



[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 12-146-LNG]

Excelerate Liquefaction Solutions I, 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 October 5, 2012, by Excelerate Liquefaction Solutions I, LLC (ELS), requesting long-term, multi-contract authorization to export up to 10 million metric tons per annum (mtpa) of domestically produced liquefied natural gas (LNG), equivalent to approximately 502 million MMBtu of natural gas per year or 1.33 billion cubic feet of natural gas per day, for a period of 20 years beginning on the earlier of the date of first export or seven years from the date the authorization is granted by DOE/FE. ELS seeks authorization to export this LNG by vessel from the terminal it intends to construct, own, and operate in Calhoun County, Texas (ELS Terminal), to any country with which the United States does not now, or during the term of the license requested by ELS will not, have a free trade agreement (FTA) requiring national treatment for trade in natural gas and LNG that has, or in the future develops, the capacity to import LNG, and with which trade is not prohibited by U.S. law or policy (non-FTA Countries). ELS 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 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
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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
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FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

ELS is a Delaware limited liability company with its principal place of business in The Woodlands, Texas. ELS is a wholly owned subsidiary of Excelerate Liquefaction Solutions, LLC, which also is a limited liability company organized under the law of Delaware. Excelerate Liquefaction Solutions, LLC, is in turn, a wholly-owned subsidiary of Excelerate Energy Limited Partnership, which is a limited partnership organized under the laws of Delaware. The general partner of Excelerate Energy Limited Partnership is Excelerate Energy, LLC, a limited liability company organized under the laws of Delaware. RWE Supply & Trading Participation Ltd., a UK company, and Mr. George B. Kaiser, an individual, each own 50 percent of Excelerate Energy, LLC. The limited partners of Excelerate Energy Limited Partnership are (a) RWE supply & Trading Participations Ltd.; and (b) Excelerate Holdings LLC, a limited liability company organized under the laws of Oklahoma. RWE Supply & Trading Participations Ltd. is a wholly-owned subsidiary of RWE Supply & Trading GmbH, a German company, that is, in turn, ultimately owned by RWE, A.G., a widely-held and publicly-traded, German electric and gas company. Excelerate Holdings LLC is majority-owned and controlled by Mr. Kaiser. (No other entity owns more than 2.5 percent of Excelerate Holdings LLC.) ELS is authorized to do business in the State of Texas.

ELS states that this Application represents the second part of a two-part export authorization request. On May 25, 2012, in FE Docket No. 12-61-LNG, ELS filed with DOE/FE an application for long-term multi-contract authorization to engage in the export of domestically produced LNG in an amount up to 10 mtpa, to any country with which the U.S. does not now or in the future will have an FTA requiring the national treatment for trade in natural gas and LNG; that has developed, or in the future develops, the capacity to import LNG; and with which trade is not prohibited by U.S. law or policy. DOE/FE subsequently issued an order in FE Docket No 12-61-LNG granting long-term export authorization to FTA countries from the ELS Project.¹

ELS states that the proposed ELS Project will be located on a parcel of land owned by the Calhoun Port Authority (the “Port”). ELS states that the Port and ELS have entered into an option to lease approximately 85 acres for the development of the ELS Project located on the South Peninsula of Point Comfort, Texas. In its Application, ELS seeks long-term, multi-contract authorization to export domestically produced LNG from the ELS Terminal that ELS intends to construct, own, and operate in Calhoun County, Texas. ELS states that the proposed project consists of the ELS Terminal, with natural gas compression, gas treatment, gas liquefaction, and ancillary facilities as needed to receive and liquefy domestic natural gas at the ELS Terminal. ELS states that it currently is finalizing the design of the ELS Project, but asserts that the ELS Project facilities will include two floating liquefaction, storage and offloading (FSLO) units, each capable of producing up to 5 mtpa of LNG per year for a total capacity of 10 mtpa of LNG. ELS states that in addition to liquefying natural gas, each FLSO unit will have an LNG storage capacity of about 250,000 cubic meters (m³), and the ability to offload LNG to LNG carriers for export utilizing standard hard-arm technology and ship-to-ship transfer process.

