XUNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY AND CARBON MANAGEMENT

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SOUTHERN LNG COMPANY, L.L.C.

DOCKET NO. 22-166-LNG

ORDER GRANTING BLANKET AUTHORIZATION TO EXPORT PREVIOUSLY IMPORTED LIQUEFIED NATURAL GAS BY VESSEL TO FREE TRADE AGREEMENT AND NON-FREE TRADE AGREEMENT NATIONS

DOE/FECM ORDER NO. 4982

MARCH 15, 2023

I. <u>INTRODUCTION</u>

On December 16, 2022, Southern LNG Company, L.L.C. (Southern LNG) filed an Application¹ with the Office of Fossil Energy & Carbon Management (FECM) (formerly the Office of Fossil Energy)² of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA).³ Southern LNG requests authorization to export liquefied natural gas (LNG) previously imported into the United States from foreign sources in a volume equivalent to 182.5 billion cubic feet (Bcf) of natural gas on a cumulative basis for a two-year period commencing on April 1, 2023.⁴ Southern LNG seeks to export this LNG from its existing LNG import terminal known as the Elba Island Terminal (or SLNG Terminal), located in Chatham County, Georgia.⁵

Southern LNG seeks authorization to export the previously imported LNG to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy.⁶ This includes both countries with which the United States currently has, or in the future enters into, a free trade agreement (FTA) requiring national treatment for trade in natural gas (FTA countries),⁷ and any other country with which trade is not prohibited by U.S. law or policy (non-FTA countries).⁸ Southern LNG indicates that it does not seek authorization

¹ Southern LNG Co., L.L.C., Application of Southern LNG Company, L.L.C. for Blanket Authorization to Export Previously Imported Liquefied Natural Gas, Docket No. 22-166-LNG (Dec. 16, 2022) [hereinafter App.]. ² The Office of Fossil Energy changed its name to the Office of Fossil Energy and Carbon Management on July 4, 2021.

³ 15 U.S.C. § 717b. The authority to regulate the imports and exports of natural gas, including LNG, under section 3 of the NGA has been delegated to the Assistant Secretary for FECM in Redelegation Order No. S4-DEL-FE1-2022, issued on June 13, 2022.

⁴ App. at 1.

⁵ See id.

⁶ Id. at 1-2.

⁷ 15 U.S.C. § 717b(c). 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. ⁸ *Id.* § 717b(a).

to export any domestically produced natural gas or LNG.⁹ Southern LNG is requesting this authorization on its own behalf and when acting as agent on behalf of other entities who hold title to the LNG at the time of export, after registering each such entity in accordance with DOE's established procedures.¹⁰

In this Order, DOE grants Southern LNG's Application and authorizes the requested export of previously imported LNG in a volume equivalent to 182.5 Bcf of natural gas on a cumulative basis over the requested two-year period.

Specifically, DOE grants the FTA portion of the Application under NGA section 3(c).¹¹ Section 3(c) was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that FTA applications "shall be deemed to be consistent with the public interest" and granted "without modification or delay."¹² The FTA portion of the Application falls within NGA section 3(c) and, therefore, DOE approves the requested FTA authorization without modification or delay. Accordingly, none of the public interest analysis discussed below applies to the FTA authorization. As to the non-FTA portion of the Application, DOE has reviewed the record in this proceeding under NGA section 3(a) and grants that requested authorization as set forth below.¹³

II. <u>BACKGROUND</u>

<u>Applicant</u>. Southern LNG is a Delaware limited liability company with its principal place of business in Birmingham, Alabama.¹⁴ Southern LNG is a wholly owned indirect subsidiary of Kinder Morgan, Inc.¹⁵

⁹ See App. at 4-5.

¹⁰ *Id.* at 2.

¹¹ 15 U.S.C. § 717b(c).

¹² Id.

¹³ 15 U.S.C. § 717b(a).
¹⁴ App. at 2.

¹⁵ *Id*.

Procedural History.

