



Southern LNG
Company, L.L.C.
a Kinder Morgan company

check

January 31, 2018

Ms. Larine A. Moore
Office of Fossil Energy
U.S. Department of Energy
FE-34
P.O. Box 44375
Washington, DC 20026-4375

RECEIVED

By Received DOE/FE at 11:35 am, Feb 01, 2018

RE: Southern LNG, DOE/FE Docket No. 18- 15-LNG
Application for Blanket Authorization to Export Liquefied Natural Gas

Dear Ms. Moore:

Southern LNG Company, L.L.C. ("Southern LNG") hereby submits for filing with the U.S. Department of Energy, Office of Fossil Energy, an original and three copies of an application for short-term, blanket authorization to export liquefied natural gas (LNG) in volumes up to equivalent of 255 billion cubic feet of natural gas prior to the commencement of commercial operation of Southern LNG's Liquefaction Project at its existing LNG import terminal in Chatham County, Georgia. Southern LNG requests authorization to export its "Commissioning Volumes" over a period of up to two years commencing on the date of the initial export, which is projected to occur during the third quarter of 2018 and not later than six months thereafter, 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, whether or not the country has a Free Trade Agreement with the United States requiring national treatment for trade in natural gas.

Enclosed is a check in the amount of \$50.00 as payment of the applicable filing fee as required in 10 C.F.R. § 590.207. Southern LNG is submitting a photocopy of this check with the electronically-filed version of the Application: the original check will follow with the hard copies of the filing that are being mailed. Please contact me if you have any questions regarding this filing.

Respectfully submitted,

Margaret G. Coffman
Assistant General Counsel

Enclosures

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

Southern LNG Company, L.L.C.

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FE Docket No. 18-__-LNG

**APPLICATION OF SOUTHERN LNG COMPANY, L.L.C.
FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS**

Communications with respect to this
Application should be addressed to:

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**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

Southern LNG Company, L.L.C.

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FE Docket No. 18-__-LNG

**APPLICATION OF SOUTHERN LNG COMPANY, L.L.C.
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 Southern LNG Company, L.L.C. (“Southern LNG”) hereby requests that DOE, Office of Fossil Energy (“DOE/FE”) issue an order granting blanket authorization for Southern LNG to engage in short-term exports of liquefied natural gas (“LNG”) from the Elba Liquefaction Project on Elba Island in Chatham County, Georgia.

Southern LNG herein seeks authorization to export volumes in an amount up to 255 billion cubic feet (“Bcf”) over a two year period commencing on the date of the initial export from the Elba Island Terminal, which is projected to occur during the third quarter of 2018 and not later than six months thereafter, to any country with the capacity to import LNG via ocean going carrier with which trade is not prohibited by U.S. law or policy. Southern LNG requests this authorization both on its own behalf and when acting as agent on behalf of other entities who themselves hold title to the LNG, after registering each such entity with DOE/FE in according with the established procedures.

In support of this Application, Southern LNG states as follows:

¹ 15 U.S.C. § 717b (2012).

² 10 C.F.R. Part 590 (2017).

I.
DESCRIPTION OF THE APPLICANT

The exact legal name of the applicant is Southern LNG Company, L.L.C. Southern LNG is a limited liability company formed under the laws of Delaware with its principal place of business at 569 Brookwood Village, Birmingham, Alabama 35209. Southern LNG is a wholly-owned indirect subsidiary of Kinder Morgan, Inc.

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:

Patricia S. Francis
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These persons are designated to receive service and should be placed on the official service list for this proceeding.

III.
BACKGROUND AND EXISTING AUTHORIZATIONS

The Federal Energy Regulatory Commission authorized the siting, construction and operation of the Elba Liquefaction Project in 2016. *See Elba Liquefaction Company, L.L.C., et al.*, 155 FERC ¶ 61,219 (2016), *reh'g denied*, 157 FERC ¶ 61,195 (2016). The Elba Liquefaction Project includes ten Movable Modular Liquefaction System (“MMLS”) units that will create a total liquefaction capacity of approximately 2.5 MTPA of LNG and other related facilities, as fully explained in the FERC Order. As of January 9, 2018, Elba Liquefaction Company, L.L.C. (“ELC”) was installing piping spool pieces, raceway and cable, and Fire & Gas

Detectors for MMLS unit No. 1 and receiving module and component deliveries for MMLS units No. 2 and 3.³ Following the completion of the Elba Liquefaction Project, the Terminal at Elba Island will have the capability to both import and export LNG supplies.

Southern LNG currently holds the following DOE/FE authorizations to export LNG from the Elba Liquefaction Project (collectively, the “DOE Export Orders”):

1. Order No. 3106⁴ granting long-term authorization to export 0.5 Bcf per day (“Bcf/d”) (or 182.5 Bcf) per year of LNG to free trade agreement (“FTA”) nations, issued June 15, 2012; and
2. Order No. 3956⁵ granting long-term authorization to export 0.36 Bcf/d (130 Bcf/year) of LNG to Non-FTA nations, issued December 16, 2016.

