

RECEIVED

By Docket Room at 8:15 am, Jan 04, 2018

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Freeport LNG Expansion, L.P.
FLNG Liquefaction, LLC
FLNG Liquefaction 2, LLC
FLNG Liquefaction 3, LLC

)
)
)
)
)

FE Docket No. 18-03-LNG

**APPLICATION OF FREEPORT LNG EXPANSION, L.P.,
FLNG LIQUEFACTION, LLC, FLNG LIQUEFACTION 2, LLC,
AND FLNG LIQUEFACTION 3, LLC FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS**

John Tobola
Freeport LNG Expansion, L.P.
333 Clay Street, Suite 5050
Houston, TX 77002
Telephone: (713) 980-2888
Email: jtobola@freeporlng.com

Lisa M. Toney
Mariah T. Johnston
Orrick, Herrington & Sutcliffe LLP
51 West 52nd Street
New York, N.Y. 10019-6142
Telephone: (212) 506-3710
Email: ltoney@orrick.com
Email: mjohnston@orrick.com

TABLE OF CONTENTS

	Page
I. DESCRIPTION OF THE APPLICANTS	2
II. COMMUNICATIONS.....	4
III. AUTHORIZATION REQUESTED	4
IV. PUBLIC INTEREST	5
V. ENVIRONMENTAL IMPACT.....	8
VI. APPENDICES	9
VII. CONCLUSION	9

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Freeport LNG Expansion, L.P.) FE Docket No. 18-____-LNG
FLNG Liquefaction, LLC)
FLNG Liquefaction 2, LLC)
FLNG Liquefaction 3, LLC)

**APPLICATION OF FREEPORT LNG EXPANSION, L.P.,
FLNG LIQUEFACTION, LLC, FLNG LIQUEFACTION 2, LLC,
AND FLNG LIQUEFACTION 3, LLC FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS**

Pursuant to Section 3 of the Natural Gas Act (“NGA”),¹ and Part 590 of the Department of Energy’s (“DOE”) regulations,² Freeport LNG Expansion, L.P. (“Freeport Expansion”), FLNG Liquefaction, LLC (“FLIQ1”), FLNG Liquefaction 2, LLC (“FLIQ2”), and FLNG Liquefaction 3, LLC (“FLIQ3”, and collectively with Freeport Expansion, FLIQ1, and FLIQ2, “FLEX”) hereby request that DOE, Office of Fossil Energy (“DOE/FE”) issue an order granting blanket authorization for FLEX to engage in short-term exports of liquefied natural gas (“LNG”) from the Freeport LNG Liquefaction Project (“Liquefaction Project”)³ on Quintana Island, Texas.

FLEX herein seeks authorization to export volumes in an amount up to 782 billion cubic feet (“Bcf”) over a two year period commencing the earlier of the date of first export or September 1, 2018, to any nation with the capacity to import LNG via ocean going carrier with which trade is not prohibited by U.S. law or policy.

¹ 15 U.S.C. § 717b (2012).

² 10 C.F.R. Part 590 (2017).

³ The Liquefaction Project is currently under construction at the Freeport LNG Terminal on Quintana Island, Texas. The Federal Energy Regulatory Commission authorized the siting, construction and operation of the Liquefaction Project in 2014, and approved a limited amendment in 2016, to increase the Liquefaction Project’s authorized LNG production capacity based on less conservative operating assumptions. See *Freeport LNG Development, L.P. et al.*, 148 FERC ¶ 61,076 (2014), *reh’g denied*, 149 FERC ¶ 61,119 (2014); *Freeport LNG Development, L.P. et al.*, 156 FERC ¶ 61,019 (2016).

In support of this Application, FLEX states as follows:

**I.
DESCRIPTION OF THE APPLICANTS**

The exact legal name of Freeport Expansion is Freeport LNG Expansion, L.P. Freeport Expansion is a Delaware limited partnership. The exact legal name of FLIQ1 is FLNG Liquefaction, LLC, the exact legal name of FLIQ2 is FLNG Liquefaction 2, LLC, and the exact legal name of FLIQ3 is FLNG Liquefaction 3, LLC. Each of FLIQ1, FLIQ2, and FLIQ3 are Delaware limited liability companies. FLIQ1 is indirectly owned by Freeport Expansion, Osaka Gas Company Ltd., and JERA Co., Inc. FLIQ2 is indirectly owned by Freeport Expansion and IFM Global Infrastructure Fund. FLIQ3 is an indirect wholly owned subsidiary of Freeport Expansion. Freeport Expansion, FLIQ1, FLIQ2, and FLIQ3 are all authorized to do business in Texas and have a principal place of business at 333 Clay Street, Suite 5050, Houston, Texas 77022.

