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[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-101-LNG]

Gulf LNG Liquefaction Company, LLC; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Domestic Natural Gas Resources to Non-Free Trade Agreement Countries for a 20-Year Period

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of application.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt of an application (Application) filed on August 31, 2012, by Gulf LNG Liquefaction Company, LLC (GLLC), requesting long-term, multi-contract authorization to export up to 11.5 million tons per annum (mtpa) of domestically produced liquefied natural gas (LNG), the equivalent of approximately 547.5 billion cubic feet (Bcf) of natural gas per year (Bcf/yr), or 1.5 Bcf per day (Bcf/d), over a 20-year period, commencing on the earlier of the date of first export or ten years from the date the requested authorization is granted. The LNG would be exported from the Gulf LNG Energy, LLC Terminal (Gulf LNG Terminal), a facility located in Pascagoula, Mississippi, to any country that has or in the future develops the capacity to import LNG via ocean-going carrier and with which the United States does not prohibit trade but also does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas. GLLC is requesting this authorization both on its own behalf and as agent for other parties who themselves hold title to the LNG at the time of export. The Application was filed under section 3 of the Natural Gas Act (NGA). Protests, motions to intervene, notices of intervention, and written comments are invited.

DATES: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures, and written comments are to be filed using procedures detailed in the **Public Comment Procedures** section no later than 4:30 p.m., eastern time, [**INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES:

Electronic Filing by email:
fergas@hq.doe.gov

Regular Mail
U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Hand Delivery or Private Delivery Services (e.g., FedEx, UPS, etc.)
U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
Washington, DC 20585

FOR FURTHER INFORMATION CONTACT:

Larine Moore or Lisa Tracy
U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
Washington, DC 20585
(202) 586-9478; (202) 586-4523

Edward Myers
U.S. Department of Energy
Office of the Assistant General Counsel for
Electricity and Fossil Energy
Forrestal Building, Room 6B-256
1000 Independence Ave. SW
Washington, DC 20585

(202) 586-3397

SUPPLEMENTARY INFORMATION:

Background

GLLC is a Delaware limited liability company with its principal place of business in Birmingham, Alabama. GLLC is a wholly owned subsidiary of Gulf LNG Holdings Group, LLC (Gulf LNG Holdings). GLLC is a wholly owned subsidiary of Gulf LNG Holdings Group, LLC (Gulf LNG Holding). Kinder Morgan, Inc., indirectly through its wholly-owned subsidiary, Southern Gulf LNG Company, LLC, owns a fifty percent interest in Gulf LNG Holdings. GE Energy Financial Services, a unit of GE, directly and indirectly owns a forty-six percent interest in Gulf LNG Holdings. Other investors identified in the Application own the remaining four percent interest of Gulf LNG Holdings.

GLLC states that this application represents the second part of a two-part application request. On May 2, 2012, in Docket No. 12-47-LNG, GLLC filed with DOE/FE a separate application for long-term, multi-contract authorization to export up to 11.5 mtpa of domestically produced LNG for 25 years (equivalent to approximately 547.5 Bcf/yr, or 1.5 Bcf/d) to any country with which the United States currently has, or in the future may enter into, an FTA requiring national treatment for trade in natural gas, and which has or in the future develops the capacity to import LNG via ocean-going carrier. DOE/FE granted this authorization on June 15, 2012, in Order No. 3104.

On October 28, 2005, Gulf LNG Energy, LLC, a subsidiary of Gulf LNG Holdings, filed an application with the Federal Energy Regulatory Commission (FERC) under Section 3 of the Natural Gas Act requesting authority to site, construct and operate an LNG import terminal in Jackson County, Mississippi. Concurrently Gulf LNG Pipeline, LLC filed an application under

Section 7(c) of the Natural Gas Act to construct, own and operate an approximately five mile-long pipeline from the proposed LNG terminal. FERC authorized the construction of the terminal and pipeline (collectively, the "Gulf LNG Terminal") on February 16, 2007. The Gulf LNG Terminal commenced service on October 1, 2011.

GLLC plans to build natural gas processing and liquefaction facilities to receive and liquefy domestic natural gas at the Gulf LNG Terminal (the "Project"). The Project facilities will be integrated into the existing terminal facilities which currently consist of a single marine berth, two storage tanks, vaporization units and associated piping and control equipment, associated utilities, infrastructure and support systems; and a 5.02 mile send-out pipeline extending to several interstate pipelines. The Gulf LNG Terminal has a peak sendout capacity of 1.5 Bcf/d. GLLC states that the new facilities planned for the project will include natural gas pre-treatment, liquefaction, and export facilities with a capacity of up to 11.5 mtpa of LNG, plus enhancements to the existing equipment and additional utilities. GLLC states that the additional facilities would permit gas to be received by pipeline at the Gulf LNG Terminal, where it would be liquefied and then loaded from the Gulf LNG Terminal's storage tanks onto vessels berthed at the existing marine facility. GLLC also states that once the project is operational, it will have the capability to: (1) liquefy domestic natural gas for export, or (2) import LNG and either re-gasify the imported LNG for delivery to domestic markets or export the LNG to foreign markets. GLLC does not expect the Export Project to result in vessel traffic to or from the facility in excess of that currently authorized for the existing import facility.