The volumes authorized in Order Nos. 3106 and 3956 are not additive. DOE/FE authorized Southern LNG to export the LNG as agent for other entities that will hold title to the LNG pursuant to one or more long-term (greater than two year) contracts, after registering each such entity with DOE/FE.

DOE/FE explained in Order No. 3956 that Southern LNG may export Commissioning Volumes (which it defined as volumes of LNG produced and exported during the initial start-up of an LNG train before the train has reached its full steady-state capacity and begun commercial

³ Pursuant to the requirements of the FERC authorization of the Elba Liquefaction Project, Southern LNG and ELC submits monthly status and progress reports to FERC. The status set forth above was provided in Southern LNG and ELC’s Monthly Status Report filed in FERC Docket No. CP14-103 on January 18, 2018. FERC Accession No. 201801195093.

⁴ See *Southern LNG Company, L.L.C.*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3106 (June 15, 2012) (hereinafter *Order No. 3106*).

⁵ See *Southern LNG Company, L.L.C.*, 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, DOE/FE Order No. 3956 (December 16, 2016) (hereinafter *Order No. 3956*).

exports pursuant to long-term contracts pursuant to a separate short-term export authorization).⁶ DOE/FE noted that the Commissioning Volumes will not be counted against the maximum volumes previously authorized for export by Southern LNG to either FTA or non-FTA countries.⁷

IV. AUTHORIZATION REQUESTED

Construction of MMLS unit No. 1 at the Elba Liquefaction Project is nearing completion, with operations anticipated to commence in mid-2018. Operations of the subsequent MMLS units are anticipated to commence sequentially thereafter following the completion of construction. In this regard, as contemplated in Order No. 3956, Southern LNG hereby requests authorization for short-term, blanket authorization to export LNG prior to full commercial operations at the Elba Liquefaction Project. Specifically, Southern LNG requests authorization to export up to 255 Bcf of domestically-produced LNG over a two year period, commencing on the date of the initial export from the Elba Island Terminal, which is projected to occur during the third quarter of 2018 and not later than six months thereafter, 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 Elba Liquefaction Project are required to engage in the exports proposed herein.

The source of the gas supplies to be utilized for the Commissioning of the Elba Liquefaction Project is unknown at this time, but will likely be procured in the very large and liquid U.S. natural gas market. The Elba Island Terminal directly connects with the interstate pipelines of Southern Natural Gas Company, L.L.C., Elba Express Company, L.L.C., and Dominion Energy Carolina Gas Transmission, LLC and indirectly connects with the interstate

⁶ See *id.* at Page 169-170 and Ordering Paragraph B.

⁷ *Id.*

pipelines of Transcontinental Gas Pipe Line Company, LLC and Florida Gas Transmission, LLC. Through these direct and indirect connections with interstate pipelines, the Elba Island Terminal connects to the nationally integrated interstate pipeline grid, allowing access to a variety of supply options.

Southern LNG also is considering the possibility of utilizing LNG that has already been imported and in the storage tanks at the terminal as part of its commissioning process depending on the timing of its need for gas, the availability of pipeline capacity, and market conditions. Previously imported LNG may be combined in storage with LNG produced by the liquefaction process at Elba and then re-exported as part of a blended mixture, or previously imported LNG could be first regasified and then re-liquefied at the Terminal, and some of the resulting volumes (likely combined with LNG produced from domestic gas received by pipeline) could subsequently be exported as Commissioning Volumes. Given these possibilities, Southern LNG respectfully requests that the blanket authorization issued here allow for the export of LNG produced at the Elba Island Terminal from both domestically produced gas and gas that was previously imported as LNG from foreign sources.

Southern LNG anticipates that it will act as agent for others that will hold title to the Commissioning Volumes, just as it will for long-term exports. To ensure flexibility in how the Commissioning Volumes are exported, however, Southern LNG 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. Southern LNG will comply with all DOE/FE requirements for exporters and agents including as first established in Order No. 3106.⁸ In this regard, Southern LNG, when acting as agent, will register with DOE/FE each LNG title holder for whom it seeks

⁸ *Order No. 2913*, supra note 4.

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 Southern LNG's export authorization; and (2) include those requirements in any subsequent purchase or sale agreement entered into by the title holder.

V. PUBLIC INTEREST

Southern LNG 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 Southern LNG 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."⁹ In addition, DOE/FE has held that the statutory requirement for granting such FTA applications without delay or modification overrides otherwise applicable regulatory requirements for public notice and other procedures set forth in 10 C.F.R. Part 590. Under this statutory structure, the portion of this Application that seeks to export Commissioning Volumes from the Elba Island Terminal to FTA countries should be granted without modification or delay, consistent with DOE/FE's established practices.

To the extent Southern LNG 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.¹⁰

⁹ 15 U.S.C. § 717b(c).

¹⁰ 15 U.S.C. § 717b(a).

