

LNG Export Projects Update

THE LEAD: LNG LEGISLATIVE ENDGAME NEARS

Congress is currently on an extended summer break, which lasts through Labor Day, Sept. 5. This hiatus provides an opportune opportunity to reflect upon where the LNG exports legislation stands before the 114th Congress enters the legislative “homestretch.”

As you are aware, bills have been pending for several years to bring greater certainty to the process by which the U.S. Department of Energy (DOE) reviews applications to export U.S. liquefied natural gas (LNG) to nations that do not have a free trade agreement with the United States. (LNG exports to free trade agreement nations are automatically deemed in the “public interest,” but exports to non-FTA nations must undergo a formal public interest review.)

In recent months, the House of Representatives and the Senate have both passed LNG exports language as part of broader energy bills. If enacted the LNG provisions would set a new statutory deadline on DOE’s non-FTA licensing process. The principal (small) variant in the bills is when such a deadline would be set... the House favors a 60-day deadline after the requisite final environmental documentation is complete and the Senate a 45-day deadline. If such a deadline had been in place, the most recent major non-FTA application (the one for Lake Charles LNG) should have been accelerated by eight or nine months.

Outlook

A joint House-Senate conference committee is expected to meet this Fall to reconcile the differences in the energy bills. In addition, the House included the LNG exports language in its version of the National Defense Authorization Act (NDAA) for fiscal year 2017, which opens a path for possible consideration of the LNG issue by the NDAA House-Senate conference committee as well.

This being an election year, the House will return on Sept. 6 and work until Sept. 30. The Senate has the same return date, but remains in session for a week longer, until



Oct. 7. Both chambers will then recess until after the Nov. 8 elections, returning for a post-election (colorfully—and somewhat inexplicably—called the “lame duck”) session that will likely stretch from mid-November into December.

Some observers are saying that there may not be sufficient time to complete work on the energy bill or the NDAA during the abbreviated legislative window in September. *Nonetheless, an effort must be made to do just that.*

After all, the LNG language has gathered increasing bipartisan momentum at each stage of the legislative process and the Obama administration has said that it could and would comply with a new statutory deadline (aka an accelerated non-FTA decision-making timeline) should Congress pass one.

The legislative endgame is near, and all who want to see the U.S. LNG licensing process improved must work towards final resolution this year. Otherwise, Congress must start over from scratch in 2017, since all bills not enacted into law expire when the 114th Congress adjourns *sine die*.

Let's not lose any more time! American LNG export projects compete in an increasingly fierce global natural gas market and our regulatory regime should—as much as possible—support and enhance the competitive position of U.S. LNG export companies and the thousands of jobs they create/support.

LNG ALLIES AND OEM MEMBERS

■ Cameron LNG

Cameron LNG received DOE authorization (July 18) to export an additional 1.41 billion cubic feet of natural gas per day (Bcfd) from its proposed liquefaction expansion project (Trains 4 & 5) to non-FTA nations. (With this order, Cameron LNG's authorized export capacity will be 24.92 million tons per annum (mtpa) or 3.53 Bcfd.) Earlier this year (May 5), Cameron LNG received approval from FERC to site, construct and operate the proposed expansion project, which will include up to two additional liquefaction trains and a fifth LNG storage tank. The expansion project will be located next to the Cameron LNG facilities under construction in Hackberry, Louisiana. Cameron LNG is a joint venture owned by affiliates of Sempra Energy, ENGIE, Mitsui & Co., and Japan LNG Investment (a joint venture formed by affiliates of Mitsubishi Corp. and Nippon Yusen Kabushiki Kaisha). Construction of Trains 1-3 is currently underway, with operations slated to commence in 2018. According to a Sempra Energy news release (July 18), "the proposed expansion project is subject to completing the required commercial agreements, securing all necessary consents and approvals, obtaining financing, and reaching a final investment decision, among other things."

■ Sabine Pass

The first shipment of LNG from the lower 48 U.S. states to China arrived on Aug. 22, thanks to the recently expanded Panama Canal. The shipment was chartered by Royal Dutch Shell, the company confirmed to *The Wall Street Journal*. The cargo, from Cheniere Energy's Sabine Pass export facility in Louisiana, was delivered to the Yantian Port on in southern China and was purchased by China National Offshore Oil Corp. as part of a long-term contract, according to *S&P Global Platts*. Also, in its most recent FERC progress report (Aug. 22), Cheniere stated that it expects that the first shipment from Train 2 at Sabine Pass will occur, "before the end of August." Finally, Cheniere filed a request with FERC (Aug. 12) to "introduce fuel gas in order to begin commissioning activities for Train 3... at the earliest date possible, but no later than Aug. 19, 2016."

