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**UNITED STATES OF AMERICA  
BEFORE THE  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY**

**In the Matter of:  
FREEPORT LNG DEVELOPMENT, L.P.**

**Docket No. 15<sup>103</sup> LNG**

**APPLICATION OF  
FREEPORT LNG DEVELOPMENT, L.P.  
FOR BLANKET AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS  
ON A SHORT-TERM BASIS**

This application is submitted pursuant to Section 3 of the Natural Gas Act (NGA),<sup>1</sup> Part 590 of the Regulations of the Department of Energy (DOE),<sup>2</sup> and Section 201 of the Energy Policy Act of 1992.<sup>3</sup> Freeport LNG Development, L.P. ("Freeport LNG") hereby requests that the Department of Energy ("DOE") Office of Fossil Energy ("FE"), issue an order granting blanket authorization for Freeport LNG to engage in short-term exports of up to 24 billion cubic feet ("Bcf"), on a cumulative basis, of liquefied natural gas ("LNG") previously imported into the United States from foreign sources. The authorization requested is for a two-year period commencing upon the expiration of the current short-term export authorization granted Freeport LNG by DOE/FE Order No. 3317 on July 18, 2015.

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<sup>1</sup> 15 U.S.C. § 717b (2010).

<sup>2</sup> 10 C.F.R. § 590 (2010). See also, DOE Delegation Order No. 00-002.00L (Apr. 29, 2011) and DOE Redelegation Order No. 00-002-04E (April 29, 2011)

<sup>3</sup> PUB. L. NO. 102-486, § 201, 106 STAT. 2776.2866 (1992) (codified as amended at 15 U.S.C. § 717b(c) (2010)).

Freeport LNG proposes to export previously imported LNG from Quintana Island near Freeport, Texas to any country with the capacity to import LNG via ocean-going carrier, and with which trade is not prohibited by United States law or policy. No LNG from domestically produced natural gas will be exported as a result of the authorization requested by this application.

In support of this application, Freeport LNG respectfully shows as follows:

**I.**

**DESCRIPTION OF THE APPLICANT**

Freeport LNG Development, L.P. is a Delaware limited partnership with one general partner, Freeport LNG-GP, LLC, a Delaware limited liability company owned by an individual, Michael S. Smith, and by IFM Investors Midstream, LLC. Freeport LNG's limited partners are: (1) Freeport LNG Investments, LLLP and FLNGI Option Holdco, LLC, a Delaware limited liability limited partnership and limited liability company, respectively, owned by Mr. Smith; (2) GIP II FLNG, L.P. and GIP II FLNG Holdings Partnership 2, LLC, a Delaware limited partnership and Delaware limited liability company, respectively, owned by Global Infrastructure Partners; and (3) Turbo LNG, LLC, a Delaware limited liability company owned by Osaka Gas Company, Ltd.

The principal place of business for Freeport LNG is located at 333 Clay Street, Suite 5050, Houston, Texas 77022. Freeport LNG is authorized to do business in the State of Texas.

**II.**

**AUTHORIZATION REQUESTED**

Freeport LNG requests that DOE/FE grant blanket authorization to export a cumulative amount up to 24 Bcf of previously imported LNG on a short-term or spot market basis from its

terminal on Quintana Island, Texas, 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. Freeport LNG requests that this authorization authorize Freeport LNG to export on its own behalf imported LNG to which Freeport LNG holds title, and as agent for others who hold title at the time of export. In this application, Freeport LNG is not requesting authority to export domestically produced natural gas or LNG.

### III.

#### **BACKGROUND**

On July 19, 2013, DOE/FE issued Order No. 3317 authorizing Freeport LNG to export, on its own behalf or as an agent for others, up to a total quantity of 24 billion cubic feet (Bcf) of previously imported LNG from the Freeport Terminal over a two-year period to any other country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy.<sup>4</sup>

Freeport LNG's subsidiaries, Freeport Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC, and FLNG Liquefaction 3, LLC, have received authorization from DOE/FE for long term exportation of LNG produced from domestically produced natural gas.<sup>5</sup> LNG exports from the Freeport LNG facility under those authorizations is expected to commence in 2018. Because those authorizations are for export of domestically produced LNG, they are unrelated to the LNG exports that are the subject of this application. As noted above, this application only seeks authorization to export previously imported LNG.

Applicant requests authority to export previously imported LNG to which it holds title, as

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<sup>4</sup> *Freeport LNG Development, L.P.*, FE Docket No. 13-51-LNG, Order No. 3317 (Jul. 19, 2013).

