

**FINDING OF NO SIGNIFICANT IMPACT
FOR FREEPORT LNG LIQUEFACTION PROJECT REGARDING
APPLICATION SEEKING DEPARTMENT OF ENERGY AUTHORIZATION TO
EXPORT LIQUEFIED NATURAL GAS FROM FREEPORT LNG TERMINAL TO
NON-FREE TRADE AGREEMENT NATIONS**

AGENCY: U.S. Department of Energy, Office of Fossil Energy

ACTION: Finding of No Significant Impact (FONSI)

SUMMARY: Pursuant to section 1508.9 of the regulations of the Council on Environmental Quality (CEQ), 40 CFR 1508.9, the Federal Energy Regulatory Commission (FERC) prepared an environmental assessment (EA) that analyzed the potential environmental impacts associated with an application submitted to FERC in Docket No. CP15-518-000 by Freeport LNG Development, L.P., FLNG Liquefaction, LLC., FLNG Liquefaction 2, LLC, and FLNG Liquefaction 3, LLC (collectively, Freeport Liquefaction). The application at FERC sought to amend Freeport Liquefaction's existing authorization issued in 2014 for the Freeport LNG Liquefaction Project, to be constructed at the Freeport LNG Terminal in Quintana Island, Texas. Freeport Liquefaction asked FERC to increase the Liquefaction Project's authorized liquefied natural gas (LNG) production capacity from the equivalent of 1.8 billion cubic feet per day (Bcf/d) of natural gas (657 Bcf per year (Bcf/yr)) to 2.14 Bcf/d of natural gas (782 Bcf/yr). This requested amendment, which FERC granted on July 7, 2016, was based on an optimized design of the liquefaction facilities authorized in the 2014 FERC Order. The increased LNG production capacity will require no additional construction or modification of those facilities. Thereafter, four of the same or related entities—Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC., FLNG Liquefaction 2, LLC, and FLNG Liquefaction 3, LLC (collectively, FLEX)—submitted an application to DOE's Office of Fossil Energy (DOE/FE) in FE Docket No. 16-108-LNG seeking to amend FLEX's existing LNG export volume approved in DOE/FE Order No. 3357 (146 Bcf/yr) to reflect the Liquefaction Project's increased capacity, as approved in FERC's 2016 Order. FLEX asked DOE/FE to increase the authorized LNG export quantity in DOE/FE Order No. 3357 by an additional volume equivalent to 125 Bcf/yr of natural gas (0.34 Bcf/d), consistent with the FERC order.

SUPPLEMENTARY INFORMATION: On June 15, 2015, Freeport Liquefaction filed an application with FERC to amend the Order Granting Section 3 Authorization issued on July 30, 2014.¹ FERC had issued the 2014 Order under section 3 of the Natural Gas Act (NGA) after completing a final environmental impact statement (EIS) evaluating the proposed Freeport LNG Liquefaction Project.² On the basis of the final EIS, FERC authorized the construction and operation of the Liquefaction Project. The Liquefaction Project included three LNG trains,

¹ *Freeport LNG Development, L.P., et al.*, 148 FERC ¶ 61,076, *order denying reh'g*, 149 FERC ¶ 61,119 (2014) [hereinafter FERC 2014 Order].

² *Final Environmental Impact Statement for the Freeport LNG Liquefaction Project and Phase II Modification*, FERC Docket No. CP12-509-000 (June 2014).

(https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14225974).

which together Freeport Liquefaction estimated at that time would have a liquefaction capacity of approximately 1.8 Bcf/d (657 Bcf/yr) of natural gas.

In two prior export proceedings before DOE/FE (FE Docket Nos. 10-161-LNG and 11-161-LNG), FLEX filed an application requesting long-term authorization to export domestically produced LNG from the Freeport LNG Liquefaction Project to non-free trade agreement (FTA) countries (as described below). DOE/FE ultimately adopted FERC's final EIS for the Liquefaction Project on October 3, 2014, issued a Record of Decision (ROD)³ in response to FLEX's two applications, and granted both applications in DOE/FE Order Nos. 3282-C and 3357, respectively.⁴ As relevant here, under DOE/FE Order No. 3357, FLEX was authorized to export LNG from the Liquefaction Project in a volume equivalent to 146 Bcf per year (0.4 Bcf/d) of natural gas for a 20-year term.

In its June 2015 application to FERC, Freeport Liquefaction sought to increase the Liquefaction Project's authorized maximum peak day LNG production level from 1.8 Bcf/d to 2.14 Bcf/d of natural gas. Specifically, Freeport Liquefaction informed FERC that the facilities authorized in the FERC 2014 Order were capable of producing more LNG than initially estimated, with no additional construction or modification of the facilities required. Freeport Liquefaction therefore asked FERC to amend the FERC 2014 Order to increase the nameplate capacity of the Liquefaction Project to 2.14 Bcf/d (782 Bcf/yr), reflecting the facilities' actual capabilities. In response to that application, FERC staff completed an EA for the proposed increase in LNG production capacity.⁵ On July 7, 2016, on the basis of that EA, FERC issued an order granting Freeport Liquefaction's application. FERC's 2016 Order amended the FERC 2014 Order solely to reflect the increased LNG production capacity (to 2.14 Bcf/d), with all other aspects of the FERC 2014 Order remaining unchanged (including the environmental conditions imposed by FERC).⁶

Subsequently, on August 3, 2016, FLEX filed an application with DOE/FE in FE Docket No. 16-108-LNG (the Application) seeking to align the authorized export volumes of LNG from the Freeport LNG Liquefaction Project with the optimized production capacity design of the facilities as approved by FERC. Specifically, FLEX asked DOE/FE to amend DOE/FE Order No. 3357 to increase the amount of LNG authorized for export by an additional 125 Bcf/yr (0.34 Bcf/d) for a 20-year period commencing on the date of first commercial export from the Liquefaction Project.

