UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CHEVRON U.S.A. INC.	)	FE DOCKET NO. 14-119-LNG

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT PREVIOUSLY IMPORTED
LIQUEFIED NATURAL GAS BY VESSEL

DOE/FE ORDER NO. 3567

DECEMBER 22, 2014

I. SUMMARY

Following an examination of the record evidence in this proceeding pursuant to the requirements of section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486); DOE's regulations, 10 C.F.R. Part 590; and applicable delegations and redelegations of authority,[1] the Office of Fossil Energy (FE) of the Department of Energy (DOE) is herein granting the application of Chevron U.S.A. Inc. (Chevron) filed on August 27, 2014 (Application).[2]

This authorization grants Chevron's request to export liquefied natural gas (LNG) previously imported into the United States from foreign sources in a volume equivalent to approximately 72 billion cubic feet (Bcf) of natural gas on a cumulative basis. Chevron is authorized to export this LNG by vessel from the Sabine Pass LNG Terminal, located in Cameron Parish, Louisiana, and owned by Sabine Pass LNG, L.P., on a short-term or spot market basis for a two-year period commencing on December 8, 2014.[3] Chevron is authorized to export the LNG to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy. This Order does not authorize Chevron to export domestically produced LNG.

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[1] The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-002.04F, issued on July 11, 2013.

[2] Chevron U.S.A. Inc., Application for Blanket Authorization to Export Liquefied Natural Gas, FE Docket No. 14-119-LNG (Aug. 27, 2014) [hereinafter App.].

[3] As discussed below, Chevron's current blanket authorization to export LNG previously imported from foreign sources, granted in DOE/FE Order No. 3221 on January 4, 2013, extends through December 7, 2014. *See Chevron U.S.A. Inc.*, DOE/FE Order No. 3221, FE Docket No. 12-113-LNG, Order Granting Blanket Authorization to Export Previously Imported Liquefied Natural Gas by Vessel (Jan. 4, 2013).

II. BACKGROUND

Applicant. Chevron is a Pennsylvania corporation with its principal place of business in San Ramon, California. Chevron Global Gas is a division of Chevron that engages in the global business of marketing and trading LNG. Chevron states that it has contracted with Sabine Pass LNG, L.P. for 1.0 Bcf/day of terminal capacity at the Sabine Pass LNG Terminal for an initial term of twenty years that will expire on June 30, 2029. Chevron states that it has the option to extend the term for an additional period of 20 years.

Procedural History. As noted above, DOE/FE previously issued Order No. 3221, in which it granted Chevron blanket authorization to export LNG previously imported from foreign sources in a volume equivalent to approximately 72 Bcf of natural gas on a cumulative basis over a two-year period commencing on December 8, 2012, and extending through December 7, 2014.[4]

Additionally, on July 3, 2014, DOE/FE issued Order No. 3454, in which it authorized Chevron to import LNG from various international sources in a total volume equivalent to approximately 800 Bcf of natural gas for a two-year term beginning on August 1, 2014, and extending through July 31, 2016. Under the terms of this authorization, Chevron may import the LNG by vessel to any LNG terminal in the United States and its territories.

In this proceeding, Chevron filed the Application on August 27, 2014. On October 9, 2014, DOE/FE published a Notice of Application in the Federal Register.[5] The Notice of Application stated that comments, protests, motions and notices to intervene, and requests for additional procedures would be due no later than November 10, 2014. DOE/FE received no filings in response to this Notice.

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[4] *See supra* at 2 n.3.

[5] Chevron U.S.A. Inc., Application for Blanket Authorization to Export Previously Imported Liquefied Natural Gas on a Short-Term Basis, 79 Fed. Reg. 61,006 (Oct. 9, 2014).

III. CURRENT APPLICATION

Chevron requests authorization to export LNG previously imported into the United States from foreign sources in a volume equivalent to approximately 72 Bcf of natural gas on a cumulative basis. Chevron notes that it is not seeking authorization to export domestically-produced natural gas or LNG. Chevron states that it plans to export the LNG from the Sabine Pass LNG Terminal to any country with the capacity to import the LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy.

Chevron proposes to export LNG that is derived from its LNG importing activities and stored at the Sabine Pass LNG Terminal. Chevron states that the LNG either will be re-exported or regasified for consumption in the domestic natural gas market, based on prevailing market conditions. Chevron states that no modification to the Sabine Pass LNG Terminal will be required to accommodate the proposed exports. Chevron further states that there are no other proceedings related to this Application currently pending before DOE or any other federal agency. Chevron asserts that the proposed export of previously imported foreign-sourced LNG is consistent with section 3 of the NGA and with DOE/FE policy.

IV. DECISION

A. Standard of Review

Pursuant to the transfer of authorities under sections 301(b) and 402 of the DOE Organization Act, 42 U.S.C. § 7151(b) and 42 U.S.C. § 7172, DOE/FE is responsible for evaluating the instant application under section 3 of the NGA. Section 3(a) provides:

> [N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary of Energy] authorizing it to do so. The [Secretary] shall issue such order upon application, unless after opportunity for hearing, [he] finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by [the Secretary's] order

> grant such application, in whole or part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.

15 U.S.C. § 717b(a).

In evaluating an export application under this standard, DOE/FE applies the principles described in DOE Delegation Order No. 0204-111, which focus primarily on domestic need for the gas to be exported, as described in the Secretary's natural gas policy guidelines,[6] and any other matters determined to be appropriate to a determination of the public interest. In addition, the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.,* requires DOE to give appropriate consideration to the environmental effects of its proposed decisions.