Southern LNG currently holds the following DOE authorizations, under NGA section 3, authorizing exports of LNG by vessel from the SLNG Terminal:

- DOE/FE Order No. 3106, authorizing the export of 182.5 Bcf/yr to FTA countries, issued June 15, 2012;¹⁶
- DOE/FE Order No. 3956, authorizing the export of 130 Bcf/yr to non-FTA countries, issued December 16, 2016;¹⁷ and
- DOE/FE Order No. 4687, authorizing the export of 182.5 Bcf to FTA and non-FTA countries over a two-year term, issued March 30, 2021.¹⁸

These FTA and non-FTA export volumes are not additive to one another.¹⁹

Additionally, on January 24, 2022, DOE issued Order No. 4787,²⁰ authorizing Southern

LNG's customer, Shell NA LNG LLC (Shell NA LNG), to import LNG from various

international sources by vessel, in a volume equivalent to 1,200 Bcf/d of natural gas on a

cumulative basis over a two-year period commencing on March 2, 2022, and extending through

March 1, 2024.²¹ Under the terms of that authorization, Shell NA LNG may import the LNG at

any LNG receiving facility in the United States and its territories.

DOE/FE Order No. 4687 authorizes Southern LNG to export LNG previously imported

from foreign sources in a volume equivalent to 182.5 Bcf of natural gas on a cumulative basis

¹⁶ Southern LNG Co., L.L.C., DOE/FE Order No. 3106, Docket No. 12-54-LNG, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal to Free Trade Agreement Nations (June 15, 2012).

¹⁷ Southern LNG Co., L.L.C., DOE/FE Order No. 3956, Docket No. 12-100-LNG, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal in Chatham County, Georgia to Non-Free Trade Agreement Nations (Dec. 16, 2016).

¹⁸ Southern LNG Co., L.L.C., DOE/FE Order No. 4687, Docket No. 20-99-LNG, Order Granting Blanket Authorization to Export Previously Imported Liquefied Natural Gas by Vessel to Free Trade Agreement and Non-Free Trade Agreement Nations (Mar. 30, 2021).

¹⁹ App. at 4.

 ²⁰ Shell NA LNG LLC, DOE/FECM Order No. 4787, Order Granting Blanket Authorization to Import Liquefied Natural Gas from Various International Sources by Vessel (Jan. 24, 2022).
 ²¹ Id.; App. at 4.

over a two-year period commencing on April 1, 2021, and extending through March 31, 2023.²² Southern LNG is authorized to export this LNG, on its own behalf or as agent for other entities who hold title to the natural gas at the time of export,²³ by vessel from the SLNG Terminal to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy (which includes both FTA and non-FTA countries).²⁴

In this proceeding, Southern LNG filed its Application on December 16, 2022. On January 18, 2023, DOE published a Notice of Application in the *Federal Register* for the non-FTA portion of the Application.²⁵ Protests, motions or notices to intervene, requests for additional procedures, and written comments on the Application were due by February 17, 2023. DOE received no filings in response to the Notice of Application, and therefore the non-FTA portion of the Application is uncontested.²⁶

III. <u>DESCRIPTION OF REQUEST</u>

Southern LNG requests blanket authorization to export previously imported LNG in a volume equivalent to 182.5 Bcf of natural gas cumulatively over a two-year period beginning on April 1, 2023.²⁷ Southern LNG seeks to export this LNG from the SLNG Terminal to FTA and non-FTA countries, both on its own behalf and as an agent for other entities.²⁸

Southern LNG "requests that the blanket authorization . . . allow for exportation of gas that may have been previously imported as LNG from foreign sources,"²⁹ although it acknowledges the possibility that the previously imported LNG may be co-mingled in the SLNG

²² Southern LNG Co., L.L.C., DOE/FE Order No. 4687, at 3, 11.

²³ *Id.* at 11-12.

²⁴ *Id*. at 11.

 ²⁵ Southern LNG Company, L.L.C.; Application for Blanket Authorization to Export Previously Imported Liquefied Natural Gas to Non-Free Trade Agreement Countries on a Short-Term Basis, 88 Fed. Reg. 2903 (Jan. 18, 2023).
 ²⁶ See 10 C.F.R. § 590.102(b).

²⁷ App. at 1.

²⁸ *Id.* at 1-2.

²⁹ *Id.* at 5.

