

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY AND CARBON MANAGEMENT

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ENERGÍA COSTA AZUL, S. DE R.L. DE C.V.

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DOCKET NO. 18-145-LNG

NOTICE OF ENVIRONMENTAL ASSESSMENT

*ECA LARGE-SCALE PROJECT*

JULY 12, 2022

## I. BACKGROUND

On September 18, 2020, Energía Costa Azul, S. de R.L. de C.V. (ECA) filed an Application<sup>1</sup> with the Department of Energy's (DOE) Office of Fossil Energy and Carbon Management (formerly the Office of Fossil Energy)<sup>2</sup> under section 3 of the Natural Gas Act (NGA).<sup>3</sup> In the Application, ECA asks DOE to amend its two long-term authorizations issued in 2019, as explained below.

ECA's authorizations involve the proposed liquefaction and export terminal facilities referred to as the ECA Large-Scale Project (or the Project), to be located north of Ensenada in Baja California, Mexico, approximately 31 miles south of the San Diego-Tijuana/San Ysidro border between the United States and Mexico.<sup>4</sup> ECA is authorized to export domestically produced natural gas by pipeline and/or to re-export<sup>5</sup> the natural gas in the form of liquefied natural gas (LNG) as follows:

- (i) Under DOE/FE Order No. 4318,<sup>6</sup> authorizing exports of U.S.-sourced natural gas by pipeline from the United States to Mexico and, after liquefaction in Mexico, by vessel from the proposed ECA Large-Scale Project to any country with which the United States currently has, or in the future will have, a free trade agreement

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<sup>1</sup> Energía Costa Azul, S. de R.L. de C.V., Application to Amend Long-Term, Multi-Contract Authorizations to Export Natural Gas to Mexico and to Export Liquefied Natural Gas From Mexico to Free Trade Agreement and Non-Free Trade Agreement Nations (ECA Large-Scale Project), Docket No. 18-145-LNG (Sept. 18, 2020) [hereinafter App.].

<sup>2</sup> The Office of Fossil Energy (FE) changed its name to the Office of Fossil Energy and Carbon Management (FECM) on July 4, 2021.

<sup>3</sup> 15 U.S.C. § 717b. The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA has been delegated to the Assistant Secretary for FECM in Redelegation Order No. S4-DEL-FE1-2021, issued on March 25, 2021.

<sup>4</sup> App. at 6; *see also id.* at 8 (stating that the liquefaction facilities associated with the Large-Scale Project will be constructed on or adjacent to the site of ECA's existing regasification terminal in Ensenada, Mexico).

<sup>5</sup> For purposes of ECA's orders, "re-export" means to ship or transmit U.S.-sourced natural gas in its various forms (gas, compressed, or liquefied) subject to DOE's jurisdiction under the NGA, 15 U.S.C. § 717b, from one foreign country (*i.e.*, a country other than the United States) to another foreign country.

<sup>6</sup> *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FE Order No. 4318, Docket No. 18-145-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Natural Gas to Mexico and to Other Free Trade Agreement Nations (ECA Large-Scale Project) (Jan. 25, 2019), *amended by* DOE/FE Order No. 4318-A (Dec. 10, 2020) (extending export term), *further amended* DOE/FE Order No. 4318-B (June 11, 2020) (increasing authorized export volume).

(FTA) requiring national treatment for trade in natural gas (FTA countries), under NGA section 3(c);<sup>7</sup> and

- (ii) Under DOE/FE Order No. 4365,<sup>8</sup> authorizing re-exports of U.S.-sourced natural gas in the form of LNG by vessel from the proposed ECA Large-Scale Project to any other country with which trade is not prohibited by U.S. law or policy (non-FTA countries), under NGA section 3(a).<sup>9</sup>

DOE approved these exports on a non-additive basis, to begin on the earlier of the date of first export or seven years from the date of issuance of the authorization and to extend through December 31, 2050.<sup>10</sup>

In the Application, ECA states that its original export application (the Large-Scale Application) “assumed that the ECA Large-Scale Project would be capable of producing and exporting an equivalent of approximately 9.1 metric tons per annum [mtpa] of LNG.”<sup>11</sup> ECA states that it has since determined that the full design of the ECA Large-Scale Project will be capable of producing an additional 3.3 mtpa of LNG, for a total productive capacity of 12.4 mtpa of LNG.<sup>12</sup> According to ECA, this change “will require an additional authorization of 182 Bcf/yr of exports to FTA countries and 161 Bcf/yr to non-FTA countries.”<sup>13</sup> Accordingly, ECA asks DOE to amend its two orders to authorize total exports (and/or re-exports) as follows: (i)

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<sup>7</sup> 15 U.S.C. § 717b(c). The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

<sup>8</sup> *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FE Order No. 4365, Docket No. 18-145-LNG, Opinion and Order Granting Long-Term Authorization to Re-Export U.S.-Sourced Natural Gas in the Form of Liquefied Natural Gas from Mexico to Non-Free Trade Agreement Countries (ECA Large-Scale Project) (Mar. 29, 2019), *amended by* DOE/FE Order No. 4365-A (Dec. 10, 2020) (extending export term).

