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

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| **Mexico Pacific Limited LLC** | **)** | **Docket No. 22-167-LNG** |

# APPLICATION OF MEXICO PACIFIC LIMITED LLC FOR ADDITIONAL LONG-TERM, MULTI-CONTRACT AUTHORIZATION TO EXPORT NATURAL GAS TO MEXICO AND TO RE-EXPORT LIQUEFIED NATURAL GAS TO FREE TRADE AGREEMENT AND NON-FREE TRADE AGREEMENT NATIONS

**December 28, 2022**

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Pursuant to Section 3 of the Natural Gas Act of 1938, as amended ("NGA")[1] and Part 590 of the Department of Energy's ("DOE") regulations,[2] Mexico Pacific Limited LLC ("MPL") hereby applies to the DOE Office of Fossil Energy and Carbon Management ("DOE/FECM" or "DOE/FE") for long-term, multi-contract authorization to export domestically produced natural gas to Mexico and to re-export quantities of that natural gas not consumed in Mexico in the form of liquefied natural gas ("LNG") to both free trade agreement ("FTA") and non-free trade agreement ("non-FTA") nations. As detailed in this application, MPL requests that DOE authorize it to engage in exports as follows:

(1) The export of 291.22 Bcf/year of natural gas by pipeline to Mexico, to be liquefied in Mexico and re-exported to both FTA and non-FTA nations; and

(2) The export of up to 134.35 Bcf/year of natural gas by pipeline to Mexico, a FTA nation, for use as fuel for pipeline transportation or liquefaction in Mexico.

The total 425.57 Bcf/year MPL is seeking authorization to export, when added to the 621 Bcf/year MPL is currently authorized to export, equals a total of 1,046.57 Bcf/year. The authorization of

[1] 15 U.S.C. § 717b (2012).
[2] 10 C.F.R. Part 590 (2022).

425.57 Bcf/year requested herein reflects an upward revision to the anticipated LNG production capability of the liquefaction facility, including fuel gas requirements plus lost and unaccounted for gas. For purposes of this application, MPL is requesting authorization to export to non-FTA nations only the volume of LNG being re-exported from Mexico as LNG (i.e., 291.22 Bcf/year).

MPL is filing this application in connection with its continuing development of an LNG production and offtake facility located in the State of Sonora, Mexico (the "MPL Facility"). Once completed, the MPL Facility will be capable of receiving, processing, and liquefying natural gas, storing the resulting LNG, and loading LNG onto oceangoing LNG carriers for re-export to other countries and, potentially, for delivery to markets elsewhere in Mexico. MPL previously sought,[3] and was granted, authorization to export up to the equivalent of 621 Bcf/year of U.S.-sourced natural gas to Mexico for end use in Mexico and/or, after liquefaction in Mexico, by vessel in the form of LNG from the proposed MPL Facility to FTA and non-FTA nations.[4] As amended, this authorization extends through December 31, 2050.[5]

MPL's request to export up to 621 Bcf/year in the Original Application reflected estimates made in 2018 based on the then-current design and anticipated liquefaction output of the MPL Facility predicated on that design. Subsequently, MPL has advanced and refined the design of the MPL Facility in order to enhance the efficiency and optimize the operational capabilities of the MPL Facility. The design MPL has selected is capable of producing significantly more LNG per

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3 Mexico Pacific Limited LLC, Application of Mexico Pacific Limited LLC for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Nations, Docket No. 18-70-LNG (filed June 18, 2018) ("Original Application").

4 *Mexico Pacific Limited LLC*, DOE/FE Order No. 4248, Docket No. 18-70-LNG (Sept. 19, 2018) ("Order No. 4248"); *Mexico Pacific Limited LLC*, DOE/FE Order No. 4312, Docket No. 18-70-LNG (Dec. 14, 2018) ("Order No. 4312").

5 *See Mexico Pacific Limited LLC*, DOE/FE Order Nos. 4248-A and 4312-A, Docket No. 18-70-LNG (June 3, 2022).

train than the previously assumed design. As a result, MPL seeks in this application authorization to export an additional quantity of natural gas to reflect a refined analysis of the peak liquefaction capacity of the MPL Facility as designed, under optimal conditions.

As detailed below, the authorization to export 425.57 Bcf/year MPL seeks here is fully consistent with the public interest from both the U.S. and Mexican perspectives. The requested export quantity of 425.57 Bcf/year can readily be accommodated by the natural gas resource base and existing transmission pipeline infrastructure that was presented to DOE/FECM in MPL's Original Application and authorized as not inconsistent with the public interest in Order No. 4248 and Order No. 4312. DOE/FECM should reach the same conclusion as it has previously regarding exports to and through the MPL Facility, and should determine that, as NGA Section 3 requires, the proposed exports are not inconsistent with the public interest.

In support of this application, MPL provides as follows:

## I. APPLICANT DESCRIPTION

### A. Exact legal name of applicant

The exact legal name of the applicant is Mexico Pacific Limited LLC. MPL is a limited liability company organized under the laws of Delaware with its principal place of business at 700 Louisiana Ave., Suite 2410, Houston, TX 77002. Additional information regarding MPL is available at the company's website at: https://mexicopacific.com/.

The two largest shareholders of Mexico Pacific Limited LLC are Q-LNG Holdings, LLC and AVAIO MPL Special, LP. Other entities and individuals own MPL in individual percentages, none of which exceed 10%.

MPL last notified DOE/FECM of a Change in Control of MPL on October 27, 2021, as supplemented on November 23, 2021, in FE Docket No. 18-70-LNG.[6] DOE/FECM issued a response to the Change in Control on May 9, 2022, notifying MPL that an amendment to MPL's FTA and non-FTA authorization has been deemed granted.[7]

### B. Communications

All correspondence and communications regarding this Application should be directed to:[8]

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## II. STATUS OF THE MPL FACILITY

The MPL Facility will be located in the State of Sonora, Mexico, at a coastal site which has been permitted for LNG storage and related marine activities for more than a decade. The site is situated on the Gulf of California adjacent to Puerto Libertad, Mexico, approximately 160 miles south of the U.S.-Mexico border. MPL's description of the MPL Facility in the Original

6 *See generally* Mexico Pacific Limited LLC, Notice of Change in Control, 86 Fed. Reg. 71,887 (Dec. 20, 2021).

7 Mexico Pacific Limited LLC, Notification Regarding Change in Control, Docket No. 18-70-LNG (May 9, 2022).

8 MPL respectfully requests that DOE/FECM waive its regulation limiting the number of mailing addresses for the service list to two persons, 10 C.F.R. § 590.202(a), and allow the mailing addresses of three persons to be included on the service list for this Application.

Application is incorporated by reference herein as it remains largely unchanged from the Original Application, except as noted in this application.