GLLC acknowledges that the proposed facilities would be subject to review and approval by the FERC. Upon completion of initial facility planning and design, GLLC will request that the

Commission initiate the mandatory pre-filing review process for the Export Project. GLLC states it anticipates that this request will be made before the end of 2013.

Current Application

In the instant Application, GLLC seeks long-term, multi-contract authorization to export up to 11.5 mtpa of domestically produced natural gas, as LNG (equivalent to approximately 547.5 Bcf/yr, or 1.5 Bcf/d of natural gas), for a period of 20 years beginning on the earlier of the date of first export or ten years from the date the authorization is granted by DOE/FE. GLLC requests that such long-term authorization provide for export from the Gulf LNG Terminal to any country i) with which the United States does not have an FTA requiring national treatment for trade in natural gas, ii) which has developed or in the future develops the capacity to import LNG via ocean-going carrier, and iii) with which trade is not prohibited by U.S. law or policy.

GLLC requests authorization to export LNG on its own behalf and as agent for other parties who themselves hold title to the LNG at the time of export. GLLC states that to ensure that all exports are permitted and lawful under U.S. laws and policies, it will comply with all DOE requirements for an exporter or agent.

GLLC asserts that in recent orders granting long-term authorization to export LNG to FTA countries, DOE found that the applicants were not required to submit, with their applications, transaction-specific information, as specified in section 509.202(b) of DOE's regulations. GLLC requests that DOE make the same finding for this Application.

GLLC seeks authorization to export natural gas available in the integrated U.S. natural gas pipeline system. GLLC notes that due to the Gulf LNG Terminal's direct access to multiple major interstate pipelines and indirect access to the national gas pipeline grid, the Project's customers will have a wide variety of stable and economical supply options from which to choose.

Public Interest Considerations

GLLC states that DOE/FE's primary consideration is whether the exports will be transacted on a market-driven, competitive basis. GLLC states that this is the case here: The owners of gas or the holders of capacity at the Export Project facilities will make decisions whether to export gas based on then prevailing market conditions in the domestic market and the destination markets. GLLC states that with export capability at the Gulf LNG Terminal, both exports and imports will be subject to the ultimate market test: Those with capacity at the terminal will decide whether the market warrants imports of LNG, exports of LNG or neither. GLLC states that while its transactions will be competitive, market-based transactions consistent with DOE/FE's public interest policy, it is aware of the ongoing debate over whether LNG exports will cause price increases in the domestic market that run counter to the public interest.

In order to address such concerns, GLLC commissioned Navigant Consulting, Inc. (Navigant) to undertake a study of the potential impact to domestic supply and prices that might result from LNG exports. The Navigant Market Analysis Study, attached to the Application as Appendix A, considered the possible impacts that the Export Project might have on natural gas supply and pricing. Navigant's analysis also assumed the existence of additional LNG exports from other projects as well as an aggressive increase in natural gas demand due to the use of natural gas in transportation vehicles. GLCC states that even in the High Demand Base Case, which assumes 6.2 Bcf/d of LNG exports in addition to GLLC's requested 1.5 Bcf/d and makes aggressive assumptions about natural gas vehicle demand, the impact on domestic prices over the term of the requested authorization is minimal.

GLLC states that Navigant concludes that LNG exports will actually encourage a more reliable and stable domestic natural gas market with less volatility, which will benefit all market participants. By providing an additional outlet for supply, LNG exports will help to level the peaks and valleys historically common to the natural gas industry. GLLC states that in other words, LNG exports will reduce the price volatility that can lead producers to curtail production and reduce investment when prices are declining, which, in turn, leads to prices to subsequently spike when production falls too low. GLLC also states that its Export Project will not rely on any particular source of gas, but rather, through the nationally integrated gas pipeline grid, and will be able to access gas supplies from a variety of producing basins within the U.S.

To further support its Application, GLLC states that it also commissioned Navigant Economics to perform an Economic Impact Assessment Study. Highlighted in Appendix B of the Application, GLLC states that the study shows that the GLLC Export Project will create material economic benefits in the Southeast region where the Export Project is to be located. GLLC further states that during both the construction and operation phases, the GLLC Export Project will contribute to and stimulate the local and regional economy. GLLC maintains that because development of the GLLC Export Project will take place wholly within a brownfield development area, the environmental impacts of the project will be minimal.

Finally, GLLC states that the Application demonstrates that exports of LNG from the Gulf LNG Terminal will be in the public interest for the following reasons:

First, exports from the GLLC Export Project will involve the sale of gas in volumes and at prices responsive to market needs.

Second, GLLC states that there are more than adequate gas reserves to supply the U.S. market, even with exports from GGLC, exports from other projects in the amount of an additional 6.2 Bcf/d and with aggressive growth in demand for natural gas vehicles.

Third, GLLC states that natural gas to be exported from the GLLC Export Project may be sourced from a variety of conventional and unconventional supply basins by using the highly efficient and integrated U.S. natural pipeline grid.

