That authority was delegated to the Assistant Secretary for Fossil Energy in Redelelegation Order No. 00-002.04E issued on April 29, 2011.**
- **The Secretary's authority was established by the DOE Organization Act which transferred jurisdiction over imports and export authorizations from the Federal Power Commission.**

Section 3(a) of the Natural Gas Act



- **Section 3(a) of the Natural Gas Act, 15 USC 717b(a), sets forth the statutory criteria for review of an LNG export application.**
 - **[N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary of Energy] authorizing it to do so. The [Secretary] shall issue such order upon application, unless after opportunity for hearing, [he] finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by [the Secretary's] order grant such application, in whole or part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.**
- **Standard of Review: Section 3(a) creates a rebuttable presumption that a proposed export of natural gas is in the public interest, and DOE must grant such an application unless those who oppose the application overcome that presumption.**

Deemed Public Interest Applications



1992 EPAct created Section 3(c) of the Natural Gas Act

- **Section 3(c) requires the following applications to be deemed consistent with the public interest and granted without modification or delay:**
 - **(Free Trade Countries) Applications to authorize the import and export of natural gas, including LNG, from and to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, and**
 - **(LNG Imports) Applications to authorize the import of LNG from other international sources**

Free Trade Agreement Countries



- **Free trade agreements that require national treatment for trade in natural gas with 15 countries:**
 - **Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore**
- **Free trade agreements that do not require national treatment for trade in natural gas with two countries:**
 - **Costa Rica and Israel**
- **The United States has signed, and enacted into law legislation implementing, free trade agreements with the following three countries, but these agreements have not yet entered into force**
 - **Colombia, Korea, and Panama**



➤ Standard of Review

- **Free Trade Agreement (FTA) Countries and LNG Imports**
 - By law, deemed to be consistent with the public interest
 - Authorization must be granted without modification or delay
- **Exports to non-Free Trade Agreement Countries**
 - Authorization must be granted unless after opportunity for hearing, proposed export found to *not be consistent with the public interest*
 - Authorization may be issued with terms and conditions as the Secretary may find necessary or appropriate

Public Interest Determination Evaluation Criteria in Notice of Application



➤ Range of Criteria for Evaluating the Public Interest

- Domestic need for the natural gas proposed for export
- Adequacy of domestic natural gas supply
- U.S. energy security
- Secondary Considerations:
 - Impact on U.S. economy (GDP); consumers; and industry, including impact on domestic natural gas prices
 - Job creation
 - U.S. balance of trade
 - International (geopolitical) considerations
 - Environmental considerations
 - Consistency with Departmental policy of promoting competition in the marketplace through free negotiation of trade arrangements
 - Other issues raised by commenters and/or interveners deemed relevant to the proceeding

➤ Criteria are non-Statutory

- Determined by DOE utilizing precedent of prior decisions and reasoned decision-making
- Publicly transparent – described in DOE Federal Register Notice of application



- **Key Information Evaluated by DOE**
 - **Application**
 - **Report on natural gas resources and producing capacity**
 - **Report on domestic hydrocarbon liquids production from gas shales and other unconventional resources**
 - **Natural gas market analysis**
 - **All public comments, protests, and interventions**
 - **Applicant responses to protests and interventions**
- **In reaching a decision, DOE will base its decision on evidence of record and arguments of the participants.**
- **Cumulative impact studies commissioned by DOE/FE with**
 - **EIA**
 - **Private Contractor**

Applications to Export Domestically Produced Lower-48 States LNG



Company	Quantity	FTA	Non-FTA
Sabine Pass Liquefaction LLC	2.2 Bcf/d (a)	Approved (30 years)	Approved (20 years)
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC	1.4 Bcf/d (a)	Approved (25 years)	Under DOE Review
Lake Charles Exports LLC	2.0 Bcf/d (a)	Approved (25 years)	Under DOE Review
Carib Energy (USA) LLC	11.53 Bcf/year	Approved (25 years)	Under DOE Review
Dominion Cove Point LNG, LP	1.0 Bcf/d (a)	Approved (25 years)	Under DOE Review
Jordan Cove Energy Project, L.P.	1.2 Bcf/d	In Process	n/a
Cameron LLC	1.7 Bcf/d	In Process	n/a

(a) Requested approval of this quantity for both FTA and non-FTA exports. Total facility is limited to this quantity.

Sabine Pass non-FTA LNG Export Application Benefits



Sabine Pass pointed to a number of economic and public benefits likely to follow on a grant of the requested authorization, including:

- **Direct creation or continuation of approximately 3,000 engineering and construction jobs during the design and construction of the Liquefaction Project.**
- **Indirect creation of 30,000-50,000 permanent jobs in the E&P sector.**
- **Improving U.S. balance of payments through the exportation of approximately 2 Bcf/d of natural gas valued by the applicant at approximately \$5 billion and the production of \$1.7 billion in natural gas liquids available for export.**
- **Creation of approximately 150 to 250 full-time positions that will be required to maintain and operate the Liquefaction Project.**

Sabine Pass non-FTA LNG Export - DOE/FE Order No. 2961 - Key Findings & Conclusions



- **Studies introduced by applicant indicated LNG exports will result in a modest projected increase in domestic market price for natural gas, which reflects the increasing marginal costs of domestic production**
- **The public record supported the conclusion that the requested authorization will yield tangible benefits to the public whereas the allegations of negative impacts submitted by interveners opposing the application were not substantiated on the record. In particular, the interveners failed to offer any rebuttal studies of natural gas supply, demand and/or price analysis to support their claim the application was not consistent with the public interest.**
- **Following a review of the record in this proceeding, DOE concluded that the opponents of the application had not demonstrated that a grant of the requested authorization would be inconsistent with the public interest, and DOE granted the requested authorization subject to terms and conditions**

DOE/FE Cumulative Impact of Exports Studies



- **In order to address the potential cumulative impact of a grant of the pending applications, DOE has commissioned two case studies:**
 - **DOE Energy Information Administration**
 - **Private Contractor**
- **Taken together these case studies will address the impacts of additional natural gas exports on:**
 - **Domestic energy consumption, production, and prices**
 - **Cumulative impact on the U.S. economy (GDP), job creation, and balance of trade**
- **Provides independent analysis of above issues**
- **Studies expected to be completed in the first quarter of 2012**

Questions?

Please view DOE/FE Order No. 2961, in FE Docket 10-111-LNG, issued May 20, 2011, to Sabine Pass Liquefaction, LLC, on the Natural Gas Regulation website at:

www.fossil.energy.gov