FLEX currently holds the following DOE/FE authorizations to export LNG from the Liquefaction Project (collectively, the “Trains 1-3 Orders”):

1. Order No. 2913⁴ granting long-term authorization to export 1.4 Bcf per day (“Bcf/d”) of LNG to free trade agreement (“FTA”) nations, issued February 10, 2011;

⁴ See *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations, DOE/FE Order No. 2913, FE Docket No. 10-160-LNG (Feb. 10, 2011) (hereinafter *Order No. 2913*); *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC, Errata Notice*, DOE/FE Order No. 2913, FE Docket No. 10-160-LNG (Feb. 17, 2011); *Freeport LNG Expansion, L.P. et al.*, Order Amending Applications in Docket Nos. 10-160-LNG, 10-161-LNG and 12-06-LNG and Granting Request in Docket No. 11-161-LNG to add FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC as Applicants and Authorization Holders, DOE/FE Order Nos. 2913-A, 3066-A, 3282-A (Feb. 7, 2014) (hereinafter *Amendment Order*); *Freeport LNG Expansion, L.P. et al.*, Order Granting Request to Extend Commencement Date of Export Authorization, DOE/FE Order No. 2913-B, FE Docket No. 10-160-LNG (June 7, 2017).

2. Order No. 3066⁵ granting long-term authorization to export an additional 1.4 Bcf/d of LNG to FTA nations, issued February 10, 2012;
3. Order No. 3282-C⁶ granting long-term authorization to export 1.4 Bcf/d of LNG to non-FTA nations, issued November 14, 2014;
4. Order No. 3357-B⁷ granting long-term authorization to export an additional 0.4 Bcf/d of LNG to non-FTA nations, issued November 14, 2014; and
5. Order No. 3957⁸ granting long-term authorization to export an additional 0.34 Bcf/d of LNG to non-FTA nations, issued December 19, 2016.

Cumulatively, FLEX is authorized to export up to 2.8 Bcf/d to FTA nations and 2.14 Bcf/d to non-FTA nations, on a long-term basis.

⁵ *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Freeport LNG Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3066, FE Docket No. 12-06-LNG (Feb. 10, 2012); *Amendment Order*.

⁶ *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, Order Conditionally 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, DOE/FE Order No. 3282, FE Docket No. 10-161-LNG (May 17, 2013); *Amendment Order*; *Freeport LNG Expansion, L.P. et al.*, Order Amending DOE/FE Order Nos. 3282 and 3357, DOE/FE Order Nos. 3282-B & 3357-A, FE Docket Nos. 10-161-LNG & 11-161-LNG (June 6, 2014); *Freeport LNG Expansion, L.P. et al.*, 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, DOE/FE Order No. 3282-C, FE Docket No. 10-161-LNG (Nov. 14, 2014).

⁷ *Freeport LNG Expansion, L.P. et al.*, Order Conditionally 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, DOE/FE Order No. 3357, FE Docket No. 11-161-LNG (Nov. 15, 2013); *Freeport LNG Expansion, L.P. et al.*, Errata Notice, DOE/FE Order No. 3357, FE Docket No. 11-161-LNG (Dec. 13, 2013); *Amendment Order*; *Freeport LNG Expansion, L.P. et al.*, Order Amending DOE/FE Order Nos. 3282 and 3357, DOE/FE Order Nos. 3282-B & 3357-A, FE Docket Nos. 10-161-LNG & 11-161-LNG (June 6, 2014); *Freeport LNG Expansion, L.P. et al.*, 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, DOE/FE Order No. 3357-B, FE Docket No. 11-161-LNG (Nov. 14, 2014); *Freeport LNG Expansion, L.P. et al.*, Opinion and Order Denying Request for Rehearing of Orders 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, DOE/FE Order No. 3357-C, FE Docket No. 11-161-LNG (Dec. 4, 2015).