B. Domestic Need

Chevron's Application involves a request for authorization to export LNG that is imported into the United States from foreign sources. Exporting this proposed volume of LNG necessarily could not reduce the availability of domestically produced natural gas. On the other hand, exporting previously imported LNG could affect the domestic natural gas market because, for the requested two-year export period, the proposed exports will reduce the volume of natural gas potentially available for consumption within the United States.

DOE/FE has issued numerous blanket authorizations to export previously imported LNG in other proceedings.[7] These orders were based, in part, on authoritative data indicating that United States consumers have access to substantial quantities of natural gas sufficient to meet domestic demand from other competitively-priced sources. Specifically, Chevron points to an analysis prepared by the U.S. Energy Information Administration (EIA) in the *Annual Energy*

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[6] New Policy Guidelines and Delegations Order Relating to Regulation of Imported Natural Gas, 49 Fed. Reg. 6684 (Feb. 22, 1984)

[7] *See, e.g., Cheniere Marketing, LLC*, DOE/FE Order No. 3442, FE Docket No. 14-31-LNG, Order Granting Blanket Authorization to Export Previously Imported LNG by Vessel (June 6, 2014); *ConocoPhillips Company*, DOE/FE Order No. 3359, FE Docket No. 13-97-LNG, Order Granting Blanket Authorization to Export Previously Imported Liquefied Natural Gas by Vessel (Nov. 7, 2013).

Outlook 2014 (AEO 2014), released in May 2014, showing projected annual domestic dry natural gas production in 2020 of 29.09 trillion cubic feet (Tcf), with total natural gas consumption projected to be 27.06 Tcf in the same year.[8]

Inasmuch as domestic natural gas production levels are projected to reach an amount that well exceeds the amount of natural gas proposed for short-term export in Chevron's Application, we find that United States consumers will continue to have access to substantial quantities of natural gas sufficient to meet domestic demand from multiple other sources at competitive prices without drawing on the LNG which Chevron seeks to export.

C. Other Public Interest Considerations

Domestic need is the only explicit public interest consideration identified by DOE in Delegation Order No. 0204-111. However, consistent with DOE's Guidelines and DOE/FE precedent,[9] DOE/FE considers the potential effects of proposed exports on other aspects of the public interest. In this proceeding, those considerations include environmental factors.

D. Environmental Review

NEPA requires DOE to give appropriate consideration to the environmental effects of its proposed decisions. In the Application, Chevron states that the proposed export of previously imported LNG would require no modifications to the Sabine Pass LNG Terminal. Under these circumstances, DOE's NEPA procedures provide for a categorical exclusion for which neither an environmental assessment (EA) nor an environmental impact statement (EIS) is required.[10] Accordingly, DOE issued a Categorical Exclusion Determination, dated November 24, 2014,

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[8] *See* App. at 4 (citing AEO 2014).

[9] *E.g.*, *Freeport LNG Expansion, L.P.*, *et al.*, DOE/FE Order No. 2913, FE Docket No. 10-160-LNG, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).

[10] *See* 10 C.F.R. § 1021.410 Appendix B to Subpart D of Part 1021, Categorical Exclusion B5.7 ("Approvals or disapprovals of new authorizations or amendments of existing authorizations to import or export natural gas under section 3 of the Natural Gas Act that involve minor operational changes (such as changes in natural gas throughput, transportation, and storage operations) but not new construction.").

which found that Chevron's proposed exports are categorically excluded from further NEPA review.[11]

E. Conclusion

After due consideration based on all facts and evidence of record, DOE/FE finds that a grant of the export application is not inconsistent with the public interest. In particular, the record shows that there is a sufficient supply of natural gas to satisfy domestic demand from multiple other sources at competitive prices without drawing on Chevron's proposed exports during the two-year authorization period. Further, the proposed exports qualify for a categorical exclusion under NEPA, such that no EA or EIS will be required. DOE/FE therefore grants Chevron's Application, as set forth below.

ORDER

Pursuant to section 3 of the NGA it is ordered that:

A. Chevron is authorized to export LNG previously imported from foreign sources in a volume equivalent to 72 Bcf of natural gas pursuant to transactions that have terms of no longer than two years. This authorization shall be effective for a two-year term beginning on December 8, 2014, and extending through December 7, 2016.

B. This LNG may be exported from the Sabine Pass LNG Terminal to any country with the capacity to import ocean-going LNG carriers and with which trade is not prohibited by U.S. law or policy.

C. Chevron shall include the following provision in any contract for the sale or transfer of LNG exported pursuant to this Order:

> Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries with the capacity to import

[11] U.S. Dep't of Energy Categorical Exclusion Determination, Chevron U.S.A. Inc., FE Docket No. 14-119-LNG (Nov. 24, 2014).

ocean-going LNG carriers and with which trade is not prohibited by U.S. law or policy, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such LNG to such countries. Customer or purchaser further commits to cause a report to be provided to Chevron U.S.A. Inc. that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Chevron U.S.A. Inc. is made aware of all such actual destination countries.

D. **Monthly Reports:** With respect to the export of LNG authorized by this Order, Chevron shall file with the Office of Oil and Gas Global Security and Supply, Office of Fossil Energy, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made. Monthly reports must be filed whether or not initial deliveries have begun. If no exports have been made, a report of "no activity" for that month must be filed. If exports of LNG have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. export terminal; (2) the country of destination; (3) the date of departure from the U.S. export terminal; (4) the name(s) of the supplier(s)/seller(s); (5) the name(s) of the LNG tankers; (6) the volume in Mcf; (7) the price per MMBtu at the point of exit; (8) the name(s) of the purchaser(s); and (9) the duration of the supply agreement. (Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

E. The first monthly report required by this Order is due not later than January 30, 2015, and should cover the reporting period from December 8, 2014, through December 31, 2014.

F. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Oil and Gas Global Security and Supply, Office of Fossil Energy, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on December 22, 2014.

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