

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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DRIFTWOOD LNG LLC

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FE DOCKET NO. 16-144-LNG

ORDER AMENDING LONG-TERM, MULTI-CONTRACT AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL  
FROM THE PROPOSED DRIFTWOOD LNG FACILITY IN CALCASIEU PARISH,  
LOUISIANA, TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3968-A

DECEMBER 6, 2018

## **I. BACKGROUND AND DESCRIPTION OF REQUEST**

Previously, on September 28, 2016, Driftwood LNG LLC (Driftwood LNG) filed an application (Application)<sup>1</sup> with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b.<sup>2</sup> Driftwood LNG requested long-term, multi-contract authorization to export domestically produced liquefied natural gas (LNG) in a volume equivalent to approximately 1,496.5 billion cubic feet (Bcf) per year (Bcf/yr) of natural gas (4.1 Bcf per day (Bcf/d)). Driftwood LNG sought to export this LNG, on its own behalf and as agent for other entities, from a natural gas liquefaction facility that it proposes to site, construct, and operate in Calcasieu Parish, Louisiana (Facility), to: (i) any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries)<sup>3</sup> and (ii) any other country with which trade is not prohibited by U.S. law or policy (non-FTA countries).<sup>4</sup> On February 28, 2017, in Order No. 3968, DOE/FE granted the FTA portion of Driftwood LNG's Application in the requested volume of 1,496.5 Bcf/yr for a term of 30 years.<sup>5</sup> Driftwood LNG's request for non-FTA authorization remains pending in the above-captioned docket.

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<sup>1</sup> Driftwood LNG LLC, Application for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Nations, FE Docket No. 16-144-LNG (Sept. 28, 2016).

<sup>2</sup> The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-006.02 issued on November 17, 2014.

<sup>3</sup> 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.

<sup>4</sup> 15 U.S.C. § 717b(a).

<sup>5</sup> *Driftwood LNG LLC*, DOE/FE Order No. 3968, FE Docket No. 16-144-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Driftwood LNG Facility in Calcasieu Parish, Louisiana, to Free Trade Agreement Nations (Feb. 28, 2017).

On March 5, 2018, Driftwood LNG submitted a filing to DOE/FE entitled “Supplement to Long-Term Authorization and Application for Long-Term Authorization” (Supplement).<sup>6</sup> Driftwood LNG states that, on February 15, 2018, it submitted a filing to the Federal Energy Regulatory Commission (FERC) in FERC Docket No. CP17-117-000 to clarify the LNG production capacity of the proposed Facility.<sup>7</sup> Driftwood LNG’s FERC application is currently pending,<sup>8</sup> and DOE/FE is participating in the FERC proceeding as a cooperating agency.

In the Supplement, Driftwood LNG asks DOE/FE to decrease its approved FTA export volume in DOE/FE Order No. 3968 from the equivalent of 1,496.5 Bcf/yr (4.1 Bcf/d) to 1,415.3 Bcf/yr of natural gas (3.88 Bcf/d)—which Driftwood LNG states is equivalent to 27.6 million metric tons per annum (mtpa) of LNG based on its conversion factor.<sup>9</sup> Driftwood LNG states that it is seeking to align the volume approved for export in its FTA authorization with the optimized estimated LNG production capacity of the Facility, as requested in its pending FERC application. Driftwood LNG states that no changes to the design of the Facility are required or proposed to achieve the amended production capacity.<sup>10</sup>

## **II. FINDINGS**

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 (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA requiring

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<sup>6</sup> Driftwood LNG LLC, Supplement to Long-Term Authorization and Application for Application for Long-Term Authorization, FE Docket No. 16-144-LNG (Mar. 5, 2018) [hereinafter Supp.].

<sup>7</sup> *Id.* at 1-2 & n.5.

<sup>8</sup> *See* Driftwood LNG LLC & Driftwood Pipeline LLC, Application for Authorizations under Sections 3 and 7 of the Natural Gas Act, FERC Docket Nos. CP17-117-000 and CP17-118-000 (Mar. 31, 2017).

<sup>9</sup> Supp. at 1-2, 4. In the Supplement, Driftwood LNG also asks DOE/FE to amend its requested export volume for the non-FTA portion of its Application. That request is pending, and DOE/FE will address it separately under NGA section 3(a), 15 U.S.C. § 717b(a). *See* U.S. Dep’t of Energy, Supplement to Application for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Nations for a 20-Year Period, 83 Fed. Reg. 54,922 (Nov. 1, 2018).

<sup>10</sup> Supp. at 2.

national treatment for trade in natural gas, and/or (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. Driftwood LNG's requested action in the Supplement for DOE/FE Order No. 3968 meets the NGA section 3(c) criterion and, therefore, is consistent with the public interest. As such, DOE/FE is charged with granting the requested action without modification or delay.<sup>11</sup>

### **ORDER**

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

A. Driftwood LNG's request to amend DOE/FE Order No. 3968 is granted as reflected in the following new Ordering Paragraph A:

Driftwood LNG LLC (Driftwood LNG) is authorized to export domestically produced LNG by vessel from the proposed Driftwood LNG Facility in Calcasieu Parish, Louisiana. The volume authorized in this Order is equivalent to approximately 1,415.3 Bcf/yr of natural gas for a 30-year term, beginning on the earlier of the date of first export or seven years from the date of this amended authorization. Driftwood LNG is authorized to export this LNG on its own behalf and as agent for other entities that hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

Driftwood LNG may continue exporting for a total of three years following the end of the 30-year export term, solely to export any Make-Up Volume that it was unable to export during the original export period. The

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<sup>11</sup> 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 countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

three-year Make-Up Period allowing the export of Make-Up Volumes does not affect or modify the maximum volume of LNG authorized for export in this Order (42,459 Bcf total over the 30-year term). Insofar as Driftwood LNG may seek to export additional volumes not previously authorized for export, it will be required to obtain appropriate authorization from DOE/FE.

This amended Ordering Paragraph A supersedes Ordering Paragraph A in DOE/FE Order No. 3968 in its entirety.

B. All other obligations, rights, and responsibilities established by DOE/FE Order No. 3968 remain in effect. Any other references to DOE/FE Order No. 3968 in the Ordering Paragraphs should reflect this amended authorization (DOE/FE Order No. 3968-A) and this effective date.

C. This Order is effective immediately.

Issued in Washington, D.C., on December 6, 2018.

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Shawn Bennett  
Deputy Assistant Secretary for Oil and Natural Gas  
Office of Fossil Energy