<sup>9</sup> 15 U.S.C. § 717b(a).

<sup>10</sup> See DOE/FE Order Nos. 4318-A and 4365-A.

<sup>11</sup> App. at 7.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* (stating that approximately 21 Bcf/yr of the requested volume will be consumed as fuel in Mexico, a FTA country, during the transportation and liquefaction process, with the remaining 161 Bcf/yr of natural gas to be re-exported in the form of LNG to FTA and non-FTA countries).

727 Bcf/yr of natural gas (1.99 Bcf per day (Bcf/d)) to FTA countries, and (ii) 636 Bcf/yr (1.74 Bcf/d) to non-FTA countries.<sup>14</sup>

On June 11, 2021, in Order No. 4688-B, DOE granted the FTA portion of the Application, as required by NGA section 3(c).<sup>15</sup> ECA is thus authorized to export natural gas to Mexico in the total requested volume of 727 Bcf/yr of natural gas—which includes both the export of U.S.-sourced natural gas to Mexico by pipeline, and re-export after liquefaction in Mexico to FTA countries.<sup>16</sup> The requested increase in ECA’s non-FTA export volume, if approved, would not be additive to this FTA volume.

ECA states that the natural gas will be exported to Mexico at the United States-Mexico border via existing and, potentially, future cross-border natural gas transmission pipelines.<sup>17</sup> ECA further states that, once the ECA Large-Scale Project is constructed, it will be capable of receiving, processing, and liquefying the U.S.-sourced natural gas, storing the resulting LNG, and loading the LNG onto ocean-going LNG carriers for re-export to other countries.<sup>18</sup>

For the non-FTA portion of ECA’s request,<sup>19</sup> DOE published a notice of the Application in the *Federal Register* (Notice of Application) on October 13, 2020.<sup>20</sup> The Notice of Application called on interested persons to submit protests, motions to intervene, notices of intervention, and comments by December 14, 2020.<sup>21</sup> DOE received two comments in response

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<sup>14</sup> *Id.* at 7-8, 13.

<sup>15</sup> *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FE Order No. 4688-B, Docket No. 18-145-LNG, Order Amending Long-Term Authorization to Export Natural Gas to Mexico and to Other Free Trade Agreement Nations (June 11, 2021).

<sup>16</sup> *See id.* at 7.

<sup>17</sup> *See App.* at 3, 5-6, 8.

<sup>18</sup> *See id.* at 6; *see also id.* at 11, 16-17 (describing the Project).

<sup>19</sup> DOE finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. Part 590 are applicable only to applications seeking to export natural gas, including LNG, to non-FTA countries.

<sup>20</sup> *See Energía Costa Azul, S. de R.L. de C.V.*, Application to Amend Long-Term Authorization to Export Natural Gas to Mexico and to Re-Export Liquefied Natural Gas from Mexico to Non-Free Trade Agreement Countries; Notice of Application, 85 Fed. Reg. 64,452 (Oct. 13, 2020) [hereinafter Notice of App.].

<sup>21</sup> *Id.*

to the Notice of Application.<sup>22</sup> No protests or motions to intervene in opposition to the Application were filed, and therefore the Application is uncontested.<sup>23</sup>

Before reaching a final decision on a non-FTA application under NGA section 3(a), DOE must also comply with the National Environmental Policy Act (NEPA).<sup>24</sup> Since the time that ECA filed its Application in 2020, the President has issued E.O. 14008, *Tackling the Climate Crisis at Home and Abroad*.<sup>25</sup> Additionally, on April 20, 2022, the Council on Environmental Quality (CEQ) issued a final rule for implementing CEQ’s NEPA regulations, including the definition of environmental “effects.”<sup>26</sup> DOE has determined that, consistent with E.O. 14008 and its obligations under NEPA, it is appropriate to evaluate the potential environmental impacts—including the greenhouse gas (GHG) emissions—of exporting (or re-exporting) U.S.-sourced LNG from the proposed ECA Large-Scale Project to non-FTA countries. Therefore, in this Notice, DOE is announcing that it is undertaking an environmental assessment (EA) under NEPA to analyze ECA’s request to increase its approved re-exports of U.S.-sourced LNG to non-FTA countries by 161 Bcf/yr for a total of 636 Bcf/yr of natural gas, as described below.<sup>27</sup>

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<sup>22</sup> See Anonymous Comment, Docket No. 18-145-LNG (Oct. 18, 2020); Comment of the Board of County Commissions of Rio Blanco County, Colorado, Docket No. 18-145-LNG (Nov. 10, 2020).

<sup>23</sup> See 10 C.F.R. § 590.102(b).

<sup>24</sup> 42 U.S.C. § 4321 *et seq.*

<sup>25</sup> E.O. 14008 sets forth policies to address climate change, specifically to “organize and deploy the full capacity of [Federal] agencies to combat the climate crisis.” Exec. Order No. 14008 of Jan. 27, 2021, *Tackling the Climate Crisis at Home and Abroad*, 86 Fed. Reg. 7,619 (Feb. 1, 2021), <https://www.federalregister.gov/documents/2021/02/01/2021-02177/tackling-the-climate-crisis-at-home-and-abroad>. E.O. 14008 further requires the “Federal Government [to] drive assessment, disclosure, and mitigation of climate pollution and climate-related risks in every sector” of the U.S. economy. *Id.*

<sup>26</sup> See Council on Env’t Quality, Nat’l Env’t Policy Act Implementing Regulations Revisions; Final Rule, 76 Fed. Reg. 23,453 (Apr. 20, 2022).