### A. Site Control

Through its affiliates, MPL owns in fee in excess of 1,000 acres surrounding the MPL Facility project site. Approximately 300 acres of this total have been designated for LNG development and originally were permitted for an LNG import facility. MPL has obtained export authorization from DOE,[9] and from the appropriate Mexican authorities an Environmental Permit (MIA) and a shoreline concession permit, and is in the process of securing final supporting permits required to authorize the construction and operation of a liquefaction facility and exports of LNG from the MPL Facility project site. These permits are held by Mexico Pacific Assets Holding S. de R.L. de C.V. through two subsidiaries, Mexico Pacific Permit Holdings S. de R.L. de C.V. and Mexico Pacific Land Holdings S. de R.L. de C.V. The sequence of conveyances through which MPL has obtained ownership of the MPL Facility project site and the manner in which the required permits are held are depicted in **Attachment 1**.

### B. Commercial Update

Since filing the Original Application and receiving authorization to export in Order No. 4248 and Order No. 4312, MPL has had success with its commercial development of the MPL Facility. MPL has been actively engaged in the development of markets for the LNG the MPL Facility will produce and has encountered significantly increased interest in the project's offerings among prospective LNG purchasers. As a result, MPL and its affiliates (described below) have entered into agreements with offtakers in quantities that lead MPL to conclude that it will be able to place the quantities of LNG it is currently authorized to export as well as the additional quantity

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[9] *See infra* note 4.

sought in this application. The MPL Facility remains particularly well positioned to supply LNG into Asian markets, including markets in Korea, Japan, and China, each of which can be supplied by vessel from the MPL Facility without having to transit the Panama Canal, as well as markets in South America (in particular Chile, Colombia and Ecuador).

MPL expects to achieve debt and equity financing and to proceed with a positive Final Investment Decision for the MPL Facility in the coming months.

### C. Design and Construction of the MPL Facility

As MPL has moved to final design and the negotiation of an engineering, procurement and construction contract for the MPL Facility, it has become aware of opportunities to improve on the liquefaction train design that was assumed in its Original Application. MPL found that it could achieve significant improvements to facility efficiency and operational flexibility through improvements to the design of the MPL Facility's liquefaction trains. At the time it submitted its Original Application, MPL had planned to install liquefaction trains capable of producing a quantity of LNG equal to 4 mtpa, or 207 Bcf/year, and MPL envisioned increasing its production capacity by increments of 4 mtpa (or by tranches of three trains each), to yield total liquefaction capacity of at least 12 mtpa, or 621 Bcf/year.[10]

Given improvements in technology and operating efficiencies, MPL now expects that the three natural gas liquefaction trains it intends to construct will have a total projected capacity of 17.6274 mtpa (912.22 Bcf/year). This application seeks authorization to export 425.57 Bcf/year of natural gas to align with the increased peak liquefaction capacity of the three trains MPL plans

[10] Mexico Pacific Limited LLC, Supplement to Application for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Nations – Additional Information on Planned Liquefaction Capacity, Docket No. 18-70-LNG (Dec. 12, 2018).

to build. Adding 425.57 Bcf/year to the 621 Bcf/year DOE already has authorized MPL to export, the total authorized amount for export will be 1,046.57 Bcf/year. The difference between the aggregate capacity of the three trains (912.22 Bcf/year) and MPL's request for authorization to export 1,046.57 Bcf/year is due to the need to account for pipeline fuel and MPL Facility fuel consumed in Mexico.

### D. <u>Sources of Natural Gas to be Exported</u>

As detailed in the Original Application, MPL will source natural gas for export from producers and marketers of natural gas sourced from a variety of U.S. producing basins. MPL will not source natural gas for the MPL Facility from Mexico.

As detailed in the Original Application, MPL (or its customers) will export natural gas to Mexico via existing cross-border gas transmission pipelines, including an interstate natural gas pipeline owned by Sierrita Gas Pipeline LLC, and intrastate natural gas pipelines owned by Comanche Trail Pipeline, LLC, Roadrunner Gas Transmission, LLC and Trans Pecos Pipeline, LLC, all located in west Texas. There was more than 12,057 Bcf/day of pipeline capacity available to export natural gas from the South Central region of the United States, which includes Texas, to Mexico as of 2021.[11] There is, therefore, existing cross-border capacity available to support delivery of the quantities of gas MPL is seeking authorization to export in this application (1.17 Bcf/day and 2.87 Bcf/day when added to the previously authorized amount). MPL has concluded

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11 *U.S. Pipeline State-to-State Capacity*, U.S. Energy Information Administration (Jan. 31, 2022), *available at* https://www.eia.gov/naturalgas/data.php#pipelines. *See also Vista Pacífico LNG S.A.P.I. de C.V.*, DOE/FECM Order No. 4929 at 44, Docket No. 20-153-LNG (Dec. 20, 2022) *citing* Environmental Assessment, Vista Pacífico LNG S.A.P.I. de C.V., Environmental Assessment, Office of Resource Sustainability and Office of Fossil Energy and Carbon Management, DOE/EA-2192, Docket No. 20-153-LNG, at Appendix B (Oct. 28, 2022) ("Vista Pacífico EA") (indicated nearly 15 bcf/day of existing physical cross-border pipeline capacity between the United States and Mexico).

that the available pipeline capacity in both the U.S. and Mexico is more than adequate to support exports to the Facility.

Under MPL's agreement with its affiliate Mexico Pacific LNG Exports, S. de R.L. de C.V. ("Mexico Pacific Exports"), Mexico Pacific Exports will receive natural gas, liquefy it and deliver the LNG to an affiliate. Mexico Pacific Exports will transfer title to the LNG to its affiliate Mexico Pacific LNG Markets Pte Ltd ("Mexico Pacific Markets") in accordance with the terms of an LNG Sale and Purchase Agreement between Mexico Pacific Exports and Mexico Pacific Markets dated as of December 16, 2020.[12] Mexico Pacific Exports will purchase natural gas from third party producers in the U.S. and contract for its transportation from sources of supply to the U.S. border and onward in Mexico to the MPL Facility.

## III. ACTION SOUGHT FROM DOE/FECM

MPL hereby requests that DOE/FECM grant it additional long-term, multi-contract authorization to export 425.57 Bcf/year of natural gas to Mexico, and to export from the MPL Facility quantities of such natural gas not consumed in Mexico (291.22 Bcf/year), in the form of LNG, to FTA and non-FTA nations. MPL requests that this authorization be effective on the earlier of the date of the first export or seven years from the date of the final order granting export authorization. MPL requests that the term of such authorization extend through December 31, 2050.[13]

MPL expects to receive first gas into the MPL Facility in 2026. It anticipates that the first LNG exports from the MPL Facility could occur in 2027.

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[12] This agreement was filed with DOE/FE in Docket No. 18-70-LNG on April 27, 2022.

[13] DOE/FE, Final Policy Statement Extending Natural Gas Export Authorizations to Non-Free Trade Agreement Countries Through the Year 2050, Docket Nos. 10-111-LNG, et al. (July 29, 2020), 85 Fed. Reg. 52,237 (Aug. 25, 2020).