<sup>5</sup> *Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC, and FLNG Liquefaction 3, LLC*, FE Docket Nos. 10-160-LNG, Order No. 2913 (Feb. 10, 2011), 12-06-LNG, Order No. 3066 (Feb. 10, 2012), 10-161-LNG, Order No. 3282-C (Nov. 14, 2014), and 11-161-LNG, Order No. 3357-B (Nov. 14, 2014).

well as previously imported LNG that it may export on behalf of other entities who themselves hold title. The blanket export authorization requested is substantially similar to that previously granted by DOE/FE to Freeport LNG in 2013.<sup>6</sup>

In recent years, there has been a significant rise in domestic production of natural gas. There has also been a significant decline in the price of domestically produced natural gas.<sup>7</sup> As a consequence, LNG imports are not price competitive with domestic natural gas. The export authorization requested herein will enable the Freeport LNG facilities to have greater flexibility to attract LNG imports in quantities necessary to maintain full operation of the Quintana Island terminal and related energy infrastructure when U.S. market prices would not otherwise support LNG deliveries to the United States. Additionally, granting the authorization requested will increase the likelihood that imported supply is present and available for delivery to U.S. markets if a sudden change in market conditions should require such supplies. Without the commercial flexibility provided by a blanket export authorization, imports of LNG cargoes to Freeport LNG facilities will be unduly limited and domestic consumers will have a reduced likelihood of additional supply in the event of sudden increased demand.

#### IV.

##### **PUBLIC INTEREST STANDARD**

This application is submitted pursuant to Section 3 of the NGA, under which DOE/FE is required to authorize exports unless it makes an affirmative finding that such exports “will not be consistent with the public interest.”<sup>8</sup> Section 3 thus creates a statutory presumption in favor of the approval of this export application. Any opponents would bear the burden of overcoming

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<sup>6</sup> Order No. 3317, *see* note 5, *supra*.

<sup>7</sup> See the U.S. Energy Information Annual Energy Outlook 2015.



that presumption.<sup>9</sup> Granting the blanket export authorization requested by Freeport LNG is fully compatible with the principles established by the Policy Guidelines,<sup>10</sup> which promote free and open trade by minimizing federal control and involvement in energy markets.

In addition to the Public Interest determination under Section 3 of the NGA, the National Environmental Policy Act (NEPA), 42 U.S.C. 4321 *et seq.*, requires appropriate consideration of environmental effects. However, for the reasons discussed below, this matter is excluded from further NEPA review..

**A. There Is No Domestic Reliance on the Gas Freeport LNG Seeks to Export**

There is currently no domestic reliance on the volumes of imported LNG that Freeport LNG seeks to export. The domestic natural gas resource base, as well as domestic natural gas reserves and production have risen dramatically over the past few years. As a result, domestic gas prices have remained low compared to international markets. This circumstance is expected to last decades and to discourage LNG imports to the United States.

The imported LNG that Freeport LNG seeks to export will be surplus to the demands of U.S. markets during the period of requested authorization, and is needed primarily to enable Freeport LNG to economically maintain and operate its Quintana Island terminal. As there is no domestic reliance on such supplies, the requested short-term blanket export authorization is clearly not inconsistent with the public interest. It meets the requirements of DOE Delegation

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<sup>8</sup> 15 U.S.C. § 717b (2010).

<sup>9</sup> In *Panhandle Producers and Royalty Owners Ass'n v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987), the court found that Section 3 of the NGA "requires an affirmative showing of inconsistency with the public interest to deny an application" and that a "presumption favoring ... authorization ... is completely consistent with, if not mandated by, the statutory directive." See also *Independent Petroleum Ass'n v. ERA*, 870 F.2d 168, 172 (5th Cir. 1989); *Panhandle and Royalty Owners Ass'n v. ERA*, 847 F.2d 1168, 1176 (5th Cir. 1988).

<sup>10</sup> Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6,684 (Feb. 22, 1984).

Order No. 0204-111, which requires “consideration of the domestic need for the gas to be exported.”<sup>11</sup>

**B. Local Gas Supplies Will Not Be Reduced**

The authorization requested herein is very limited in both scope and duration. Approval of this application will provide commercial flexibility to help ensure the full and continual operation of its LNG import facilities at the Quintana Island terminal.<sup>12</sup> Freeport LNG’s proposed export of previously imported LNG will not reduce domestic supplies of natural gas.

**C. Export Authorization Will Ensure the Operational Readiness of Essential Infrastructure**

Freeport LNG is required to maintain safe and reliable cryogenic operations at its Quintana Island terminal. If the continuous cryogenic operations of the terminal facility are interrupted, it will take several weeks to restore it to operational readiness. Furthermore, if operations were interrupted, Freeport LNG and its Quintana Island terminal would be unable to respond to changes in U.S. natural gas market conditions should they occur. Ensuring the continual operation of essential U.S. energy infrastructure is consistent with the public interest.

**V.**

**ENVIRONMENTAL IMPACT**

No changes to the Freeport LNG Quintana Island terminal would be required for the proposed export of previously imported LNG. Consequently, granting this application will not be a federal action significantly affecting the human environment within the meaning of the NEPA.<sup>13</sup> Furthermore, since the approval of this application will not result in new construction,

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<sup>11</sup> See 49 Fed. Reg. 6684 (Feb. 22, 1984).

<sup>12</sup> Order Nos. 2644, 2644-A, and 2644-B, *see* notes 10 and 11, *supra*.