Terminal with LNG sourced from domestic natural gas.³⁰ Southern LNG adds that no physical modifications to the SLNG Terminal will be required to accommodate the requested authorization.³¹

IV. <u>APPLICANT'S PUBLIC INTEREST ANALYSIS FOR NON-FTA</u> <u>AUTHORIZATION</u>

Southern LNG maintains that its requested authorization is consistent with NGA section 3(a) and DOE's policy. Southern LNG asserts that the volume of previously imported foreignsourced LNG that it proposes to export is not necessary to meet domestic needs. In support of this argument, Southern LNG points to DOE's findings in its existing authorization (DOE/FE Order No. 4687), where DOE "determined that the record showed sufficient supply of natural gas to satisfy domestic demand from multiple other sources at competitive prices without relying on the volumes of imported LNG that Southern LNG would seek to export."³² Southern LNG highlights the Energy Information Administration's (EIA) projections of U.S. natural gas production and demand in *Annual Energy Outlook 2021* (AEO 2021), as discussed in Order No. 4687.³³ In particular, Southern LNG notes that DOE took administrative notice of AEO 2021's "projected annual lower-48 domestic dry natural gas production in 2022 of 32.45 trillion cubic feet (Tcf), with total natural gas consumption projected to be 29.13 Tcf in the same year."³⁴ Southern LNG states that DOE therefore "found that AEO 2021 supports the conclusion that volumes of foreign-sourced LNG are not needed to meet domestic demand."³⁵ Southern LNG

³⁰ See *id.* at 4-5.

³¹ See *id.* at 5.

³² Id. at 6 (citing DOE/FE Order No. 4687 at 7-8).

³³ See App. at 6-7; see also U.S. Energy Info. Admin., Annual Energy Outlook 2021 (Feb. 3, 2021), available at <u>https://www.eia.gov/outlooks/archive/aeo21/</u>.

³⁴ App. at 6-7.

³⁵ *Id.* at 7.

adds that EIA's *Annual Energy Outlook 2022* "indicates that continuing record-high domestic energy production supports natural gas exports."³⁶

Southern LNG also contends that granting its requested authorization would create the "necessary flexibility it requires to respond to changes in domestic and global markets for natural gas and LNG."³⁷ Specifically, Southern LNG states that natural gas from imported LNG could supply local markets when appropriate, thus moderating the volatility of natural gas prices in the U.S. According to Southern LNG, authorization to re-export LNG also "helps to encourage continued imports, which in turn helps to ensure that the SLNG Terminal will more efficiently remain ready to serve both domestic and global markets."³⁸

V. DISCUSSION AND CONCLUSIONS FOR NON-FTA AUTHORIZATION

A. Standard of Review

Section 3(a) of the NGA sets forth the applicable standard for DOE's review of Southern

LNG's requested non-FTA authorization. Section 3(a) provides:

[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, [she] 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.³⁹

³⁶ *Id.*; *see* U.S. Energy Info. Admin., *Annual Energy Outlook 2022* (Mar. 3, 2022), *available at* https://www.eia.gov/outlooks/aeo/ [hereinafter AEO 2022].

³⁷ App. at 7.

³⁸ Id.

³⁹ 15 U.S.C. § 717b(a).

This provision creates a rebuttable presumption that a proposed export of natural gas is in the public interest.⁴⁰ DOE must grant such an application unless the presumption is overcome by an affirmative showing of inconsistency with the public interest.⁴¹

In evaluating an export application under this standard, DOE applies the principles described in DOE's 1984 Policy Guidelines⁴² and other matters determined to be appropriate to a determination of the public interest, such as the domestic need for the natural gas to be exported. In addition, the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.*, requires DOE to give appropriate consideration to the environmental effects of its proposed decisions.

B. Domestic Need

Southern LNG requests authorization to export LNG that was previously imported into the United States from foreign sources. Exporting this proposed volume of LNG will not reduce the availability of domestically produced natural gas. On the other hand, exporting previously imported LNG could affect the domestic natural gas market because, for the requested two-year period, the proposed exports will reduce the volume of natural gas potentially available for consumption within the United States.

DOE has issued numerous blanket authorizations to export previously imported LNG in other proceedings, including Southern LNG's existing authorization in Order No. 4687.⁴³ These orders were based, in part, on authoritative data indicating that United States consumers have access to substantial quantities of natural gas sufficient to meet domestic demand from other competitively-priced sources. For this proceeding, DOE takes administrative notice of the most

 ⁴⁰ See, e.g., Sierra Club v. U.S. Dep't of Energy, 867 F.3d 189, 203 (D.C. Cir. 2017) (citations omitted).
 ⁴¹ See id. (citations omitted).