■ Corpus Christi

Cheniere Energy subsidiary Corpus Christi Liquefaction filed a progress report (July 22) with FERC covering construction progress at its project near Corpus Christi, Texas. Engineering has progressed to 98.4%, procurement to 50.6%, and Bechtel's direct hire construction to 8.8%. Thus, the total project is now 36.6% complete.

■ Delfin LNG

The U.S. Maritime Administration (MARAD) released (July 11) its Draft Environmental Impact Statement (DEIS) for Delfin LNG's application to construct and operate a deepwater LNG export terminal and inter-connected pipeline. The Delfin LNG export terminal would be located some 37.4 to 40.8 nautical miles off the coast of Cameron Parish, Louisiana. Delfin LNG—a subsidiary of Fairwood LNG—plans to liquefy and then export natural gas onboard up to four floating liquefaction vessels moored at the deepwater port. On Aug. 10-11, MARAD and the U.S. Coast Guard held open house meetings in Cameron, Louisiana, and Belmont, Texas, where support for the project was expressed.

PROJECTS UNDER CONSTRUCTION

■ Cove Point LNG

In its second quarter earnings release (Aug. 3) Dominion Resources stated that: "The Cove Point Liquefaction project is now 67 percent complete and continues on



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.

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time and on budget for a late 2017 in-service date.” The facility was built originally to receive LNG, but is being converted by Dominion to export LNG as well.

■ **Freeport LNG**

FERC issued an order (July 7) authorizing Freeport LNG to increase the authorized maximum peak daily LNG production at its liquefaction and export terminal facility under construction on Quintana Island in Brazoria County, Texas. The facility was authorized to increase production from 1.8 Bcf/day to 2.14 Bcf/day, reflecting the facilities’ actual capabilities. Freeport did not propose any new facilities or construction activities.

PROJECTS IN FORMAL FERC /DOE REVIEW

■ **Annova LNG**

Annova LNG (an Exelon subsidiary) filed a formal application with FERC (July 13) to construct and operate a mid-scale liquefaction and LNG export terminal on the Brownsville Ship Channel in Cameron County, Texas. The project will include six liquefaction trains, each with a nameplate capacity of 1.0 mtpa, for an aggregate nameplate capacity of 6.0 mtpa and a maximum output at optimal operating conditions of 6.95 mtpa. The facility will receive natural gas supply from a proposed third party-owned and operated intrastate pipeline running from Kingsville to Brownsville, Texas.

■ **Lake Charles LNG**

DOE (July 29) granted Lake Charles LNG authority to export 15 mtpa (2.0 Bcf/day) of LNG over 20 years to non-FTA nations from the company’s proposed LNG export terminal in Calcasieu Parish, Louisiana. Regarding environmental issues associated with the export application, DOE adopted FERC’s Final Environmental Impact Statement for the project which concluded that construction and operation would result in adverse environmental impacts but most impacts would be reduced to less-than-significant levels. Also, FERC denied (June 30) the Sierra Club’s request for rehearing of the FERC order authorizing construction and operation of the Lake Charles LNG export terminal, rejecting the argument that FERC’s National Environmental Policy Act analysis of the project was flawed because it ignored indirect effects related to upstream natural gas production, greenhouse gas emissions, and domestic gas-to-coal switching.

PROJECTS IN FERC PRE-FILING

■ **Downeast LNG**

FERC dismissed (Aug. 17) the request by Downeast LNG to use the FERC pre-filing progress for a proposed LNG import/export project in Robbinston, Maine. The application was rejected “without prejudice,” enabling Downeast to file a new application—if it so chooses—in the future “when it is in a position to commit to actively pursuing development and authorization of its project.” FERC stated that the application had been dismissed because—with the exception of one new and one revised resource report—there had “been no other demonstrable progress on the development of the environmental information needed to prepare an eventual application to be submitted to [FERC] since at least October 2015.”

■ **Driftwood LNG**

Driftwood LNG, a subsidiary of Tellurian Investments, filed two draft resource reports with FERC (July 6) as part of the pre-filing review for the company’s proposed LNG export terminal on the west bank of the Calcasieu River near Carlyss, Louisiana. When complete, the project will include five liquefaction plants capable of producing up to 26 mtpa of LNG for export, a 96-mile pipeline, and marine facilities to accommodate three LNG carriers. Driftwood anticipates filing its formal application in March 2017 and will request that the necessary authorizations be issued no later than March 2018. The company plans to begin construction by Q2 2018 and estimates a 7-year construction schedule, with the first plant becoming operational in the fourth year.