¹ *Excelerate Liquefaction Solutions I, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Excelerate Liquefaction Solutions I, LLC Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3128, August 9, 2012 (FE Docket No 12-61-LNG).

ELS further states that the ELS Terminal will receive natural gas from the ELS Pipeline, an approximately 27-mile long, 36-inch O.D. natural gas pipeline that ELS will construct, or cause to be constructed. ELS states that the ELS Pipeline will allow the ELS Terminal to connect to and access up to nine natural gas pipelines, including both interstate and intrastate systems, thereby providing indirect access to natural gas through displacement and transactions at market hubs, as well as direct access to gas in Texas. ELS states that the sources of natural gas for the ELS Project will include the vast supplies available from the Texas producing regions, including recent discoveries of shale gas resources. ELS notes that in addition to traditional production, emerging unconventional supply areas, such as the Barnett, Eagle Ford, Haynesville, and Bossier shale gas formations, will provide additional diversity and reliability of gas supply for the ELS Project.

ELS acknowledges that the siting, construction and operation of the ELS Terminal is subject to approval by the Federal Energy Regulatory Commission (FERC) pursuant to Section 3 of the NGA. ELS states that it intends to commence the FERC's mandatory pre-filing process later this year and file its final application with the FERC in the first half of 2013. In addition, ELS states that it will also pursue authorization from the FERC under Section 7(c) of the NGA to construct, own and operate a pipeline to connect the ELS Terminal facilities to interstate and intrastate natural gas supplies and markets in 2012.

Current Application

In the instant Application, ELS seeks long-term, multi-contract authorization to export up to 10 mtpa of domestically produced LNG, equivalent to approximately 502 million MMBtu of natural gas per year or 1.33 Bcf of natural gas per day, from the ELS Project to non-FTA Countries. ELS requests this authorization for a 20-year term commencing the earlier of the date of first export or seven years from the date the authorization is granted by DOE/FE.

ELS states that it 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. To ensure that all exports are permitted and lawful under U.S. laws and policies, ELS states that it will comply with all DOE/FE requirements for exporters and agents, including the registration requirements as first established in *Freeport LNG Development, L.P.*, DOE/FE Order No. 2913 and most recently set forth in *Excelsior Liquefaction Solutions I, LLC*, DOE/FE Order No. 3128.² ELS states that when acting as agent, ELS will register with the DOE/FE each LNG title holder ELS seeks to export LNG on behalf of or as agent for, and will cause such title holder to comply with all applicable DOE/FE requirements included in ELS's export authorization.

ELS states that it has not yet entered into any long-term gas supply or long-term export contracts with regards to this Application. ELS states that, accordingly, it is not submitting transaction-specific information (e.g., long-term supply agreements and long-term export agreements) at this time and requests that DOE/FE make a similar finding to that made in *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, issued on May 20, 2011, in Docket No. 10-111-LNG, with regard to the transaction-specific information requested in 10 CFR 590.202(b). ELS states that it is cognizant of the DOE/FE Policy Guidelines (of 1984) and expects to enter into export transactions that are responsive to the relative level of natural gas prices in the United States, similar to those entered into in connection with the Sabine Pass liquefaction and export project (DOE/FE Docket No. 10-111-LNG), thereby creating supply to mitigate price impacts if the U.S. market is in greater need of natural gas than would otherwise be exported.

² *Freeport LNG Development, L.P., Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations*, FE Docket No. 10-160-LNG, DOE/FE Order No. 2913 (February 10, 2011); *Excelsior Liquefaction Solutions I, LLC*, FE Docket No. 12-61-LNG, DOE/FE Order No. 3128 (August 9, 2012).