Fourth, GLLC states that the impact of LNG exports on the price of domestic gas will be minimal, and will be expected to average less than 8 percent.

Fifth, GLLC states that the Export Project will create economic benefits to the local and regional economies in the Southeast region surrounding the project location in Jackson County, Mississippi, as well as the national economy.

Sixth, GLLC contends that LNG exports will lead to less volatility in domestic natural gas markets and increased stability that benefits producers and consumers by levelizing demand.

Seventh, GLLC states that LNG exports will benefit the United States by contributing toward a decreased trade deficit and advancing U.S. interests abroad.

Eighth, GLLC maintains that the Export Project will have relatively small environmental impacts because the construction will take place wholly within a brownfield development area and displace environmentally damaging fuels in those countries.

Further details can be found in the Application, which has been posted at *http://www.fe.doe.gov/programs/gasregulation/index.html*.

Environmental Impact

GLLC states that the Export Project will have minimal environmental impacts. GLLC states that although the export facilities will be constructed on property adjacent to the existing import facilities, the project will be located wholly in a brownfield development area. GLLC anticipates that, given this project scope, the FERC will prepare an Environmental Impact Statement as part of its environmental review. The FERC conducted an environmental review of the Gulf LNG Terminal site in connection with authorization of the siting, construction, and operation of the Terminal in Docket No. CP06-12-000. GLLC also states that any additional environmental impacts associated with construction and operation of the Export Project will be reviewed by the FERC and the applicable state and federal permitting agencies (e.g., United States Army Corps of Engineers, Georgia Department of Natural Resources, and Coast Guard, among others) as part of the permitting process for the Export Project. Consistent with its practice regarding other applications, DOE/FE will be a cooperating agency in the FERC's environmental review.[1] GLLC further states that it will keep DOE/FE apprised of the progress of the environmental review conducted by the FERC.

GLLC states that it currently is in the process of evaluating the necessary infrastructure modifications and additions necessary to accommodate both FTA and non-FTA exports. GLLC states that, following such evaluation, it will initiate the pre-filing review process at the FERC for the proposed Export Project facilities. GLLC requests that DOE/FE issue an order approving the Application, with such approval subject to a satisfactory environmental review by the FERC.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3 of the NGA, as amended, and the authority contained in DOE Delegation Order No. 00-002.00L (April 29, 2011) and DOE Redelegation Order No. 00-002.04E (April 29, 2011). In reviewing this LNG export Application, DOE will consider any issues required by law or policy. To the extent determined to be relevant or appropriate, these issues will include the impact of LNG exports associated with this Application, and the cumulative impact of any other application(s) previously approved, on domestic need for the gas proposed for export, adequacy of domestic natural gas supply, U.S. energy security, and any other issues, including the impact on the U.S. economy (GDP), consumers, and industry, job

[1] DOE/FE Order No. 2961-A, at 27.

creation, U.S. balance of trade, international considerations, and whether the arrangement is consistent with DOE's policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose this Application should comment in their responses on these issues, as well as any other issues deemed relevant to the Application.

NEPA requires DOE to give appropriate consideration to the environmental effects of its proposed decisions. No final decision will be issued in this proceeding until DOE has met its environmental responsibilities.

Due to the complexity of the issues raised by the Applicants, interested persons will be provided 60 days from the date of publication of this Notice in which to submit comments, protests, motions to intervene, notices of intervention, or motions for additional procedures.

Public Comment Procedures

In response to this notice, any person may file a protest, comments, or a motion to intervene or notice of intervention, as applicable. Any person wishing to become a party to the proceeding must file a motion to intervene or notice of intervention, as applicable. The filing of comments or a protest with respect to the Application will not serve to make the commenter or protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the Application. All protests, comments, motions to intervene or notices of intervention must meet the requirements specified by the regulations in 10 CFR part 590.

Filings may be submitted using one of the following methods: (1) e-mailing the filing to fergas@hq.doe.gov with FE Docket No. 12-101-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Office Natural Gas Regulatory Activities at the address listed in ADDRESSES. The filing must include a reference to FE Docket No. 12-101-LNG; or (3) hand delivering an original and three paper copies of the filing to the Office of Natural Gas Regulatory Activities at the address listed in ADDRESSES. The filing must include a reference to FE Docket No. 12-101-LNG.

A decisional record on the Application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final Opinion and Order may be issued based on the official record, including the Application and responses filed by parties pursuant to this notice, in accordance with 10 CFR 590.316.

The Application filed by GLLC is available for inspection and copying in the Office of Natural Gas Regulatory Activities docket room, Room 3E-042, 1000 Independence Avenue, S.W., Washington, DC 20585. The docket room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays. The Application and any filed protests, motions to intervene or notice of interventions, and comments will also be available electronically by going to the following DOE/FE Web address: http://www.fe.doe.gov/programs/gasregulation/index.html.

Issued in Washington, D.C., on October 26, 2012.

Robert F. Corbin,
Director, Office of Oil and Gas Global Security and Supply
Office of Fossil Energy

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