Through this application, MPL is requesting authorization to export additional quantities of natural gas and LNG both on its own behalf and as agent for other parties who will hold title to the natural gas and LNG at the time of export. MPL will comply with all DOE/FECM requirements for exporters and agents, including the registration requirements first established in DOE/FE Order No. 2913,[14] and set forth with respect to MPL in Order No. 4248 and Order No. 4312.[15] Accordingly, when acting as agent, MPL will register with DOE/FECM each natural gas or LNG title holder for which it seeks to export as agent, and will provide DOE/FECM with a written statement by the title holder acknowledging and agreeing to (i) comply with all requirements in MPL's long-term export authorization and (ii) include those requirements in any subsequent purchase or sale agreement entered into by the title holder.[16] MPL also will file—or cause to be filed—any relevant long-term commercial agreements that it enters into with the LNG title holders on whose behalf the exports are performed. MPL's agreements will require that the

[14] *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 2913, Docket No. 10-160-LNG (Feb. 10, 2011).

[15] *See* Order No. 4248; Order No. 4312.

[16] MPL will provide DOE/FE with registration materials that include an acknowledgement and agreement by the LNG title holder to supply information necessary to permit MPL to register that person or entity with DOE/FECM in accordance with DOE/FECM requirements. These materials will document (i) the Registrant's agreement to comply with any order issued by DOE/FECM in response to this Application and all applicable requirements of DOE's regulations at 10 C.F.R. Part 590, including destination restrictions; (ii) the exact legal name of the Registrant, state/location of incorporation/registration, primary place of business, and the Registrant's ownership structure, including the ultimate parent entity if the Registrant is a subsidiary or affiliate of another entity, (iii) the name, title, mailing address, e-mail address, and telephone number of a corporate officer or employee of the Registrant to whom inquiries may be directed; (iv) within 30 days of execution, a copy of any long-term contracts, not previously filed with DOE/FECM, including both a non-redacted copy for filing under seal and either (x) a redacted version of the contract or (y) a summary of the major provisions of the contract, for public posting. This is consistent with requirements to which MPL is currently subject. *See* Order No. 4312 at Ordering Paragraph J.

parties conduct their transactions in a manner consistent with applicable Mexican laws and regulations.

MPL requests that DOE/FECM grant the requested authorization in two separate orders, one addressing the exports MPL seeks authorization to undertake to FTA nations and the other addressing the exports MPL would make to non-FTA nations. This would be consistent with established DOE/FECM policy and procedures. MPL respectfully requests that DOE/FECM issue the FTA authorization as soon as practicable, consistent with statutory requirement that such authorizations be issued without modification or delay. MPL respectfully requests that DOE/FECM issue a second order for its non-FTA authorization as soon as practical. Expedited review of this application and the prompt issuance of the requested authorizations will assist MPL with its on-going development efforts, and is therefore in the public interest.

### A. Export to FTA Nations

MPL requests authorization to export 425.57 Bcf/year of natural gas and LNG to FTA nations. This quantity, when added to the 621 Bcf/year DOE has previously authorized MPL to export, and fuel is removed (134.35 Bcf/year), reflects the maximum quantity of natural gas MPL anticipates it will be able to convert into LNG and export given its expectations regarding peak liquefaction output, under optimal conditions, of the MPL Facility as currently designed.

MPL's request for authorization to export natural gas and LNG to FTA nations must be reviewed under Section 3(c) of the NGA which, as it was amended by Section 201 of the Energy Policy Act of 1992 (Pub. L. 102- 486), provides that:

> [T]he exportation of natural gas to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas, *shall be deemed to be consistent with the public*

> *interest*, and applications for such importation or exportation shall be granted without modification or delay.[17]

Under this statutory provision, the portion of the application seeking authorization to export natural gas or LNG to nations with which the United States currently has, or in the future may enter into, an FTA requiring national treatment for trade in natural gas, is deemed to be consistent with the public interest.[18] Mexico is one such nation. MPL requests that DOE/FECM grant this aspect of the application without modification or delay, as it routinely does for other projects seeking authorization for export to FTA nations, consistent with Order No. 4248 and the statute.[19] Consistent with the established practice of DOE/FECM, MPL asks that the requested FTA authorization be granted initially and separately, without waiting on the further inquiry required to address the requested authorization for LNG export to non-FTA nations.

### B. Export to Non-FTA Nations

MPL also here requests authorization to export 291.22 Bcf/year of LNG to non-FTA nations. The requested quantity, when added to the 621 Bcf/year DOE has previously authorized MPL to export, reflects the maximum quantity MPL anticipates it will be able to convert into LNG and export given its expectations regarding peak liquefaction output, under optimal conditions, of the MPL Facility as currently designed.

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17 15 U.S.C. § 717b(c)(emphasis added).

18 *Sierra Club v. Department of Energy*, 867 F.3d 189, 203 (D.C. Cir. 2017) ("*Sierra Club*") (denying petition for review of the LNG export authorization issued to Freeport LNG Expansion, L.P., et al.), quoting *W. Va. Pub. Serv. Comm'n v. U.S. Dep't of Energy*, 681 F.2d 847, 856 (D.C. Cir. 1982).

19 *See*, *e.g.*, Order No. 4248; *Golden Pass Prods. LLC*, DOE/FE Order No. 3978, Docket No. 12-156-LNG (April 25, 2017); *Cameron LNG, LLC*, DOE/FE Order No. 3680 (July 10, 2015); *American LNG Mktg. LLC*, DOE/FE Order No. 3656, Docket No. 15-19-LNG (May 29, 2015); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2833, Docket No. 10-85-LNG; *Freeport LNG Expansion, L.P.*, DOE/FE Order No. 2913, Docket No. 10-160-LNG; *Magnolia LNG, LLC*, DOE/FE Order No. 3245, Docket No. 12-183-LNG (Feb. 26, 2013).

MPL's request for authorization to export LNG to Non-FTA nations must be reviewed under Section 3(a) of the NGA. Section 3(a) of the NGA sets forth the general standard for review of export applications:

> [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, [the Secretary] 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 in part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.[20]

DOE/FECM consistently has found that this section creates a rebuttable presumption that proposed exports of natural gas are in the public interest, and DOE/FECM must grant such an application unless those who oppose the application overcome that presumption.[21] To do this, an opponent must affirmatively demonstrate that the proposal is inconsistent with the public interest.[22] DOE/FECM reviews the evidence developed in the record of each application proceeding to make its public interest determination.[23]

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20 15 U.S.C. § 717b(a) (emphasis added). This authority has been delegated to the Assistant Secretary for Fossil Energy, pursuant to Redelegation Order No. 00-002.04D (Nov. 6, 2007).

21 *See, e.g.*, *Freeport LNG Expansion, L.P. & FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 5-6, Docket No. 10-161-LNG (May 17, 2013); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 at 28, Docket No. 10-111-LNG (May 20, 2011); *Cameron LNG, LLC*, DOE/FE Order No. 3391, Docket No. 11-162-LNG (Feb. 11, 2014).

