



[6450-01-P]

**DEPARTMENT OF ENERGY**

[FE Docket No. 12-77-LNG]

**LNG Development Company, LLC; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Canadian and Domestic Natural Gas Resources to Non-Free Trade Agreement Countries for a 25-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 July 16, 2012, by LNG Development Company, LLC (d/b/a Oregon LNG), requesting long-term, multi-contract authorization to export up to 9.6 million tons per annum (mtpa) of liquefied natural gas (LNG), the equivalent of 456.25 billion cubic feet (Bcf) of natural gas per year or 1.3 Bcf per day (Bcf/d), over a 25-year period, commencing on the earlier of the date of first export or eight years from the date the requested authorization is granted. The LNG would be exported from the proposed LNG terminal to be located in Warrenton, Oregon, in Clatsop county, to any country (1) with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas, (2) which has developed or in the future develops the capacity to import LNG via ocean-going carrier, and (3) with which trade is not prohibited by U.S. law or policy. The LNG will be produced from natural gas imported from Canada into the United States, and to a lesser extent, domestically produced natural gas. Oregon LNG is requesting this authorization to export LNG both on its own behalf and as agent for other parties who hold title to the LNG at the point 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:**

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Office of Fossil Energy  
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Edward Myers

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## **SUPPLEMENTARY INFORMATION:**

### **Background**

Oregon LNG is a Delaware limited liability company with its principal place of business in Warrenton, Oregon, and headquarters in Vancouver, Washington.

Oregon LNG states that the Oregon LNG Export Project (Project) is proposed to export primarily Canadian-sourced natural gas imported into the United States and to a lesser extent supplies of natural gas that may be domestically produced. Oregon LNG states the Project will convert Oregon LNG's pending import receiving terminal and pipeline (Oregon Pipeline) into a bidirectional LNG terminal and pipeline. The Oregon Pipeline is being developed by Oregon LNG's affiliate, Oregon Pipeline Company, LLC. Oregon LNG states that the Project will interconnect with the multi-legged system of Williams Northwest Pipeline Company, connecting Pacific Northwest demand centers with British Columbian and Rockies supplies. However, Oregon LNG asserts it does not expect that the gas feedstock for the Project will be derived to any significant degree from Rockies supply given that the market modeling commissioned by Oregon LNG demonstrates that Canadian supply is the economically preferred resource for the Project.

Oregon LNG states that unlike the multiple pending applications to export domestically produced LNG to non-FTA countries, this Application involves a request for authorization to export LNG produced primarily from Canadian natural gas resources. Oregon LNG further states that in this regard, this Application is akin to applications for authorization to export previously

imported LNG, which DOE/FE has expeditiously granted.<sup>1</sup> Oregon LNG states that the same rationale applies here.

### **Current Application**

In the instant application, Oregon LNG seeks long-term, multi-contract authorization to export up to 9.6 mtpa of natural gas produced in Canada, and to a lesser extent, domestically produced natural gas, as LNG (the equivalent of 456.25 Bcf per year, or 1.3 Bcf/d of natural gas), for a period of 25 years beginning on the earlier of the date of first export or eight years from the date the authorization is granted by DOE/FE. Oregon LNG requests that such long-term authorization provide for export from its LNG terminal to be located in Warrenton, Oregon, in Clatsop County, to any country with which the United States does not have an FTA requiring national treatment for trade in natural gas, which has developed or in the future develops the capacity to import LNG via ocean-going carrier, and with which trade is not prohibited by U.S. law or policy.

Oregon LNG requests authorization to export LNG acting on its own behalf or as agent for others. At present, Oregon LNG does not contemplate entering into any long-term gas supply or long-term export contracts in conjunction with the LNG export authorization requested herein. Rather, Oregon LNG will enter into capacity use arrangements with potential Project participants or third-party customers. Accordingly, Oregon LNG is not submitting transaction-specific information such as long-term supply agreements and long-term export agreements, as required by Section 590.202(b) of the DOE regulations, at this time. Instead, Oregon LNG requests that DOE/FE adhere to the precedent set forth in *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, at 41, where DOE/FE found that given the state of development for the proposed export

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<sup>1</sup> Citing, *ConocoPhillips Company, Order Granting Blanket Authorization to Export Previously Imported Liquefied Natural Gas by Vessel*, FE Docket No. 11-109-LNG, DOE/FE Order No. 3038 ( November 22, 2011).

project, Sabine Pass would be permitted to submit transaction-specific information when the contracts reflecting such information were executed.