⁸ *Freeport LNG Expansion, L.P. et al.*, 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, DOE/FE Order No. 3957, FE Docket No. 16-108-LNG (Dec. 19, 2016).

II. COMMUNICATIONS

The persons to whom correspondence and communications concerning this Application should be directed and upon whom service is to be made are as follows:

John Tobola
Freeport LNG Expansion, L.P.
333 Clay Street, Suite 5050
Houston, TX 77002
Telephone: (713) 980-2888
Email: jtobola@freeportlng.com

Lisa M. Tonery
Mariah T. Johnston
Orrick, Herrington & Sutcliffe LLP
51 West 52nd Street
New York, N.Y. 10019-6142
Telephone: (212) 506-3710
Email: ltinery@orrick.com
Email: mjohnston@orrick.com

III. AUTHORIZATION REQUESTED

Construction of Train 1 at the Liquefaction Project is nearing completion, with operations anticipated to commence in early 2019. Operations at Trains 2 and 3 are anticipated to commence sequentially thereafter following the completion of construction. In this regard, FLEX hereby requests authorization for short-term, blanket authorization to export LNG prior to commercial operations at the Liquefaction Project, as well as subsequent to commercial operations, as market opportunities may arise. Specifically, FLEX requests authorization to export up to 782 Bcf of domestically-produced LNG over a two year period, commencing the earlier of the date of first export or September 1, 2018, to any nation with the capacity to import LNG via ocean going carrier with which trade is not prohibited by U.S. law or policy. No modifications to the Liquefaction Project are required to engage in the exports proposed herein.

FLEX requests such authorization to export LNG on its own behalf or as agent for third parties who themselves may hold title to the LNG at the point of export. FLEX will comply with all DOE/FE requirements for exporters and agents including as first established in Order No.

2913.⁹ In this regard, FLEX, when acting as agent, will register with DOE/FE each LNG title holder for whom it seeks to export as agent, and will provide DOE/FE with a written statement by the title holder acknowledging and agreeing to: (1) comply with all requirements in FLEX's export authorization; and (2) include those requirements in any subsequent purchase or sale agreement entered into by the title holder.

IV. PUBLIC INTEREST

FLEX is herein seeking authorization to export LNG to any nation with the capacity to import LNG via ocean going carrier with which trade is not prohibited by U.S. law or policy. To the extent that FLEX is proposing to export LNG to FTA nations, Section 3(c) of the NGA provides that such exports “shall be deemed to be consistent with the public interest” and such applications “shall be granted without modification or delay.”¹⁰

To the extent FLEX is seeking authority to export LNG to non-FTA nations, Section 3(a) of the NGA sets forth the applicable standard of review. Section 3(a) provides that “no person shall export any natural gas from the United States to 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 ...will not be consistent with the public interest.”¹¹ Thus, Section 3 creates a statutory presumption in favor of approving this application, which opponents bear the burden of overcoming.¹²

⁹ *Order No. 2913*, supra note 4.

¹⁰ 15 U.S.C. § 717b(c).

¹¹ 15 U.S.C. § 717b(a).

¹² *See e.g., Panhandle Producers & Royalty Owners Ass'n v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987); *Indep. Petroleum Ass'n v. ERA*, 870 F.2d 168, 172 (5th Cir. 1989); *Panhandle Producers & Royalty Owners Ass'n v. ERA*, 847 F.2d 1168, 1176 (5th Cir. 1988).

Further, in evaluating an export application, DOE/FE has consistently applied the principles described in DOE Delegation Order No. 0204-111 (which focuses primarily on domestic need for the gas to be exported) and the Secretary's natural gas policy guidelines.¹³ FLEX's proposal to export LNG on a short-term basis to those countries with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy is consistent with NGA Section 3 and DOE/FE guidelines.