22 *See Sierra Club*, 867 F.3d at 203; *Freeport LNG*, DOE/FE Order No. 3282 at 6; *see also Phillips Alaska Natural Gas Corp. & Marathon Oil Co.*, DOE/FE Order No. 1473 at 13, n. 42, Docket No. 96-99-LNG (Apr. 2, 1999) ("Section 3 creates a statutory presumption in favor of approval of an export application and the Department must grant the requested export [application] unless it determines the presumption is overcome by evidence in the record of the proceeding that the proposed export will not be consistent with the public interest.").

23 *Freeport LNG,* Order No. 3282 at 7.

In DOE/FE Order No. 4312, DOE concluded that MPL's exports to non-FTA nations will not be inconsistent with the public interest.[24] That same conclusion is equally appropriate here. The Original Application's request for authorization to export up to 621 Bcf/year was based on the design of the MPL Facility as well as MPL's expectations, as of 2018, regarding the peak output of which the MPL Facility would be capable under optimal conditions. Increasing the quantity of the authorized exports to reflect the MPL Facility's use of more advanced technology and MPL's more refined understanding of the peak capability of the MPL Facility as currently designed is equally consistent with the public interest. Increasing the amount of LNG that may be exported with no need for construction of any additional facilities promotes the public interest.

DOE/FE has granted incremental export authorizations in similar circumstances in several other proceedings. For example, Freeport LNG Expansion, L.P. and related entities ("Freeport") sought, and were granted, export authorization to export 511 Bcf/year and 146 Bcf/year of LNG to non-FTA nations in 2014.[25] Freeport subsequently sought, and was granted, an amendment to its initial authorization to export an additional 125 Bcf/year "to reflect more precise information about the design and operating assumptions of the [Freeport facility]."[26] In another similar case, Magnolia LNG LLC ("Magnolia LNG") sought, and was granted, an amendment to its initial export authorization to export an additional 54.8 Bcf/year, from 394.2 Bcf/year, "in light of increased liquefaction production capacity made possible by the optimization of its facility

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24 Order No. 4312at 11.

25 *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 3357-B at 106, Docket No. 11-161-LNG (Nov. 14, 2014) (authorizing the export of LNG up to the equivalent of 0.4 Bcf/d (146 Bcf/yr) of natural gas); *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 3282-C, Docket No. 10-161-LNG (Nov. 14, 2014).

26 *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 3957 at 2, Docket No. 16-108-LNG (Dec. 19, 2016).

design."[27] Likewise, Golden Pass Products LLC ("Golden Pass") sought, and was granted, export authorization to export 808 Bcf/year of natural gas to non-FTA nations.[28] Golden Pass subsequently sought, and was granted, an amendment to its initial authorization to export an additional 129 Bcf/year "in light of improvements in [Golden Pass'] design and operations analysis."[29] In granting Golden Pass' requested amendment, DOE/FECM noted:

> [T]hat, while Golden Pass LNG is already authorized to export LNG from the Terminal at its maximum liquefaction capacity to FTA countries, this Order will provide Golden Pass LNG with the flexibility to allow its LNG export capacity to additionally serve non-FTA countries. These exports can diversify global LNG supplies and improve energy security for U.S. allies and trading partners in Europe and elsewhere. Based on this substantial administrative record, DOE has determined that it has not been shown that Golden Pass LNG's proposed increase in exports of LNG to non-FTA countries will be inconsistent with the public interest, as would be required to deny the Application under NGA section 3(a).[30]

Here, DOE/FECM can similarly find that MPL's request for additional export authorization to allow for new technology and revised expectations regarding peak liquefaction output will not be inconsistent with the public interest.

While NGA section 3(a) establishes a broad public interest standard and a presumption favoring export authorizations, it does not define "public interest" or identify the criteria that must be considered. DOE/FECM has explained that in evaluating the extent to which an export application is consistent with the public interest, it focuses on (i) the domestic need for the natural gas proposed to be exported, (ii) whether the proposed exports pose a threat to the security of domestic natural gas supplies, (iii) whether the arrangements are consistent with DOE/FECM's

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27 *See*, *e.g.*, *Magnolia LNG LLC*, DOE/FE Order No. 3909-C at 1, Docket No. 13-132-LNG (Apr. 27, 2022).

28 *Golden Pass LNG Terminal LLC*, DOE/FE Order No. 3978, Docket No. 12-156-LNG (Apr. 25, 2017).

29 *Golden Pass LNG Terminal LLC*, DOE/FE Order No. 3978-E at 1, Docket No. 12-156-LNG (Apr. 27, 2022).

30 *Id*. at 5.

policy of promoting market competition, and (iv) any other factors bearing on the public interest.[31] It has identified some of these "other factors" as including, for example, whether exports are beneficial for regional economies, the extent to which exports will mitigate trade imbalances, various international impacts, security of the domestic natural gas supply, and other economic and environmental impacts.[32]

In granting MPL's request for authorization to export LNG to Non-FTA nations in Order No. 4312, DOE/FECM relied on market studies and other evidence MPL submitted in that proceeding to conclude that substantial economic and public benefits are likely to flow from MPL's exports of natural gas and LNG. DOE/FECM can rely on the same market studies and evidence MPL has previously submitted, as well as other information of which DOE/FECM may take official notice, to reach the same conclusion in this proceeding. Accordingly, in support of

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31 *See, e.g.*, *American LNG Mktg. LLC*, DOE/FE Order No. 3690 at 10, Docket No. 14-209-LNG (Aug. 7, 2015) (setting forth the specific factors); *see also, e.g.*, *Golden Pass Prods. LLC*, DOE/FE Order No. 3978-E at 25, Docket No. 12-156-LNG (Apr. 27, 2022); *Cameron LNG, LLC*, DOE/FE Order No. 3391-A at 8, Docket No. 11-162-LNG (Sep. 10, 2014); *Freeport LNG*, DOE/FE Order No. 3282 at 7, Docket No. 10-161-LNG (Nov. 14, 2014); *Lake Charles Exports*, DOE/FE Order No. 3324 at 8, Docket No. 16-110-LNG (Aug. 7, 2013); *Dominion Cove Point LNG*, DOE/FE Order No. 3331 at 8-9, Docket No. 11-128-LNG (Sep. 11, 2013); *Freeport LNG Expansion, LP*, DOE/FE Order No. 3357 at 9, Docket No. 11-161-LNG (Nov. 15, 2013); *Jordan Cove*, DOE/FE Order No. 3413 at 8, Docket No. 12-32-LNG (Mar. 24, 2014); *Oregon LNG*, DOE/FE Order No. 3465 at 8, Docket No. 12-77-LNG (Jul. 31, 2014); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 at 27, Docket No. 10-111-LNG (May 20, 2011).