³ *Record of Decisions and Floodplain Statement of Finding for the Freeport LNG Expansion, L.P.* (Nov. 14, 2014) (http://www.fossil.energy.gov/programs/gasregulation/authorizations/2010_applications/FLEX_ROD_PUB_NOTIC_E_10_161_LNG_11_20_14.pdf).

⁴ *Freeport LNG Expansion L.P., et al.*, DOE/FE Order No. 3282-C, FE Docket No. 10-161-LNG, Final Opinion and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Freeport LNG Terminal on Quintana Island, Texas to Non-Free Trade Agreement Nations (Nov. 14, 2014); *Freeport LNG Expansion, L.P. et al.*, DOE/FE Order No. 3357-B, FE Docket No. 11-161-LNG, Final Opinion and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Freeport LNG Terminal on Quintana Island, Texas, to Non-Free Trade Agreement Nations (Nov. 14, 2014); *see also* DOE/FE Order No. 3357-C (Dec. 4, 2015) (opinion and order denying request for rehearing of Order No. 3357-B). For purposes of this proceeding, "DOE/FE Order No. 3357" refers to that order and its various amendments.

⁵ *Environmental Assessment, Freeport LNG Development, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC*, FERC Docket CP15-518-000 (March 2016) (https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14443770).

⁶ *Freeport LNG Development, L.P., et al.*, 156 FERC ¶ 61,019 (2016) [hereinafter FERC 2016 Order].

The Application seeks authority to export the proposed quantities to any country: (i) with which the United States does not have an Free Trade Agreement (FTA) requiring the national treatment for trade in natural gas (non-FTA country), (ii) that has or will develop the capacity to import LNG delivered by ocean-going carrier, and (iii) with which trade is not prohibited by U.S. law or policy. The proposed exports would be shipped from the Freeport LNG Terminal in Quintana Island, Texas. The Application was submitted to DOE/FE pursuant to section 3(a) of the Natural Gas Act (NGA) and 10 CFR Part 590 of DOE's regulations.

The purpose and need for DOE action is to comply with section 3(a) of the NGA, which requires DOE to issue an order granting application for authority to export natural gas, including LNG, unless DOE finds that the proposed export will not be consistent with the public interest, per 15 USC § 717b. DOE's decision to grant or deny a requested export authorization is based on a public interest review of the proposed exports, which includes compliance with the National Environmental Policy Act (NEPA).

DOE's Addendum: On June 4, 2014, DOE/FE published the *Draft Addendum to Environmental Review Documents Concerning Exports of Natural Gas from the United States* for public comment (79 FR 32258). Although not required by NEPA, DOE/FE prepared the Addendum in an effort to be responsive to the public and to provide the best information available on a subject that had been raised by commenters. The Addendum addresses unconventional natural gas production in the nation as a whole. It does not attempt to identify or characterize the incremental environmental impacts that would result from LNG exports to non-FTA countries.

Fundamental uncertainties constrain our ability to foresee and analyze the incremental natural gas production that may be induced by permitting exports of LNG to non-FTA countries. Such impacts are not reasonably foreseeable and cannot be analyzed with any particularity. There is uncertainty as to the aggregate quantity of natural gas that ultimately may be exported to non-FTA countries. Receiving a non-FTA authorization from DOE/FE does not guarantee that a particular facility will be financed and built; nor does it guarantee that, if built, market conditions would continue to favor export once the facility is operational.

There is also fundamental uncertainty as to where any additional production would occur and in what quantity. As the Addendum illustrates, nearly all of the environmental issues presented by unconventional natural gas production are local in nature, affecting local water resources, local air quality, and local land use patterns, all under the auspices of state and local regulatory authority. As DOE explained in *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, without knowing where, in what quantity, and under what circumstances additional natural gas production will arise, the environmental impacts resulting from production activity induced by LNG exports to non-FTA countries are not "reasonably foreseeable" within the meaning of the CEQ's NEPA regulations.⁷

The 45-day comment period on the Draft Addendum closed on July 21, 2014. DOE/FE received 40,745 comments in 18 separate submissions and considered those comments in issuing the Addendum on August 15, 2014. DOE provided a summary of the comments and responses to

⁷ *Sabine Pass*, DOE/FE Order No. 2961-A, at 11 (quoting 40 C.F.R. § 1508.7).

substantive comments in Appendix B of the Addendum. DOE/FE has incorporated the Draft Addendum, comments, and final Addendum into the record in FE Docket No. 16-108-LNG.

Adoption: All discussion and analyses related to the potential impacts of a grant of the Application are contained within the EA prepared by FERC, herein adopted (DOE/EA-2055) and incorporated by reference, and in FERC's 2016 Order Amending Section 3 Authorization. The EA addressed the potential impacts on air quality, cumulative impacts, and alternatives, and found that the proposed amendment would not constitute a major federal action significantly affecting the quality of the human environment. While not required by NEPA, DOE also considered the Addendum, as discussed above.

DETERMINATION: On the basis of the EA, the Addendum, and the FERC Order Amending Section 3 Authorization, DOE has determined that granting FLEX's Application, subject to the FERC 2016 Order Amending Section 3 Authorization, will not have a significant effect on the human environment. The preparation of an environmental impact statement, therefore, is not required and DOE is issuing this Finding of No Significant Impact (FONSI).

Copies of the EA and FONSI will be available on the DOE/FE website at:
<https://www.energy.gov/fe/flex-amendment-fe-dkt-no-16-108-lng-nfta>

The EA and FONSI will also be available at: www.gc.energy.gov/NEPA, under DOE NEPA Documents.

Signed in Washington, D.C., on December 19, 2016.

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