⁴² U.S. Dep't of Energy, New Policy Guidelines and Delegation Orders from Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to Regulation of Imported Natural Gas, 49 Fed. Reg. 6684, 6690 (Feb. 22, 1984).

⁴³ See supra at 4. DOE maintains a list of its authorizations at <u>https://www.energy.gov/fecm/articles/electronic-docket-room-e-docket-room</u>.

recent analysis prepared by EIA in AEO 2022.⁴⁴ AEO 2022 projects annual domestic dry natural gas production in 2023 of 36.05 trillion cubic feet (Tcf), with total natural gas consumption projected to be 30.54 Tcf in the same year.⁴⁵

Because domestic natural gas production levels are projected to reach an amount that well exceeds the amount of natural gas proposed for short-term export in Southern LNG's Application, we find that United States consumers will continue to have access to substantial quantities of natural gas sufficient to meet domestic demand from multiple other sources at competitive prices without drawing on the LNG that Southern LNG seeks to export.

C. Other Public Interest Factors

Consistent with DOE's Policy Guidelines and DOE precedent, DOE considers a range of relevant factors in evaluating the public interest in addition to the domestic need, including environmental factors (discussed below). As noted above, DOE received no filings in response to the Notice of Application.

D. Environmental Review

DOE's NEPA procedures provide for a categorical exclusion if neither an environmental assessment (EA) nor an environmental impact statement (EIS) is required—specifically, categorical exclusion B5.7, *Export of natural gas and associated transportation by marine vessel*.⁴⁶ On March 15, 2023, DOE issued a categorical exclusion for the non-FTA portion of Southern LNG's Application under this provision.⁴⁷

E. Conclusion

⁴⁴ See U.S. Energy Info. Admin., *Annual Energy Outlook 2022 Narrative*, https://www.eia.gov/outlooks/aeo/pdf/AEO2022 Narrative.pdf.

 ⁴⁵ See AEO 2022 Reference Case, Table 13: Natural Gas Supply, Disposition, and Prices, <u>https://www.eia.gov/outlooks/aeo/data/browser/#/?id=13-AEO2022&cases=ref2022&sourcekey=0</u>.
 ⁴⁶ See 10 C.F.R. Part 1021, Subpt. D, App. B, Categorical Exclusion B5.7.

 ⁴⁷ U.S. Dep't of Energy, Categorical Exclusion Determination, Southern LNG Co., L.L.C., Docket No. 22-166-LNG (Mar. 15, 2023).

Upon review of the record, DOE finds that a grant of the uncontested non-FTA portion of Southern LNG's Application is not inconsistent with the public interest. In particular, the record shows that there is a sufficient supply of natural gas to satisfy domestic demand from multiple other sources at competitive prices without drawing on Southern LNG's proposed exports of previously imported LNG during the two-year authorization period. Further, the proposed exports of previously-imported LNG qualify for a categorical exclusion under NEPA, such that no EA or EIS will be required. DOE therefore grants the non-FTA portion of Southern LNG's Application, as set forth below.

VI. <u>FINDINGS</u>

(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 requesting authority for the export of natural gas, including LNG, to a nation with which there is in effect an FTA requiring national treatment for trade in natural gas shall be deemed consistent with the public interest and granted without modification or delay.⁴⁸ The FTA portion of Southern LNG's Application falls within section 3(c), as amended, and therefore, DOE grants the requested authorization without modification or delay.⁴⁹

(2) With respect to the non-FTA portion of the Application, and after due consideration based on all facts and evidence of record, DOE finds that a grant of the export application is not inconsistent with the public interest under NGA section 3(a).

(3) Southern LNG requests authorization to export LNG on its own behalf and as agent for other entities who will hold title to the LNG at the time of export. DOE previously

⁴⁸ 15 U.S.C. § 717b(c).

⁴⁹ 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 non-FTA countries.

addressed the issue of Agency Rights in DOE/FE Order No. 2913,⁵⁰ which granted Freeport LNG Expansion, L.P. *et al.* (collectively, FLEX) authority to export LNG to FTA countries. In that order, DOE approved a proposal by FLEX to register each LNG title holder for whom FLEX sought to export LNG as agent. DOE found that this proposal was an acceptable alternative to the non-binding policy adopted by DOE in *The Dow Chemical Company*, which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export.⁵¹ We find that the same policy considerations that supported DOE's acceptance of the alternative registration proposal in DOE/FE Order No. 2913 apply here as well.