32 *See, e.g.*, *Vista Pacífico LNG S.A.P.I. de C.V.*, DOE/FECM Order No. 4929 at 26, Docket No. 20-153-LNG (Dec. 20, 2022); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 at 34-38, Docket No. 10-111-LNG (May 20, 2011); *Freeport LNG*, DOE/FE Order No. 3282 at 6, Docket No. 10-161-LNG (Nov. 14, 2014); *Lake Charles Exports*, DOE/FE Order No. 3324 at 7, Docket No. 11-128-LNG; *Dominion Cove Point LNG*, DOE/FE Order No. 3331 at 7, Docket No. 11-128-LNG; *Freeport LNG*, DOE/FE Order No. 3357 at 8, Docket No. 11-161-LNG (Nov. 15, 2013); *Cameron LNG*, DOE/FE Order No. 3391-A at 8, Docket No. 11-162-LNG (Sep. 10, 2014); *Jordan Cove*, DOE/FE Order No. 3413 at 6-7, Docket No. 12-32-LNG (Mar. 24, 2014); *Oregon LNG*, DOE/FE Order No. 3465 at 7, Docket No. 12-77-LNG (Jul. 31, 2014).

this application, MPL incorporates by reference the substantial record developed in DOE/FE Docket No. 18-70-LNG demonstrating the public interest benefits of MPL's proposed LNG exports. Furthermore, MPL provides additional information below to demonstrate that granting this application and authorizing the additional exports it describes would not be inconsistent with the public interest.

On the basis of the information provided in MPL's prior application and the information provided in this application, DOE/FECM has ample grounds for determining that the export of additional quantities of U.S. natural gas and LNG produced from that natural gas as proposed in this application is not inconsistent with the public interest and should be allowed to proceed.

#### 1. Authorizing the Proposed Exports Will Result in Net Economic Benefits to the U.S.

Granting MPL additional authorization to export LNG to non-FTA nations will not cause any significant change in domestic supply, demand, or prices for natural gas. DOE/FECM studies,[33] the Energy Information Administration's Annual Energy Outlook 2022,[34] and recent DOE/FECM precedent[35] establish that the United States has significant natural gas resources available to meet both projected future domestic needs and demand for MPL's additional proposed

[33] *Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports*, NERA Economic Consulting (Jun. 7, 2018), *available at* https://www.energy.gov/sites/prod/files/2018/06/f52/Macroeconomic%20LNG%20Export%20Study%202018.pdf ("2018 LNG Export Study" or "2018 Study").

[34] *Annual Energy Outlook 2022*, U.S. Energy Information Administration (Mar. 3, 2022), *available at* https://www.eia.gov/outlooks/aeo/pdf/AEO2022_Narrative.pdf ("EIA AEO 2022").

[35] *See, e.g.*, *Vista Pacífico LNG S.A.P.I. de C.V.*, DOE/FECM Order No. 4929 at 55, Docket No. 20-153-LNG (Dec. 20, 2022); *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 54, Docket No. 18-14-LNG (Dec. 20, 2022); *Golden Pass LNG Terminal LLC*, DOE/FE Order No. 3978-E at 39 (Apr. 27, 2022); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 4800 at 50, Docket No. 19-125-LNG (Mar. 16, 2022).

exports. Moreover, existing and projected trends concerning U.S. gas demand and supply indicate that natural gas exports will have a positive impact on the U.S. economy.

In the 2018 LNG Export Study, DOE/FECM concluded that the United States will experience net economic benefits from the issuance of authorizations to export domestically produced LNG.[36] The 2018 LNG Export Study found that "[e]ven the most extreme scenarios of high LNG exports that are outside the more likely probability range…show higher overall economic performance in terms of GDP, household income, and consumer welfare than lower export levels associated with the same domestic supply scenarios."[37] Thus, the 2018 LNG Export Study supports the proposition that exports of LNG from the lower-48 states, in volumes up to and including 52.8 Bcf/d of natural gas, will not be inconsistent with the public interest.[38] As of the submission of this Application, DOE has authorized the export of LNG (and compressed natural gas) up to the equivalent of 47.06 Bcf/d to non-FTA countries,[39] a quantity that is within the range of scenarios analyzed in the 2018 LNG Export Study.[40]

In this application, MPL is seeking authorization to export 291.22 Bcf/year or 0.80 Bcf/day of natural gas to non-FTA nations. When the additional export volumes for which authorization is sought here (0.80 Bcf/day) are added to the cumulative quantity of 47.06 Bcf/day DOE had authorized as of the date of this submission, the result would be cumulative authorized exports of 47.86 Bcf/day. This total is well within the 52.8 Bcf/day aggregate export quantity that the 2018 LNG Export Study found would result in net economic benefits from the export of domestically

36 2018 Study Response to Comments, 83 Fed. Reg. 67,251, 67,272(Dec. 28, 2018).

37 *Id*. at 37,255.

38 *Id*. at 67,273.

39 *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 7, Docket No. 18-14-LNG (Dec. 20, 2022).

40 83 Fed. Reg. 67,251 at 67,258.

produced LNG.[41] Therefore, as it has in other proceedings DOE/FECM can find and conclude in reliance on the 2018 LNG Export Study, that authorizing the additional exports to non-FTA countries proposed in this Application "will not result in economic consequences that would render additional exports to be inconsistent with the public interest."[42]

MPL offers the publicly available studies cited in its prior application and in this application as further support for the proposition that the additional long-term export authorization requested here would not be inconsistent with the public interest.

(a) *Domestic Natural Gas Supply and Demand*

Market trends continue to indicate that the export of domestically produced natural gas is in the U.S. public interest. Domestic supply of natural gas is sufficient to satisfy domestic demand, inclusive of any expected level of LNG exports, including the additional quantities for which MPL here seeks export authorization. According to data compiled by the U.S. Energy Information Administration ("EIA"), increases in domestic natural gas production over the next twenty-five (25) years are projected to be well in excess of what is required to meet the increases in domestic natural gas consumption projected for the period.[43] The EIA AEO 2022 projects that, by 2050, "approximately 25% more natural gas will be produced than consumed in the United States."[44] In

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41 Furthermore, the cumulative total of U.S. LNG export capacity that is currently operating or under construction across all U.S. projects is 20.09 Bcf/day. *See, U.S. Liquefaction Capacity*, U.S. Energy Information Administration. (Aug. 22, 2022), *available at* https://www.eia.gov/naturalgas/importsexports/liquefactioncapacity/U.S.liquefactioncapacity.xlsx.

42 *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 72, Docket No. 18-14-LNG (Dec. 20, 2022); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 4800 at 67, Docket No. 19-125-LNG (Mar. 16, 2022).

43 EIA AEO 2022; *Sabine Pass Liquefaction, LLC,* DOE/FE Order No. 4800 at 48, Docket No. 19-125-LNG (Mar. 16, 2022).

44 *Id*. at 26.

fact, EIA concludes that total U.S. dry natural gas production will increase to 42.58 Tcf in 2050 compared to projected domestic natural gas consumption of 34.02 Tcf in 2050.[45]

If the authorization requested here is granted, the MPL Facility will be authorized to receive and liquefy only a small amount of the domestic surplus natural gas resource. DOE/FECM can readily conclude here, as it has in other LNG export authorization proceedings,[46] that there will be more than enough natural gas available to be produced in the U.S. over the next 25 years to satisfy all domestic requirements as well as to support significant LNG exports, including the exports through the MPL Facility proposed in this application.

