LNG Export Projects Update

THE LEAD: FEDERAL APPEALS COURT REJECTS CHALLENGES TO FERC LNG DECISIONS

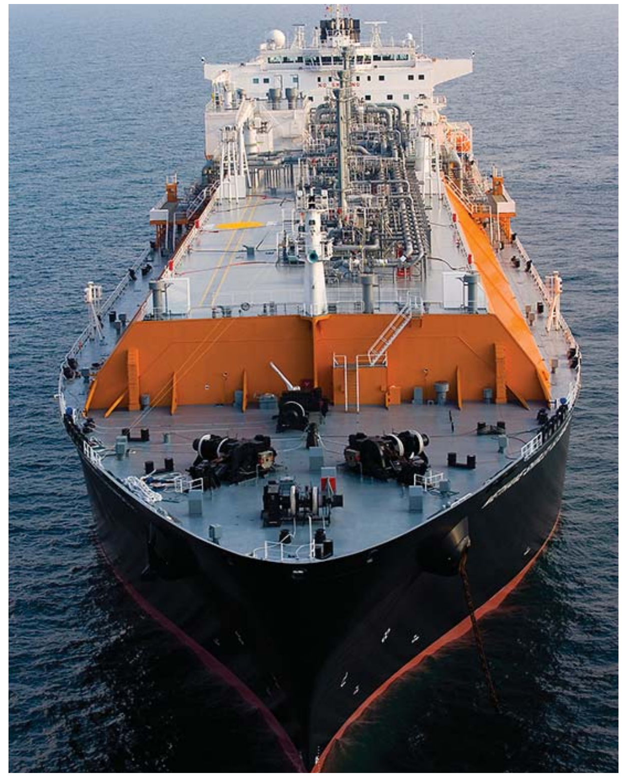
The United States Court of Appeals for the District of Columbia Circuit issued two rulings (June 28) on the Federal Energy Regulatory Commission's (FERC) role in considering greenhouse gas emissions as part of the environmental review of LNG export applications.

In separate decisions, the three-judge federal appeals panel ruled that, under the Natural Gas Act, the U.S. Department of Energy (DOE) rather than FERC should consider the upstream environmental impact of LNG export applications. According to the panel, the additional production for an LNG export project results from the export authorization granted by DOE rather than the construction license granted by FERC, and therefore is not part of the FERC environmental assessment process.

The court's decisions were in response to Sierra Club lawsuits to block FERC approval of the Freeport LNG and Cheniere Sabine Pass projects and can be found here and here, respectively. The Sierra Club has already filed a lawsuit challenging the DOE's authorization of an export license. That case involves Dominion's Cove Point (Maryland) export facility.

LNG ALLIES AND OEM MEMBERS

- **Cameron LNG**
  Japanese utility Toho Gas Co. announced (June 6) that it has entered into a sale and purchase agreement with Diamond Gas Int'l, a 100% subsidiary of Mitsubishi Corp., to purchase 0.2 million tons per year (mtpa) of LNG produced at the Cameron LNG terminal under construction in Hackberry, Louisiana. According to the Toho Gas news release, the deal involves three cargoes of LNG per year over a 19-year term "at LNG prices linked to the U.S. natural gas price." Mitsubishi (through a related company jointly established with Nippon Yusen Kabushiki Kaisha) owns 16.6% of the Cameron LNG liquefaction and export terminal.



- **Sabine Pass**
  By letter (June 1), Cheniere Energy notified the Federal Energy Regulatory Commission (FERC) that it had placed Train 1 of the Sabine Pass liquefaction project "into service" on May 27, when Cheniere accepted "care, custody and control" of Train 1 from Bechtel, Cheniere's EPC contractor. Also, according to Cheniere's most recent progress report to FERC (June 22), "substantial completion of Train 2 is anticipated by late September 2016, and Trains 3 and 4 have targeted substantial completion dates of April 2017 and August 2017, respectively." Also, Cheniere withdrew (June 20) the request it had filed with FERC last November to site, construct and operate LNG transport carrier (truck) loading facilities at the Sabine Pass terminal. The letter of withdrawal stated that the company is "focused primarily on the completion of construction and placement in service of the liquefaction trains" at the Sabine Pass facility.

- **Corpus Christi**

DOE) issued an order (May 26) denying Sierra Club's requests for rehearing of the DOE order which authorized Cheniere Marketing and Cheniere Corpus Christi Liquefaction to export LNG to nations without a free trade agreement (non-FTA). DOE rejected Sierra Club's arguments that: (1) the Natural Gas Act does not create a rebuttable presumption that natural gas exports are in the public interest; (2) DOE did not adequately consider the environmental effects of potential induced gas production caused by increased gas exports; and (3) DOE's economic benefits assessment of increased gas exports was erroneous. DOE issued another order that same day (May 26) rejecting the Sierra Club's challenge of DOE's non-FTA license for the Sabine Pass facility. That challenge was denied on identical grounds. In other news, in its most recent monthly progress report, (May 24) Cheniere reported that: (1) engineering has progressed to 98%; (2) procurement to 46.9%; and (3) the total project stands at 33.5% complete.

