

## **Posting of Off-the-Record Communication**

The attached document was sent to the Department of Energy in reference to this proceeding, Energía Costa Azul, S. de R.L. de C.V., docket number 18-145-LNG. This document is considered “off-the-record communication” under 10 CFR 590.102 and 590.108 because the person/entity who submitted it is an “interested person,” the communication was directed to a “decisional employee,” and the communication addressed the merits of the proceeding.

The comment period for this proceeding has closed. Therefore, this communication will not be considered as a part of the record. It is posted here in compliance with regulations. As provided in 10 CFR 590.108(a)(5), a request by a party wishing to rebut this communication, on the record, may be submitted in writing. As specified in this regulation, such requests will be granted “only for good cause.”

March 31, 2022

The Honorable  
Jennifer Granholm  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Ave., S.W.  
Washington, D.C. 20585

**Re: DOE non-FTA Permits for west coast LNG Export Facilities**

Dear Secretary Granholm,

We are writing to you as Members of the Board of the [Western States and Tribal Nations Natural Gas Initiative](#) (WSTN) in support of the U.S. Department of Energy (DOE) issuance of non-FTA permits for the two Liquefied Natural Gas (LNG) facilities on the Mexican west coast – Energía Costa Azul and Vista Pacifico, which have been pending at DOE since September and November 2020, respectively.

WSTN is a bipartisan trans-national initiative led by sovereign tribal nations, states and counties focused on creating rural economic development, advancing tribal self-determination and reducing global emissions through the export of clean natural gas from western North America to international markets. It began as a bipartisan effort under former Colorado Gov. John Hickenlooper and former Utah Gov. Gary Herbert, and is now an established 501(c)4 organized under a Memorandum of Understanding between sovereign tribal, state, and county governments including:

- The Ute Indian Tribe
- The State of Utah (Utah Governor’s Office of Energy Development)
- The State of Wyoming (Wyoming Energy Authority)
- The State of Baja California, Mexico (Ministry of Tourism and Economic Development)
- The State of New Mexico (Energy, Minerals and Natural Resource Department)
- The Western Colorado counties of Garfield, Mesa, Moffat and Rio Blanco
- The Southern Ute Indian Tribe

As you are aware, global demand for energy is soaring led by economic growth and fuel switching in China, Japan, South Korea, Taiwan and India and a need for Europe to diversify away from Russian natural gas. Natural gas from Rockies basins can play a key role in meeting those energy needs, providing reliable, cleaner baseload power to displace dirtier fuels and foster renewable energy deployment by balancing intermittency issues and supporting related supply chains.

Our European allies now are finding natural gas is scarce and expensive amid an unprecedented energy crisis compounded by Russia’s invasion of Ukraine and its use of energy as a political and military weapon.. Meanwhile, according to IEA's stated policies scenario, overall energy demand in Southeast Asia will grow by 60% to 2040. Fossil fuels still represent approximately 80% of total energy demand in 2040.

In the Asia-Pacific region, IEA expects that fossil fuels will still be an important source of supply, even if a rapid shift to renewable energy occurs. IHS Markit (now S&P Global) has stated, “Security of energy supply, and specifically LNG supply, has always been a paramount concern for these markets, which lack

their own indigenous energy. They also have very limited gas storage in place. Long-term contractual agreements are therefore seen as a crucial assurance of supply. "WSTN's [Rockies-natural gas focused study](#) "Life Cycle Assessment of Greenhouse Gas Emissions from Liquefied Natural Gas Exports from North America's West Coast for Coal-Displaced Electricity Generation in Asia" (released in June 2021) finds that LNG exported from the North American West Coast to China, India, Japan, South Korea, and Taiwan would create net life cycle emissions reductions of between 42%-55% if used to replace coal-fired power generation. Crucially, the report accounts for the life cycle greenhouse gas emissions impact of Rockies-sourced gas by assessing every point of the entire LNG supply chain, starting with production at the well head and ending with the emissions from electricity transmission and distribution in those nations.