### **Public Interest Considerations**

Oregon LNG states that the Project has been proposed due to the improved outlook for North American natural gas production, owing to drilling productivity gains that enabled rapid growth in supplies from unconventional, and particularly shale, gas-bearing formations in the United States and Canada. Oregon LNG states that improvements in drilling and extraction technologies have coincided with rapid diffusion in the natural gas industry's understanding of the unconventional resource base and best practices in drilling and resource development. Oregon LNG states that these changes have rendered obsolete once prominent fears of declining future domestic natural gas production.

According to Oregon LNG, the Project offers various benefits to the public, including the much needed expansion of market scope and access for North American natural gas producers at times when neither U.S. nor Canadian gas prices support continued production. Oregon LNG states that the North American supply glut has depressed domestic natural gas prices to historic lows (below \$2.00 per MMBtu) not experienced since 1999.<sup>2</sup> Oregon LNG further states that analysts have expressed concern that the Canadian gas storage levels may reach capacity in June 2012, potentially affecting U.S. natural gas prices as Canadian producers attempt to move surplus gas across the border to the U.S.

Oregon LNG states that the influx of labor needed to complete the Project will have a major positive impact on the region's economy. In its letter of support, the United Brotherhood of Carpenters and Joiners of America points out that regional unemployment in the construction sector

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<sup>2</sup> Citing, U.S. Energy Information Administration (EIA), *U.S. Natural Gas Wellhead Price*, <http://www.eia.gov/dnav/ng/his/n9190us3m.htm>.

has hovered around 17 percent, which is twice the rate of general unemployment. Oregon LNG states that from 2014 until the anticipated completion date in 2018, the construction phase will create an average of 3,054 direct-employment, new construction jobs for the Project.

Oregon LNG states that the economic impact of a construction project goes well beyond the direct costs of construction. If the Project requires sheet metal from a local producer, for example, an indirect impact will be felt by the hiring of new workers at the manufacturer. The regional indirect impact of the construction phase of the Project is estimated at \$2.79 billion and the average, indirect employment impact spread over the anticipated 5-year period involving construction efforts is estimated at 2,579 jobs.

Oregon LNG states that its exports will result in a net improvement in the balance of trade for the U.S. even after deducting gas imports from Canada. If approved, the export authorization is projected to reduce the U.S. trade deficit by \$4.5 billion per year over a 25-year period for an estimated total of \$112.5 billion of net deficit reduction over the life of the Project.

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

### **Environmental Impact**

Oregon LNG states that the potential environment impacts of the Project will be reviewed by the Federal Energy Regulatory Commission (FERC) under the National Environmental Policy Act (NEPA). Oregon LNG and Oregon Pipeline Company requested authorization to commence FERC's mandatory NEPA pre-filing process for the Project on July 3, 2012, in FERC Docket No. PF12-18-000. Oregon LNG and Oregon Pipeline Company anticipate filing a formal application with FERC pursuant to Section 3 of the Natural Gas Act (NGA) no later than the First Quarter of 2013. Accordingly, Oregon LNG requests that, pursuant to Section 590.402 of the DOE

Regulations, DOE/FE issue a conditional order authorizing the export of LNG as requested in the Application, conditioned on completion of the environmental review of the Export Project by 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 Redelelegation 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 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](mailto:fergas@hq.doe.gov) with FE Docket No. 12-77-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. 12-77-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. 12-77-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 Oregon LNG 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 August 31, 2012.

**John A. Anderson,**  
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Office of Oil and Gas Global Security and Supply  
Office of Fossil Energy