<sup>13</sup> 42 U.S.C. § 4231, *et seq.*

this matter is entitled to a Categorical Exclusion Determination pursuant to DOE Categorical Exclusion in B5.7. <sup>14</sup>Therefore, an environmental impact statement or environmental assessment is not required. It is categorically excluded from further NEPA review.

## **VI.**

### **REPORTING REQUIREMENTS**

For all exports made pursuant to the authorization requested herein, Freeport LNG will undertake to file reports with the Office of Natural Gas Regulatory Activities pursuant to the requirements imposed by DOE/FE in its recent order<sup>15</sup> and the order approving this application.

Freeport LNG's reporting contact is:

Michael A. Johns  
Director of Regulatory Affairs  
Freeport LNG Development, L.P.  
1500 Lamar Street  
Quintana, Texas 77541  
Tel (979) 415-8700  
Fax (979) 415-8733  
mjohns@freeportlng.com

## **VII.**

### **APPENDICES**

- |             |                                      |
|-------------|--------------------------------------|
| Appendix A: | Opinion of Counsel                   |
| Appendix B: | Verification and Certified Statement |

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<sup>14</sup> 10 CFR Part 1021.410, appendix to subpart D of Part 1021, Categorical Exclusion in B5.7

<sup>15</sup> See Procedural Order Eliminating Quarterly Reporting Requirement and Amending Monthly Reporting Requirement for Natural Gas and LNG Import/Export Holders, FE Docket No. 08-01-PO, DOE/FE Order No. 2464 (Feb. 6, 2008).

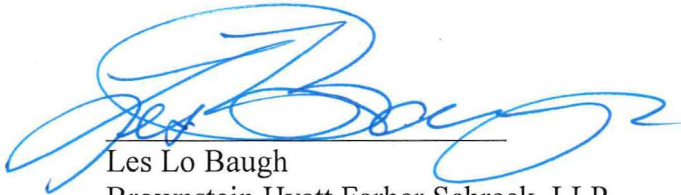
## VIII.

### CONCLUSION

Freeport LNG requests short-term blanket authorization to export previously imported LNG up to a cumulative total of 24 Bcf of LNG from the Quintana Island terminal to any country with the capacity to receive LNG via ocean-going carrier, and with which trade is not prohibited by U.S. law or policy. Freeport LNG requests authority to export previously imported LNG to which Freeport LNG holds title, as well as previously imported LNG that Freeport LNG may export as agent for others who hold title at the time of export.

Freeport LNG respectfully requests that the DOE/FE determine that Freeport LNG's request for short-term blanket authorization to export previously imported LNG is not inconsistent with the public interest. Accordingly, Freeport LNG respectfully requests that DOE/FE issue an order pursuant to Section 3(c) of the Natural Gas Act, as amended by Section 201 of the Energy Policy Act of 1992, for blanket authorization to export previously imported LNG commencing upon the expiration of the authority previously granted in FE Order No. 2986 and continuing for two years thereafter.

Respectfully submitted,



Les Lo Baugh  
Brownstein Hyatt Farber Schreck, LLP  
Attorneys for  
Freeport LNG Development, L.P.

June 25, 2015

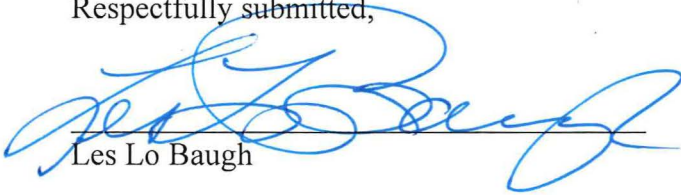


## APPENDIX A

### Opinion of Counsel

This opinion is submitted pursuant to Section 590.202(c) of the U.S. Department of Energy's regulations. I have examined the Amended and Restated Limited Partnership Agreement of Freeport LNG Development, L.P. and other authorities as necessary, and have concluded that the proposed exportation of liquefied natural gas from the United States, as described in the Application for Blanket Authorization to Export Liquefied Natural Gas on a Short-Term Basis to which this Opinion of Counsel is attached as Appendix A, is within the limited partnership powers of Freeport LNG Development, L.P.

Respectfully submitted,

  
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Les Lo Baugh

June 25, 2015

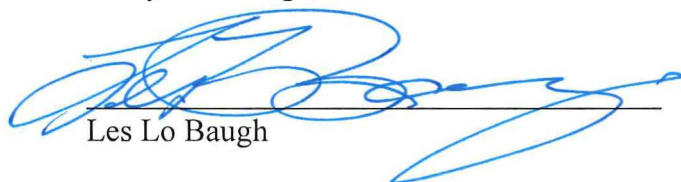
## APPENDIX B.

### VERIFICATION and CERTIFIED STATEMENT

County of San Diego

State of California

I, Les Lo Baugh, being duly sworn on his oath, do hereby affirm that I am a duly authorized representative of Freeport LNG Development L.P.; that I am familiar with the contents of this application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.



Les Lo Baugh

Sworn to and subscribed before me, Elizabeth Sanchez a Notary Public, in and for the State of California, this 25 day of June, 2015.



Elizabeth Sanchez, Notary Public