In approving the Trains 1-3 Orders, DOE/FE conducted an extensive public interest review of exports from the Liquefaction Project. DOE/FE consistently held that such exports would result in significant benefits and are not inconsistent with the public interest.¹⁴ The volumes proposed for export herein, when added to any volumes exported under the Trains 1-3 Orders, will not exceed the maximum volumes approved under the Trains 1-3 Orders in any annual (i.e., consecutive 12 month) period, and therefore the public interest impacts of the total exports will not increase as a consequence of DOE/FE's approval of the Application in this proceeding. Consequently, no additional public interest review beyond that conducted in the earlier Non-FTA export proceedings is warranted.¹⁵

Furthermore, current market trends concerning U.S. gas demand and supply strongly indicate that the export of domestically produced natural gas as LNG is in the public interest. With the recent development of major gas reserves throughout the United States, natural gas supply is projected to far outstrip domestic demand, and the conversion of surplus gas for LNG export

¹³ See *New Policy Guidelines and Delegation Orders From Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to the Regulation of Imported Natural Gas*, 49 Fed. Reg. 6,684 (Feb. 22, 1984).

¹⁴ See *Trains 1-3 Orders*, *supra* notes 4 - 8.

¹⁵ See, e.g., *Sabine Pass Liquefaction, LLC*, Order Granting Blanket Authorization to Export Liquefied Natural Gas by Vessel from the Sabine Pass LNG Terminal Located in Cameron Parish, Louisiana, DOE/FE Order No. 3767 at 10, Docket No. 15-171-LNG (January 13, 2016).

provides an opportunity to increase local and regional commerce without compromising the nation's energy resources or stability.

Domestic natural gas production has increased 47% since 2005. The U.S. Energy Information Administration's ("EIA") December 2017 Short-Term Energy Outlook forecasts a 6.1 Bcf/d increase in dry natural gas production in 2018 from the 2017 level.¹⁶ The EIA has further stated that "rising natural gas production [is keeping] pace with increasing consumption and demand for exports—particularly for [LNG]."¹⁷

Long-term projections confirm that such a trend will continue into the foreseeable future. Domestic natural gas production is projected to increase 42% between 2016 and 2040.¹⁸ The EIA's 2017 Annual Energy Outlook ("AEO") projects that natural gas production will account for nearly 40% of U.S. energy production by 2040 (in the reference case).¹⁹ Additionally, despite projections of increased U.S. natural gas consumption, the 2017 AEO confirms that increased gas production will support both growing domestic demand for natural gas and LNG exports.²⁰ The EIA has further concluded that "increasing LNG exports leads to higher economic output, as measured by real [gross domestic product], as increased energy production spurs investment."²¹

¹⁶ EIA, Short-Term Energy Outlook, (December 12, 2017) available at https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf.

¹⁷ EIA, Short-Term Energy Outlook, (October 2017) available at <https://www.eia.gov/outlooks/steo/archives/Oct17.pdf>.

¹⁸ Letter from Jack N. Gerard, Pres. and Chief Exec. Officer, API to Rick Perry, Sec. of Energy, (Mar. 14, 2017) available at <http://www.api.org/~media/Files/News/Letters-Comments/2017/3-14-17-Ltr-to-DOE-Secretary-Perry-LNG-Exports-Authorization.pdf>.

¹⁹ EIA, *Annual Energy Outlook 2017 With Projections to 2050* (Jan. 5, 2017) available at <https://www.eia.gov/outlooks/aeo/pdf/0383%282017%29.pdf>.

²⁰ *Id.*

²¹ EIA, *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets*, at 24 (October 2014) available at <https://www.eia.gov/analysis/requests/fe/pdf/lng.pdf>.

This conclusion is further supported by both macroeconomic reports commissioned by DOE/FE to examine the impacts of different levels of LNG exports, which have both concluded that such exports have a net benefit to the U.S. economy. In the initial study for DOE/FE, NERA Economic Consulting noted that “[f]or every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased.”²² The 2015 follow-up study (which examined exports up to 20 Bcf/d from the 12 Bcf/d of natural gas examined in the original) found similar results,²³ concluding that “[a]cross the domestic cases, the positive impacts of higher U.S. gas production, greater investment in the U.S. natural gas sector, and increased profitability of U.S. gas producers typically exceeds the negative impacts...associated with increased LNG exports.”²⁴

For the foregoing reasons, the authorization requested herein is not inconsistent with, and clearly serves, the public interest.