Asia is the world's largest consumer of LNG. Asian markets present the best opportunity for LNG exports from western North America because the region offers high average prices and unmatched LNG demand growth for the next decade (86 percent of global growth), and proximity to Asia markets from the West Coast.

Japan is currently the world's largest LNG importer, and industry experts project that status to continue. China is expected to overtake Japan as the primary importer of natural gas, with overall Asian consumption expected to nearly triple from 2010 levels by 2025. Other emerging Asian economies – including India, Pakistan, Bangladesh, Vietnam, and the Philippines - are increasing or are expecting to increase their LNG imports significantly in the coming years. In the absence of reliable supplies LNG, these nations are likely to ensure their energy security through greater utilization of local coal and oil.

Two of the most promising LNG export facilities on the Mexican west coast are the Energía Costa Azul project in Ensenada, Mexico ("ECA LNG") and the Vista Pacifico LNG project proposed for Topolobampo, Mexico. ECA LNG and Vista Pacifico LNG, are broadly well-positioned to serve markets in Asia as they would not require the use of the Panama Canal, which is considered by some Asian buyers a political risk as well as a shipping bottleneck. Notably, these projects would also provide a greater ability for US LNG from the Gulf Coast to meet European demand that is being created by the shift away from Russian supplies of natural gas.

Issuance of the non-FTA permits for these facilities will encourage long-term investments toward the energy security of the Asia-Pacific region, which we contend supports what DOE highlighted in its recent Orders: "an efficient, transparent international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies. For example, in light of the recent Russian invasion of Ukraine, there are renewed concerns about energy security for Europe and Central Asia, particularly given the relative share of Russian natural gas supplies into those regions. By authorizing additional exports to non-FTA countries, including to U.S. allies in Europe and elsewhere, this Order will enable Sabine Pass to help mitigate the acute and immediate energy security concern. More generally, to the extent U.S. exports diversify global LNG supplies and increase the volumes of LNG available globally, these exports will improve energy security for many U.S. allies and trading partners." See Cheniere Marketing, Order No. 4799 at 54-55; Sabine Pass, Order No. 4800 at 55-56.

Furthermore, considering the continued threats of constitutional reform that would negatively impact private investment in the Mexican energy sector, we believe DOE taking action on permits for facilities in Mexico would signal the importance of bilateral collaboration and economic cooperation between the

U.S. and Mexico, and provide confidence to Asian buyers that the US and Mexico are aligned in this opportunity to make the Mexican west coast the next great LNG export hub.

Issuance of these two permits would also underscore the Administration's support for LNG exports in cases where the LNG has a positive climate impact (i.e., fuel replacement). It is our view that approval of these two permits is low-hanging fruit for DOE and should be acted on immediately.

As the world's largest LNG exporter, the U.S. is now positioned to bolster energy security for its allies in Europe and Asia, especially those who are dependent on LNG imports such as Japan, South Korea and Taiwan. In addition to supporting existing allies, these products can also help to forge new partnerships including rapidly growing countries in Asia that would counter growing Chinese and Russian influence.

West coast North America LNG export outlets such as ECA LNG and Vista Pacifico LNG can position the U.S. as the major supplier of energy to Asia, which will yield enormous economic and geopolitical benefits.

Sincerely,

The Board of Directors, Western States and Tribal Nations Natural Gas Initiative



Jason Sandel  
Chair - Board Member for the State of New Mexico



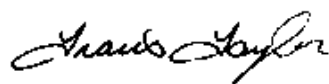
Duane Zavadil  
Secretary – Board Member for the western Colorado counties of Garfield, Mesa, Moffat and Rio Blanco



Jeff Hartley  
Vice Chair – Board Member for the State of Utah



Bobby Rolston  
Vice Chair – Board Member for the State of Wyoming



Travis Taylor  
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Mike Davis  
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Dave Williams  
Board Member



Andrew Browning  
President

Cc: David Turk, Deputy Secretary, U.S. Department of Energy  
Bryan Newland, Assistant Secretary, Indian Affairs, U.S. Department of Interior