Lastly, ELS requests that DOE/FE issue a conditional Order authorizing the export of domestically produced LNG, subject to completion of the environmental review of the ELS Project by the FERC.

Public Interest Considerations

ELS states that it proposed the project in part due to the improved outlook for domestic natural gas production, and in particular, to improved drilling techniques and extraction technologies that have contributed to the rapid growth in new supplies from unconventional gas-bearing shale formations across the U.S. ELS maintains that exports of domestic LNG will contribute to the public interest by providing a meaningful market solution to the country's vast energy reserves that will result in:

- 1) increased production capacity able to better adjust to varying domestic demand scenarios,
- 2) less volatile natural gas prices,
- 3) more jobs, greater tax revenues, and improvements to economic activity,
- 4) new competitive supplies introduced into world gas markets, leading to improved economies among U.S. trading partners, and, in turn, providing better opportunities to market U.S. products and services abroad,
- 5) the ability for the U.S. to promote greater national security through its larger role in international energy markets, to assist our allies, and to reduce dependency on foreign oil through co-production of oil and natural gas liquids that might otherwise be uneconomic,
- 6) an improvement to U.S. balance of payments between \$2.4 billion and \$4.4 billion annually per terminal through the exportation of natural gas and the displacement of imports of other petroleum liquids, and

7) increased economic trade and ties with foreign trading partners and hemispheric allies, and the displacement of environmentally damaging fuels in those countries.

In support of its Application, ELS commissioned a report from Black & Veatch (B&V), titled *Economic Impacts of the Lavaca Bay LNG Project – Estimates of the Construction and Operational Impacts on the Local, State and U.S. Economies* (B&V Report), to assess the economic benefits of the ELS Project. ELS states that the B&V Report estimates that the ELS Project's construction expenditures to account for well in excess of \$3.32 billion in total economic output, which, under current tax regimes, will generate more than \$154 million in state and local taxes, as well as more than \$242 million in total federal tax revenues. In addition, ELS states that the B&V Report estimates that the combined operations and maintenance expenditures could result in an additional yearly total economic output of over \$102 million and well over \$3.7 million in state and local taxes, plus more than \$6.0 million in total federal taxes each year. ELS further states that, with respect to job creation, the B&V Report projects that construction of the ELS Project will result in 21,367 new jobs during the three year construction period for Phase I (with additional jobs created by Phase 2 work over and above that amount), with operations and maintenance expenditures project to support or create 696 jobs during the ELS Project's life.

In support of its Application, ELS also commissioned an independent assessment of the impact of LNG exports from the ELS Project by Deloitte MarketPoint LLC (DMP), titled *Analysis of Economic Impact of LNG Exports from the United States* (DMP Report). In its Application, ELS cites the DMP Report with references to issues concerning regional supply, supply-demand balance, and price impacts to further support ELS's position that exports of LNG are in the public interest.

Lastly, ELS states that these as well as other benefits enumerated in this Application and supported by additional studies and reports by the Energy Information Administration, the James A. Baker III Institute for Public Policy, MIT, and the Brookings Institution compellingly demonstrate that the export of LNG and the approval of this Application are in the public interest.

Further details can be found in the Application, which has been posted at

<http://www.fe.doe.gov/programs/gasregulation/index.html>.

Environmental Impact

ELS states that it intends to file an application with FERC for authorization to site, construct, own and operate the ELS Project and acknowledges that the potential environment impacts of the Project will be reviewed by the FERC under the National Environmental Policy Act (NEPA). ELS states that it anticipates that DOE/FE will act as a cooperating agency in FERC's environmental review process for the ELS project, including the preparation of an EA or EIS, which will satisfy the NEPA responsibilities associated with the LNG exports as proposed in the Application. Accordingly, ELS requests that 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 ELS Project 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 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 with FE Docket No. 12-146-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. 12-146-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. 12-146-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 ELS 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 November 30, 2012.

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

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