<sup>27</sup> Concurrently with this Notice, DOE is issuing a similar notice in the *Vista Pacifico LNG, S.A.P.I. de C.V.* proceeding (Docket No. 20-153-LNG), which also involves an application to re-export U.S.-sourced LNG from a liquefaction facility proposed to be constructed and operated in Mexico.

## II. ENVIRONMENTAL ASSESSMENT UNDER NEPA

DOE has identified the following four topics for analysis in the EA (although this list is not intended to predetermine any analysis and is subject to change):

**(1) Production of U.S.-Sourced Natural Gas:** The potential environmental impacts associated with unconventional natural gas exploration and production activities in the lower-48 states, using DOE’s *Addendum to Environmental Review Documents Concerning Exports of Natural Gas from the United States*<sup>28</sup> already in the record for this proceeding;<sup>29</sup>

**(2) Cross-Border Pipelines:** The utilization of the cross-border pipeline facilities in the states of Arizona, Texas, and California that interconnect the United States and Mexico and that ECA may utilize for its U.S. natural gas supply.<sup>30</sup> The EA will take into account any environmental review for such pipelines previously conducted by the Federal Energy Regulatory Commission (FERC) under NGA section 7;<sup>31</sup>

**(3) Mexico’s Environmental Review:** Because the proposed Project will be constructed and operated in Mexico, a description of Mexico’s environmental review process for the construction and operation of liquefaction terminals and related facilities;<sup>32</sup> and

**(4) GHG Emissions:** The global nature of GHG emissions associated with re-exporting U.S.-sourced LNG from Mexico from a life cycle perspective, using DOE’s two life cycle GHG reports already in the record for this proceeding.<sup>33</sup>

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<sup>28</sup> U.S. Dep’t of Energy, *Addendum to Environmental Review Documents Concerning Exports of Natural Gas From the United States*, 79 Fed. Reg. 48,132 (Aug. 15, 2014) [hereinafter *Addendum*]; *see also* <https://www.energy.gov/fecm/addendum-environmental-review-documents-concerning-exports-natural-gas-united-states>.

<sup>29</sup> *See* Notice of App., 85 Fed. Reg. at 64,453.

<sup>30</sup> In the Application, ECA identifies existing cross-border facilities that it states are among “several gas supply options” for transporting U.S.-sourced natural gas to the proposed Project. App. at 21; *see also id.* at 20 (discussing the “integrated nature of the U.S. and Mexican pipeline system”). Additionally, ECA notes that, in the Large-Scale Application, it provided an index and map of the cross-border facilities “that have either already been approved or have been proposed to the FERC prior to and independent of the ECA Large-Scale Project.” *Id.* at 21 (citing Appendix E of the Large-Scale Application); *see also id.* at 8 n.15.

<sup>31</sup> 15 U.S.C. § 717f.

<sup>32</sup> This description of Mexico’s environmental review process will be included in the EA for completeness. In the Application, ECA notes the Mexican Government’s process for reviewing and approving the construction of liquefaction terminals and associated pipeline facilities to be located in Mexico, and points to its prior discussion of this process in the Large-Scale Application. *See* App. at 9, 22-23.

<sup>33</sup> In 2014, DOE published its first life cycle GHG report prepared by DOE’s National Energy Technology Laboratory (NETL). *See* U.S. Dep’t of Energy, *Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas From the United States*, 79 Fed. Reg. 32,260 (June 4, 2014). In 2019, DOE published an update to the 2014 Report also prepared by NETL. *See* Nat’l Energy Tech. Lab., *Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States: 2019 Update* (DOE/NETL-2019/2041) (Sept. 12, 2019), <https://www.energy.gov/sites/prod/files/2019/09/f66/2019%20NETL%20LCA-GHG%20Report.pdf>; *see also* U.S. Dep’t of Energy, *Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas From the United*

DOE will prepare the EA in accordance with CEQ regulations at 40 C.F.R. Parts 1500-1508 and DOE's NEPA implementing procedures at 10 C.F.R. Part 1021. Pursuant to 10 C.F.R. § 1021.301(c), DOE is concurrently providing notice of the EA to the cross-border host states of Arizona, Texas, and California (where the possible cross-border pipeline facilities are located, *see supra* at 6), and to all tribes on or within 100 kilometers of the U.S. border in those three states. DOE anticipates completing the EA by the end of October 2022.

Issued in Washington, D.C., on July 12, 2022.

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Office of Resource Sustainability

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States: 2019 Update – Response to Comments, 85 Fed. Reg. 72 (Jan. 2, 2020). As noted above, both the 2014 Report and 2019 Update are in the record for this proceeding. *See* Notice of App., 85 Fed. Reg. at 64,453.