- **Fairwood LNG**

Korea Development Bank (KDB) and Fairwood LNG reached an agreement (June 9) whereby KDB will become project financial advisors to Fairwood with regard to the company's Delfin LNG project to be located approximately 50 miles offshore of Louisiana in the Gulf of Mexico. According to Frederick Jones, Fairwood's CEO, "KDB has agreed to provide technical/professional guidance to raise the funding needed for the Delfin project."

KDB is a state-owned investor that supports Korean industries and interests. Delfin LNG has filed applications with the U.S. Maritime Administration and the U.S. Coast Guard to develop a deepwater port and floating liquefaction facility, as well as the associated pipeline (including about 1.1 mile of onshore pipeline) and above ground facilities. Bechtel has been selected to perform the front-end engineering and design for the floating LNG vessels which will be able to disconnect from the Delfin deepwater port facility and move to protected waters during a hurricane. The proposed initial export capacity of the facility is 8 mtpa of LNG with an option to be expanded to 13 mtpa, depending on market conditions. The facility will receive natural gas from the Delfin offshore pipeline.

- **Texas LNG Brownsville**

Texas LNG picked up several political endorsements recently for the company's proposed LNG export project planned for the Port of Brownsville, Texas. According to the *San Antonio Business Journal*, U.S. Sen. John Cornyn (R-Texas) filed a letter of support with FERC on June 16: "In his letter to FERC Chairman Norman Bay, Cornyn wrote that the liquefied natural gas export project would represent $1 billion of direct investment into the South Texas economy. It will create new jobs and generate economic activity, all while minimizing environmental impacts." (Texas Lt. Gov. Dan Patrick sent a similar letter on June 8.) Texas LNG COO Langtry Meyer told the *Business Journal* that "Cornyn's letter further demonstrates 'widespread support' for the project among high-level officials, industry associations, chambers of commerce, educational institutions and residents of the Rio Grande Valley. The Rio Grande Valley and Texas stand ready to benefit from billions of dollars of investment

LNG Allies™

ABOUT US

LNG Allies is a nonprofit organization working to expedite and maximize U.S. liquefied natural gas exports to create a more liquid global natural gas marketplace, enhance the energy security of America's allies, and improve economic and environmental conditions worldwide.

LNG ALLIES CORE TEAM

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- Ben Zingman, Communications Advisor

by Texas LNG in the Port of Brownsville to safely and efficiently ship clean, abundant Texas natural gas to the world from our small export facility."

PROJECTS UNDER CONSTRUCTION

- **Cove Point LNG**

  The latest monthly progress report submitted to FERC by Dominion Resources (June 23) for the Cove Point LNG export project (Lusby, Maryland) indicates that: engineering is 99.8% complete, equipment procurement is 99% complete, and construction is 38% complete. Dominion continues to estimate that the first LNG shipments will occur in Q4 2017.

- **Freeport LNG**

  FERC issued an order (June 2) authorizing Gulf South Pipeline Co. to construct and operate the Coastal Bend Header Project pipeline facilities which will provide 1.42 Billion cubic feet per day (Bcf/day) of firm gas transportation service to Freeport LNG's liquefaction and export terminal under construction on Quintana Island, Texas. BP, Chubu US Gas Trading, Osaka Gas Trading & Export, and Uniper (formerly E.ON Global Commodities) have signed precedent agreements for all of the firm transportation capacity from the Coastal Bend Header Project.

PROJECTS IN FORMAL FERC / MARAD / DOE REVIEW

- **Elba Island**

  FERC (June 1) issued an order authorizing subsidiaries of Kinder Morgan (Elba Liquefaction Co. and Southern LNG Co.) to add liquefaction capabilities to the existing Southern LNG import terminal on Elba Island, some five miles downstream from Savannah, Georgia, and to abandon the existing truck loading facilities at the site. The Elba Island project has two phases: (1) Phase I includes installation of three Movable Modular Liquefaction System (MMLS) units that will create a total liquefaction capacity of ≈ 0.75 mtpa; and (2) Phase II includes installation of up to an additional seven MMLS units. Upon full completion of both phases, the facility would have the capability to liquefy a total of ≈ 2.5 mtpa. Under an agreement dated Jan. 25, 2013, Shell LNG is to be the only customer.

- **Jordan Cove LNG**

  Veresen—sponsor of the Jordan Cove LNG project that has been proposed within the Port of Coos Bay on the Oregon Coast—and the project's other boosters continue to line up public support for the proposed LNG facility in anticipation of a "rehearing" on Veresen's application (initially turned down by FERC in March). In addition to numerous political officials, the editorial board of the Denver Post chimed in on June 9 arguing that, "Residents of Colorado's Front Range sometimes get a distorted picture of the state's economic health. Sure, the economy seems to be more or less humming along in a number of the most populated counties, but not all is well everywhere else... Northwest Colorado, for example, could use an economic boost—and the Jordan Cove project would give it one... [by opening new gas] markets in Asia... And the exports would be environmentally beneficial to the extent they displace the use of coal and oil in power generation... Federal regulators have already provided natural gas producers in the Gulf Coast and Eastern U.S. with export ports. It should do the same for Rocky Mountain natural gas."