(b) *Price Impacts*

Domestic natural gas prices have generally remained moderate as natural gas exports have increased, at least until recent extraordinary events. The EIA AEO 2022 projects that, "[d]espite LNG export growth and increased domestic demand for natural gas … the Henry Hub price will remain below $4/MMBtu throughout the projection period in most cases."[47] While domestic natural gas prices have increased significantly in 2022 as a result of extraordinary events, including demand recovery post-COVID 19 and Russia's invasion of Ukraine, EIA projects spikes in natural gas prices to be short-lived.[48] In recent orders authorizing LNG exports, DOE/FE has relied on the projections in EIA AEO 2022 and the 2018 LNG Export Study to find that "[i]ncreasing U.S. LNG exports under any set of assumptions about U.S. natural gas resources and their production leads

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45 *Id*. at Table 13.

46 *See Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 55, Docket No. 18-14-LNG (Dec. 20, 2022); *Golden Pass LNG Terminal LLC*, DOE/FE Order No. 3978-E at 39, Docket No. 12-156-LNG (Apr. 27, 2022).

47 *See* EIA AEO 2022 at 30.

48 EIA, *Short-Term Energy Outlook,* (Nov. 2022), *available at* https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf. "We expect natural gas prices will decline after [January 2023] as the deficit to the five-year average in inventories decreases."

to only small increases in U.S. natural gas prices."[49] The same conclusion is appropriate here, given that the amount of LNG that Mexico Pacific here proposes to export is relatively small in the context of the overall quantities of natural gas the 2018 LNG Export Study finds can be exported without driving substantial increases in U.S. natural gas prices.

As DOE/FE has repeatedly and consistently found in granting long-term export authorizations, there are adequate natural gas resources in the U.S. to meet demand associated with LNG exports as well as all domestic needs. Accordingly, granting MPL's request to amend its authorized level of LNG exports to non-FTA nations is unlikely to affect the availability of natural gas to domestic consumers or to have negative economic effects. To the contrary, MPL's proposed LNG exports will provide net economic benefits to the United States, regardless of the amount of LNG that is exported by others.

### 2. Other Public Interest Factors

The exports for which MPL seeks authorization here will result in the following economic and environmental benefits, all of which are consistent with the public interest:

- Providing economic stimulus indirectly for the U.S. economy, through the creation of jobs, increased economic activity, increased tax revenue, and exports;
- Promoting the use of abundant domestic natural gas supplies for environmentally beneficial applications, including marine bunkering and vehicle fueling;
- Providing demand for natural gas that might otherwise be vented or flared;
- Promoting the export of LNG to customers outside of the United States who are currently burning coal, diesel, or other high carbon fuels in those countries, thereby increasing economic trade and ties with foreign nations, while displacing those fuels; and
- Providing additional info to global markets to further energy security and reduce reliance on, or impact of, Russian gas amidst recent geopolitical events.

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[49] *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 4800 at 53, Docket No. 19-125-LNG (Mar. 16, 2022); *Golden Pass LNG Terminal LLC*, DOE/FE Order No. 3978-E at 51, Docket No. 12-156-LNG (Apr. 27, 2022); *see also Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 58-60, Docket No. 18-14-LNG (Dec. 20, 2022).

(a) *Economic Benefits*

The natural gas and LNG exports MPL proposes here will help mitigate the United States' trade deficit, which was $859.1 billion in 2021, reflecting $2.528 trillion in exports and $3.387 trillion in imports.[50] Exports from the MPL Facility will contribute, even if only modestly, to a reduction in the nation's trade deficit. DOE/FE has recognized comparable benefits as supporting LNG export authorizations in other cases.[51] It should be noted that realization of the benefits of increased exports is particularly likely in the case of the MPL Facility which, given its advantaged location on the west coast of North America close to abundant low cost supplies of natural gas, is uniquely positioned to compete successfully for LNG markets in Asia, the Pacific and the west coast of South America. While MPL LNG could be used by European markets, it is more likely that this LNG will be used to free up Atlantic LNG destined for Asia so that it may flow to Europe, providing Asia markets with the energy security they will need in order to permit other sources of LNG to meet increasing European demand.

U.S. exports of natural gas to support MPL's production of LNG will generate substantial trade benefits for the U.S. The aggregate value of U.S. natural gas exported to Mexico for liquefaction in the MPL Facility, if the MPL Facility were to operate at one hundred percent of its annual capacity at full build-out, in a single year would be in excess of $4.13 billion at today's current prices for natural gas produced in West Texas.[52] The U.S.' trade deficit with Mexico in

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[50] *U.S. International Trade in Goods and Services December 2021*, Bureau of Economic Analysis (Feb. 8, 2022), *available at* https://www.bea.gov/sites/default/files/2022-02/trad1221.pdf.

[51] *See, e.g., Flint Hills Resources,* DOE/FE Order No. 3829 at 17-18, Docket No. 15-168-LNG (May 20, 2016) (noting the Administration goal to "improve conditions that directly affect the private sector's ability to export" and to "enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports").

[52] This calculation assumes that MPL exports 1,046.57 Bcf in a given year, that all this natural gas is procured from U.S. sources, and that the price paid for this gas is the price for purchases

that year would be reduced on a dollar-for-dollar basis by this significant amount. It is thus fair to anticipate (conservatively) that MPL's exports of U.S. natural gas will reduce the U.S.' trade imbalance with Mexico by more than $4.38 billion per year just from 2026 to 2032.[53] Moreover, with the forecasted increases in West Texas gas production anticipated over the coming years, MPL will be a stabilizing force in one of the most prolific producing basins in the U.S., supporting a healthy supply/demand market balance.

MPL's proposed exports will also "benefit the liquidity of international natural gas markets."[54] Those exports will provide LNG purchasers additional options to serve growing demand in Asia and to permit LNG that can be more efficiently delivered to European markets to be diverted to address growing European demand for gas to replace Russian supply sources.

Finally, even though the MPL Facility will be constructed in Mexico, MPL will draw on individuals and entities in the United States for design, specialized equipment fabrication and construction services, as well as equity capital. The project will therefore help to encourage and facilitate the development of jobs in the United States through the promotion of exports.[55]

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of natural gas at the Waha Hub ($3.95/MMBtu) reported in the Natural Gas Intelligence ("NGI") Daily Price Index Report for December 15, 2022.

53 This calculation assumes that MPL exports 1,046.57 Bcf in a given year, that all this natural gas is procured from U.S. sources, and the price is based on the NGI Forward Look Waka Hub price for Calendar years 2026-2032 ($4.19/MMBtu).

54 *See Lake Charles Export Company, LLC*, DOE/FE Order No. 4010 at 26, Docket No. 16-109-LNG (June 29, 2017); *Carib Energy (USA) LLC*, DOE/FE Order No. 3937 at 22, Docket No. 16-98-LNG (Nov. 28, 2016).