Thus, Section 3 creates a statutory presumption in favor of approving this application, which opponents bear the burden of overcoming.¹¹

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.¹² Southern LNG'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 DOE Export Orders, DOE/FE conducted an extensive public interest review of exports from the Elba Liquefaction Project. DOE/FE consistently held that such exports would result in significant benefits and are not inconsistent with the public interest.¹³ The volumes proposed for export herein, when added to any volumes exported under the DOE Export Orders, will not exceed 130 BCF 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.¹⁴

¹¹ 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).

¹² 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).

¹³ See *DOE Export Orders*, *supra* notes 4 - 5.

¹⁴ 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).

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 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.¹⁵ The EIA has further stated that "rising natural gas production [is keeping] pace with increasing consumption and demand for exports—particularly for [LNG]."¹⁶

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 2040.¹⁷ 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).¹⁸ 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

¹⁵ EIA, Short-Term Energy Outlook, (December 12, 2017) available at https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf.

¹⁶ EIA, Short-Term Energy Outlook, (October 2017) available at <https://www.eia.gov/outlooks/steo/archives/Oct17.pdf>.

¹⁷ 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>.

¹⁸ 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>.

exports.¹⁹ 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.”²⁰

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.”²¹ 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,²² 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.”²³

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

¹⁹ *Id.*

²⁰ 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>.

²¹ 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.

²² 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.

²³ *Id.* at 16.

VI. ENVIRONMENTAL IMPACT

As previously noted, FERC completed its environmental review of the Elba Liquefaction Project, satisfying the obligations of NEPA, in FERC Docket CP14-103, and DOE independently reviewed and adopted that environmental analysis in DOE/FE Order No. 3596. The FERC order included extensive environmental conditions related to the Elba Liquefaction Project.

No new construction or changes to the Elba Liquefaction Project facilities will be required for the short term exports for which blanket authorization is requested herein. DOE regulations at 10 CFR Part 1021, Subpart D, Appendix B5, provide a list of categorical exclusions from the preparation of an environmental analysis or environmental impact statement under the National Environmental Policy Act of 1969 (42 U.S.C. 4321, i.) (“NEPA”). Specifically, categorical exclusion B5.7 provides for an exclusion where approvals of authorizations to import or export natural gas under NGA section 3 involve minor operational changes but no new construction. Southern LNG’s export of Commissioning Volumes falls within this categorical exclusion and no further environmental analysis is required.

Therefore, the proposal does not constitute a major federal action significantly affecting the quality of the human environment within the meaning of NEPA consistent with DOE/FE regulations and precedent. The authorization requested herein is categorically excluded from review under the National Environmental Policy Act.²⁴

²⁴ 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).

**VII.
APPENDICES**

The following appendices are included herewith:

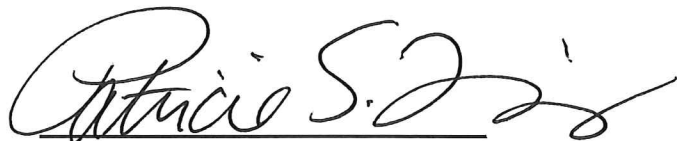
Appendix A: Verification

Appendix B: Opinion of Counsel

**VIII.
CONCLUSION**

Based on the reasons discussed above, Southern LNG respectfully requests that the DOE/FE grant Southern LNG short-term, blanket authorization to export volumes in an amount up to 255 Bcf produced either from domestic sources or previously imported LNG, prior to the full commencement of commercial operations of the Elba Liquefaction Project at the existing Elba Island Terminal in Chatham County, Georgia, over a two year period commencing on the date of the initial export, which is projected to occur during the third quarter of 2018 and not later than six months thereafter, to any country with the capacity to import LNG via ocean going carrier with which trade is not prohibited by U.S. law or policy.

Respectfully submitted,



Patricia S. Francis
Margaret G. Coffman
*Attorneys for
Southern LNG Company, L.L.C.*

Dated: January 31, 2018

Appendix A

VERIFICATION

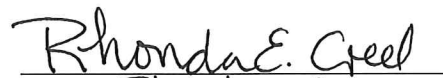
State of Alabama)

County of Jefferson)

BEFORE ME, the undersigned authority, on this day personally appeared Michael J. Varagona, who having been be me first duly sworn, on oath says that he is the Vice President for Southern LNG Company, L.L.C., 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.


Michael J. Varagona

SWORN TO AND SUBSCRIBED before me on the 31st day of January 2018.


Name: Rhonda E. Creel
Title: Notary Public



Appendix B



**Southern LNG
Company, L.L.C.**
a Kinder Morgan company

January 31, 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: Southern LNG
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 Southern LNG Company, L.L.C. (collectively, "Southern LNG"). I have reviewed the organizational and internal governance documents of Southern LNG 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 Southern LNG, as described in the above-referenced application, are within the partnership and company powers of Southern LNG.

Respectfully submitted,

Patricia S. Francis
Assistant General Counsel