- **Magnolia LNG**

  Having received approval from FERC (April 15), to "site, construct and operate" its' liquefaction and export terminal, Magnolia LNG filed (May 31) its first monthly progress report with the agency. Magnolia stated that it "is awaiting the last final federal authorization, the U.S. Army Corps of Engineers Sec. 404/10 permit." The report further stated that "Magnolia LNG is currently revising the Beneficial Use of Dredged Material Plan that was submitted with the Sec. 404/10 application." FERC is currently considering a "Request for Rehearing" that was filed by the Allegheny Defense Project and the Sierra Club. Currently, FERC is taking about six months to rule on such rehearing requests, and the DOE waits until that time before issuing its approval to export LNG to nations without free trade agreements (FTAs) with the United States.

- **Rio Grande LNG**

  After NextDecade filed its formal application (May 5) with FERC for its' Rio Grande LNG export terminal and associated pipelines, some 63 individuals and 15 organizations filed by the FERC deadline (June 9) either comments or formal requests to "intervene" in the proceedings. NextDecade responded (June 22) to those requests noting that "the vast majority of the current submissions purporting to be motions to intervene demonstrate an utter lack of a good faith effort to meet any of [FERC's] regulations setting forth the requirements for petitions to intervene." [Context: Motions to intervene, when granted, provide intervenors with additional rights beyond being heard by FERC. In particular, an intervenor has the right to "Request a Rehearing" from the FERC "Order" (project decision) and, in the event that an intervenor properly and timely files a Request for Rehearing that is ultimately denied by FERC, such intervenor has the right to appeal through the federal courts.] The answer also asked FERC to reject the joint protest of Sierra Club and Defenders of Wildlife because, among other things, "it contains generalized assertions on the presumed harmful environmental effects of induced natural gas production and increased emissions that will follow LNG exports even though FERC has rejected these arguments in similar cases." NextDecade's Answer: Click Here.

PROJECTS IN FERC PRE-FILING

- **Alaska LNG**

  Recent (June 21) news reports indicate that the State of Alaska is considering major ownership changes that would bring North Slope natural gas via pipeline to Southern Alaska for liquefaction and export. According to one such report: "State officials said [that] the administration is considering increasing Alaska's stake in the project—or even taking over ownership completely. That would be a radical shift from the structure as it's currently envisioned—and blessed by the legislature. Right now, Alaska holds a 25% stake, sharing ownership with the big three North Slope producers: ExxonMobil, BP and ConocoPhillips." This was confirmed during a day-long hearing (June 29) conducted by two committees of the Alaska legislature. Those interested in details are urged to read the story in the Alaska Journal of Commerce: Click Here. Should it move forward, the Alaska LNG project is expected to cost between $45 to $65 billion and to be in production in 2025.

- **Driftwood LNG**

  FERC issued a letter (June 6) responded affirmatively to the pre-filing application submitted by Driftwood LNG and Driftwood LNG Pipeline Co. (both subsidiaries of Tellurian Investments). Driftwood plans to construct a natural gas liquefaction facility in Calcasieu Parish, Louisiana, along the west side of the Calcasieu River, with a liquefaction capacity of about 26 mtpa of natural gas. Additionally, Driftwood plans to construct two compressor stations, twelve meter stations, and three pipeline segments, consisting of: (1) 62 miles of dual 42-inch pipeline; (2) 24 miles of a single 42-inch pipeline; and (3) 10 miles of a single 36-inch pipeline. Driftwood told FERC that it expects to enter a formal application no later than March 2017.

CANADIAN PROJECTS USING US-SOURCED GAS

- **Bear Head LNG**

  Bear Head LNG announced (June 16) that it received Governor in Council approval for a licence to import natural gas from the United States and a licence to export LNG from its project site on the Strait of Canso in Nova Scotia. The [Canadian] National Energy Board's approval to import and export natural gas was previously issued in August 2015, but was subject to the approval of the Governor in Council. "The Government of Canada's approval of Bear Head's natural gas import and LNG export licences is welcome news," said Greg Vesey, Managing Director and CEO of Liquefied Natural Gas Limited and President of Bear Head LNG. "The strategic importance of these approvals, as well as the regulatory certainty that it provides, distinguishes Bear Head in the North American LNG marketplace." The licences authorize Bear Head LNG to import up to 14.2 billion cubic metres of natural gas per annum, which would be sufficient to export up to 12 mtpa of LNG from Canada, both licences are for a period of 25 years. Bear Head LNG has approval from the U.S. DOE to export US-sourced natural gas to both nations that do (FTA) and nations that do not (non-FTA) have free trade agreements with the United States.