55 *Id. See also Eagle LNG Partners Jacksonville II LLC*, DOE/FE Order No. 4078 at 28, Docket No. 17-79-LNG (Sept. 15, 2017); *Lake Charles Export Company, LLC*, DOE/FE Order No. 4010 at 29-30, Docket No. 16-109-LNG (June 29, 2017); *Carib Energy (USA) LLC*, DOE/FE Order No. 3937 at 19, 26, Docket No. 16-98-LNG (Nov. 28, 2016).

(b) *Environmental Benefits*

The natural gas exports to Mexico and subsequent LNG exports to other countries Mexico Pacific will make possible will result in significant environmental benefits in those countries and the regions of which they are a part. According to the U.S. Environmental Protection Agency, natural gas-fired power generation facilities produce half as much carbon dioxide ($CO_2$), less than a third as much nitrogen oxides ($NO_x$), and one percent as much sulfur oxides ($SO_x$), as compared to the average air emissions from coal-fired power generation facilities.[56] Increasing the amount of LNG exported to countries outside of the United States and available for power generation use will provide a low-cost energy alternative and encourage these countries to switch from coal fuel oil and diesel to more environmentally friendly fuels. As DOE/FECM has noted, "to the extent U.S. LNG exports are preferred over coal in LNG-importing nations, U.S. LNG exports are likely to reduce global GHG emissions on per unit of energy consumed basis for power production."[57] Exporting LNG to other countries, in which natural gas can displace consumption of coal, fuel oil and diesel, will reduce global carbon emissions, and will facilitate stronger relationships with foreign nations.

In addition, the MPL Facility's proximity to Asia, when compared to LNG export facilities on the U.S. Gulf Coast, will result in decreased shipping distances and times for cargoes delivered

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56 *See Clean Energy, Natural Gas – Electricity from Natural Gas*, U.S. Envtl. Protection Agency, *available at* http://www.epa.gov/cleanenergy/energy-and-you/affect/natural-gas.html; *Natural Gas*, U.S. Envtl. Protection Agency (Sept. 15, 2015), *available at* http://web.archive.org/web/20150915164453/http://www.epa.gov/cleanenergy/energy-and-you/affect/natural-gas.html; *see also Freeport LNG*, Order No. 3282, Docket No. 10-161-LNG (Nov. 14, 2014).

57 *See Golden Pass LNG Terminal LLC,* DOE/FE Order No. 3978-E at 43, Docket No. 12-156-LNG (Apr. 27, 2022); *see also Freeport LNG Expansion, L.P.*, DOE/FE Order No. 3357-B at 94, Docket No. 11-161-LNG (Nov. 14, 2014).

to Asia, the largest LNG demand region. Shorter shipper distances benefit the environment by reducing shipping-related emissions.

Finally, because MPL will source much of the natural gas it plans to export from the Permian Basin, MPL will provide demand for natural gas that might otherwise be vented or flared.[58] Most of the natural gas produced in the Permian Basin is associated gas produced from oil wells;[59] thus as oil production grows in the Permian Basin, natural gas production also grows. However, without robust markets and take-away capacity for associated natural gas, producers often find it cheaper to flare, and in limited circumstances to vent, natural gas in the Permian. EIA estimates that in 2021 in Texas, producers vented and flared 102 bcf of natural gas.[60] Bloomberg predicts that the amount of natural gas flared in the Permian Basin will only increase in 2023 as for "many companies it makes more economic sense to flare off the gas" than to cut back on oil production.[61] By providing a market for natural gas that might otherwise be vented or flared, MPL can in effect reduce the amount of natural gas that will be emitted into the atmosphere as greenhouse gas, which benefits the environment.

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[58] Venting, the direct release of natural gas into the atmosphere, causes the release of methane into the atmosphere, while flaring, the controlled burn of natural gas at the wellhead, causes the release of carbon dioxide into the atmosphere. Both venting and flaring are sources of greenhouse gas emissions.

[59] EIA, *Natural gas production in the Permian Basin reached an annual high in 2021*, (Jun. 2, 2022) *available at* https://www.eia.gov/todayinenergy/detail.php?id=52598 ("Unlike in the Appalachian Basin, where natural gas is produced from natural gas wells, most of the natural gas production in the Permian Basin is associated gas produced from oil wells.").

[60] EIA, *Natural Gas Annual*, Table 3 (2021), *available at* https://www.eia.gov/naturalgas/annual/pdf/nga21.pdf.

[61] Kevin Crowley, *Natural Gas Flaring Is Set to Rebound in Permian Basin*, Bloomberg (Nov. 14, 2022), *available at* https://www.bloomberg.com/news/articles/2022-11-14/permian-flaring-to-rebound-even-as-market-endures-natural-gas-shortages?sref=VfjPQO0e.

(c) *International Trade Benefits*

Exports of natural gas to the MPL Facility, and the subsequent exports of LNG through the Facility, will help to improve economic trade and ties between the U.S. and Mexico, as well as other destination countries. These may include developing nations in Asia and South America, as well as industrialized nations in Europe, Asia and the Middle East.

Authorizing LNG exports to non-FTA countries is also consistent with U.S. obligations under the General Agreement on Tariffs and Trade ("GATT"). According to a report prepared for the Hamilton Project, Article IX and the GATT "prohibits sustained quantitative restrictions on energy exports unless they are related 'to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.'"[62] A policy of restricting LNG exports in the face of plentiful domestic supplies of natural gas for the purposes of lowering domestic prices and increasing domestic consumption would be inconsistent with the U.S.'s commitments under GATT. Accordingly, exporting natural gas through the MPL Facility would help promote free and open trade.

LNG exports from the MPL Facility could yield wider geopolitical benefits, as well. Recently, DOE/FECM has recognized that, "[a]n efficient, transparent international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies."[63] As DOE/FECM has acknowledged, Russia's invasion of Ukraine has exacerbated concerns "about energy security for Europe and Central Asia, particularly given

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62 Michael Levi, *A Strategy for U.S. Natural Gas Exports*, prepared for The Hamilton Project, at p.18 (Jun. 2012), *available at* http://www.brookings.edu/research/papers/2012/06/13-exports-levi ("Hamilton Study").

63 *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 60, Docket No. 18-14-LNG (Dec. 20, 2022); *Golden Pass LNG Terminal LLC,* DOE/FE Order No. 3978-E at 39, Docket No. 12-156-LNG (Apr. 27, 2022).

the relative share of Russian natural gas supplies into those regions."[64]In this context, increased access to U.S.-sourced natural gas supplies can only benefit the global LNG market by affording that market "a source of predictable natural gas supply that is relatively free from unexpected production or shipping disruption."[65] Exports of U.S.-sourced natural gas to Asia may "provide a degree of increased energy security and pricing relief to LNG importers" by helping to decouple LNG prices from oil prices.[66]

According to pricing intelligence MPL has gathered, the delivered price of gas derived from MPL-produced LNG into Asia is expected to be more competitive than prices sought by other international LNG suppliers and competitive with the price of natural gas delivered into China by the Public Joint Stock Company Gazprom's Power of Siberia Pipeline.[67] A major reason MPL-sourced LNG will be competitive is MPL's favored location on the west coast of North America, close to the prolific Permian Basin and a site much closer to Asian markets, an advantage unavailable to most other developers of North American LNG projects. Thus, the MPL Facility's location on the west coast of Mexico is likely to translate into a durable competitive advantage for the U.S. natural gas suppliers and purchasers of U.S. gas supplies whose gas will be exported through the MPL Facility.