V. ENVIRONMENTAL IMPACT

No new construction or changes to Liquefaction Project facilities will be required for the short term exports for which blanket authorization is requested herein. Under DOE/FE’s regulations, a categorical exclusion is applicable to authorizations to import or export natural gas under NGA Section 3, involving no new construction.²⁵ Therefore, consistent with DOE/FE

²² NERA Economic Consulting, *Macroeconomic Impacts of LNG Exports from the United States* 1 (Dec. 3, 2012), available at http://energy.gov/sites/prod/files/2013/04/f0/nera_lng_report.pdf.

²³ NERA Economic Consulting, *The Macroeconomic Impact of Increasing U.S. LNG Exports* (Oct. 29, 2015), available at https://energy.gov/sites/prod/files/2015/12/f27/20151113_macro_impact_of_lng_exports_0.pdf.

²⁴ *Id.* at 16.

²⁵ 10 C.F.R. Part 1021, Subpart D, Appendix B5.7.

regulations and precedent, the authorization requested herein would be categorically excluded from review under the National Environmental Policy Act.²⁶

VI. APPENDICES

The following appendices are included herewith:

Appendix A: Verification

Appendix B: Opinion of Counsel

VII. CONCLUSION

For the reasons discussed above, FLEX respectfully requests that DOE/FE grant the instant Application by no later than April 18, 2018.

Respectfully submitted,

/s/ Lisa M. Tonery _____
Lisa M. Tonery
Mariah T. Johnston
Attorneys for
Freeport LNG Expansion, L.P.,
FLNG Liquefaction, LLC,
FLNG Liquefaction 2, LLC, and
FLNG Liquefaction 3, LLC

Dated: January 3, 2018

²⁶ 42 U.S.C. §§4321, *et seq.*; *see, e.g., Cameron LNG, LLC*, Order Granting Blanket Authorization to Export Liquefied Natural Gas by Vessel from the Cameron LNG Terminal Located in Cameron and Calcasieu Parishes, Louisiana, DOE/FE Order No. 3904 at 11, Docket No. 16-34-LNG (October 3, 2016); *Sabine Pass Liquefaction, LLC*, Order Granting Blanket Authorization to Export Liquefied Natural Gas by Vessel from the Sabine Pass LNG Terminal Located in Cameron Parish, Louisiana, DOE/FE Order No. 3767 at 13, Docket No. 15-171-LNG (January 13, 2016).

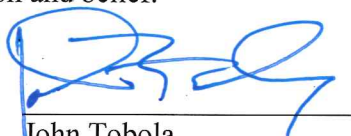
Appendix A

VERIFICATION

State of Texas)

County of Harris)


BEFORE ME, the undersigned authority, on this day personally appeared John Tobola, who having been be me first duly sworn, on oath says that he is the Senior Vice President and General Counsel for Freeport LNG Expansion, L.P., and is duly authorized to make this Verification; that he has read the foregoing instrument and that the facts therein stated are true and correct to the best of his knowledge information and belief.



John Tobola

SWORN TO AND SUBSCRIBED before me on the 3rd day of January, 2018





Name: CAROL BROOKS
Title: Notary Public

Appendix B

January 3, 2018

Ms. Amy Sweeney
Office of Fossil Energy
U.S. Department of Energy
FE-34
Forrestal Building
1000 Independence Avenue, S.W.
Washington, DC 20585

**RE: Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC, & FLNG Liquefaction 3, LLC
DOE/FE Docket No. 18-____-LNG
Application for Blanket Authorization to Export LNG**

Dear Ms. Sweeney:

This opinion of counsel is submitted pursuant to Section 590.202(c) of the regulations of the U.S. Department of Energy, 10 C.F.R. § 590.202(c). I am the duly authorized representative for Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC, and FLNG Liquefaction 3, LLC (collectively, "FLEX"). I have reviewed the organizational and internal governance documents of FLEX and other documents and authorities as necessary for purposes of this opinion. On the basis of the foregoing, it is my opinion that the proposed short-term exports of liquefied natural gas by FLEX, as described in the above-referenced application, are within the partnership and company powers of FLEX.

Respectfully submitted,



John Tobola
Senior Vice President & General Counsel
Freeport LNG Expansion, L.P.