DOE reiterated its policy on Agency Rights procedures in other authorizations, including *Cameron LNG, LLC*, DOE/FE Order No. 3680.⁵² In that order, DOE determined that, in LNG export orders in which Agency Rights have been granted, DOE 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.⁵³

To ensure that the public interest is served, the authorization granted herein shall require that where Southern LNG proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), Southern LNG must register with DOE those entities on whose behalf it will export LNG in accordance with the procedures and requirements described herein.

⁵⁰ *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No 2913, Docket No. 10-160-LNG, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).

 ⁵¹ The Dow Chemical Co., DOE/FE Order No. 2859, Docket No. 10-57-LNG, Order Granting Blanket Authorization to Export Liquefied Natural Gas, at 7-8 (Oct. 5, 2010), discussed in *Freeport LNG*, DOE/FE Order No. 2913, at 7-8.
 ⁵² Cameron LNG, LLC, DOE/FE Order No. 3680, Docket No. 15-36-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Cameron LNG Terminal in Cameron and Calcasieu Parishes, Louisiana, to Free Trade Agreement Nations (July 10, 2015).
 ⁵³ See id. at 8-9.

<u>ORDER</u>

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

A. Southern LNG Company, L.L.C. (Southern LNG) is authorized to export LNG previously imported from foreign sources in a volume equivalent to 182.5 Bcf of natural gas, pursuant to transactions that have terms of not greater than two years. Southern LNG is authorized to export this LNG on its own behalf or as agent for other entities that hold title to the LNG at the time of export. This authorization shall be effective for a two-year term beginning on April 1, 2023, and extending through March 31, 2025.

B. This LNG may be exported by vessel from the Elba Island Terminal (also known as the SLNG Terminal) in Chatham County, Georgia, to any country with the capacity to import ocean-going LNG carriers and with which trade is not prohibited by U.S. law or policy.

C. Southern LNG 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 and the Federal Energy Regulatory Commission. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. Southern LNG, or others for whom Southern LNG acts as agent, shall include the following provision in any agreement or 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/FECM Order No. 4982, issued March 15, 2023, in Docket No. 22-166-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 Southern LNG Company, L.L.C. that

identifies the country (or countries) into which the LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Southern LNG Company, L.L.C. is made aware of all such countries.

E. Southern LNG is permitted to use its authorization in order to export previously imported LNG as agent for other entities, after registering the other entities with DOE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply Southern LNG with all information and copies of contracts necessary in order to permit Southern LNG to register that person or entity with DOE, 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; and (4) an acknowledgement and agreement by the Registrant to include the provision in Ordering Paragraph D in any contract for the sale or transfer of LNG exported pursuant to this Order.

F. Each registration submitted pursuant to this Order shall have current information on file with DOE. Any changes in company name, contact information, or other relevant modifications shall be filed with DOE within 30 days of such change(s).

G. Southern LNG shall ensure that all persons required by this Order to register with DOE have done so.

H. Monthly Reports: With respect to the exports authorized by this Order, Southern LNG shall file with the U.S. Department of Energy, Office of Fossil Energy and Carbon Management, Office of Resource Sustainability, Office of Regulation, Analysis, and

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Engagement (FE-34), within 30 days following the last day of each calendar month, a report on Form FE-746R indicating whether exports 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 have occurred, the report must provide the information specified for each applicable activity and mode of transportation, as set forth in the Guidelines for Filing Monthly Reports. These Guidelines are available at https://www.energy.gov/fecm/guidelines-filing-monthly-reports.

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

I. The first monthly report required by this Order is due not later than May 30, 2023, and should cover the reporting period from April 1, 2023, through April 30, 2023.

J. All monthly report filings on Form FE-746R shall be made to the Office of Regulation, Analysis, and Engagement according to the methods of submission listed on the Form FE-746R reporting instructions available at <u>https://www.energy.gov/fecm/regulation</u>.

Issued in Washington, D.C., on March 15, 2023.

Amy R. Sweeney Director, Office of Regulation, Analysis, and Engagement Office of Resource Sustainability