Accordingly, granting MPL the additional authorization to export natural gas to non-FTA nations requested here will redound to the considerable benefit of U.S. producers and the U.S. economy as a whole. The interests of U.S. and Mexican gas producer-suppliers, gas pipeline

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64 *Id*.

65 *Id*. at 43.

66 *Id*.

67 *See Linear Part of Power of Siberia Gas Pipeline Completed by 75.5 per cent*, Gazprom (Mar. 21, 2018) ("Russian gas supplies to China's CNPC would start on December 20, 2019"), *available at* http://www.gazprom.com/press/news/2018/march/article413496/.

owners, construction contractors, materials suppliers, service companies and workers will be significantly advanced by authorization of these additional exports. On the basis of the information presented above, DOE/FE should conclude that granting the requested authorization to export natural gas and LNG to non-FTA nations would not be inconsistent with the public interest.

## IV. ENVIRONMENTAL IMPACTS

MPL requests that DOE/FECM determine that a categorical exclusion from the requirement to produce an environmental assessment or an environmental impact statement is both applicable and appropriate for DOE/FECM's review of the export authorization requested in this application. Application of a categorical exclusion in this case is appropriate because the MPL Facility will be located in Mexico, beyond the scope of DOE/FECM's jurisdiction. Further, the additional natural gas exports for which MPL here seeks authorization will not involve or require the construction of any U.S. facilities that would yield environmental effects cognizable under NEPA. Therefore, the requested exports are not expected individually or cumulatively to have significant environmental impacts in the United States.[68]

If, however, DOE/FECM determines that it is appropriate to evaluate the potential environmental impacts of MPL's request to export additional quantities of U.S. sourced natural gas to non-FTA nations, MPL urges DOE/FECM to undertake an environmental assessment ("EA") under NEPA, as it has recently done for similar applications for authorization to export natural gas to Mexico.[69] As is true of those applications (involving the Vista Pacífico and Costa

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[68] Categorical exclusions apply in the case of actions the implementing agency has determined are not expected to have individually or cumulatively significant environmental impacts. *See* 40 C.F.R. § 1508.4.

[69] Vista Pacífico LNG S.A.P.I. de C.V. ("Vista Pacífico"), Notice of Environmental Assessment, Docket No. 20-153-LNG (Jul. 12, 2022); Energía Costa Azul, S. de R.L. de C.V. ("Costa Azul"), Notice of Environmental Assessment, Docket No. 18-145-LNG (Jul. 12, 2022).

Azul projects), this application seeks authorization to export natural gas to be liquified at a facility in Mexico, in quantities that can be accommodated by existing pipelines. Accordingly, MPL requests that DOE/FECM incorporate by reference into this proceeding the EAs prepared for the export applications submitted by Vista Pacífico and Costa Azul.[70] MPL further requests that DOE/FECM evaluate the same topics, discussed herein, as DOE/FECM evaluated for Vista Pacífico and Costa Azul in their EAs: (i) production of U.S.-sourced natural gas; (ii) cross-border pipelines; (iii) Mexico's environmental review; (iv) marine transportation of LNG; and (v) GHG emissions.[71]

### A. <u>Natural Gas Production</u>

The natural gas to be exported under the authority sought in this application will be produced from natural gas wells in the lower 48 states of the U.S., and a portion of that natural gas will be produced from unconventional resources. MPL does not know precisely where the production of natural gas will occur. Consistent with *Sierra Club*, DOE/FECM can find that indirect effects associated with incremental gas production are not reasonably foreseeable and need not be addressed in the EA.[72]

### B. <u>Pipelines</u>

As discussed above, MPL (or its customers) will export natural gas to Mexico under the authorization sought here via existing cross-border gas transmission pipelines. All of the U.S.

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70 Vista Pacífico EA; Environmental Assessment, Energía Costa Azul, S. de R.L. de C.V., Environmental Assessment, Office of Resource Sustainability and Office of Fossil Energy and Carbon Management, DOE/EA-2193, Docket No. 18-145-LNG (Oct. 28, 2022) ("Costa Azul EA").

71 *See, e.g.*, *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 42-49, Docket No. 18-14-LNG (Dec. 20, 2022); *Vista Pacífico LNG S.A.P.I. de C.V.*, DOE/FECM Order No. 4929 at 42-49, Docket No. 20-153-LNG (Dec. 20, 2022).

72 *Sierra Club*, 867 F.3d at 198-199; *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 63, Docket No. 18-14-LNG (Dec. 20, 2022).

pipelines that could transport natural gas to Mexico for use or liquefaction at the Project are subject to federal or state regulation. These pipelines have been evaluated by the Federal Energy Regulatory Commission and/or the relevant state regulatory authorities for environmental and other impacts. Any incremental throughput of natural gas authorized by this application would not raise the throughput above the levels permitted by relevant regulatory authorities; therefore, DOE/FECM can conclude that incremental natural gas flow caused by authorization of the MPL application would "not be expected to cause environmental effects that exceed permitted levels."[73]

### C. Mexico's Environmental Review

Executive Order 12,114 does not require federal agencies to evaluate environmental impacts outside the U.S. when the foreign nation is participating with the U.S. or is otherwise involved in the action.[74] In this case, the MPL Facility will be constructed in accordance with all applicable Mexican laws, regulations, and standards; therefore, the MPL Facility and any pipelines that may be constructed in Mexico are outside the scope of any EA to be prepared by DOE/FECM.

### D. Marine Transportation of LNG

MPL (or its customers) will export LNG from the MPL Facility in marine vessels. Accordingly, MPL requests that any EA incorporate the Marine Transport Technical Support Document previously prepared by DOE.[75] Similar to the EA for Vista Pacífico and Costa Azul, based on the Technical Support Document, the EA can rely on DOE's conclusion that "'the transport of natural

73 Vista Pacífico EA at 9.

74 Exec. Order No. 12114, 44 Fed. Reg. 1957 (Jan. 9, 1979).

75 U.S. Dep't of Energy, Technical Support Document, Notice of Final Rulemaking, National Environmental Policy Act Implementing Procedures (10 C.F.R. Part 1021) (Nov. 2020) ("Technical Support Document").

gas by marine vessels … normally does not pose the potential for significant environmental impacts,' provided the transport adheres to applicable maritime safety regulations and standards."[76]

### E. GHG Emissions

MPL requests that DOE/FECM incorporate by reference the National Energy Technology Laboratory's ("NETL") 2014 study, and 2019 update, titled "Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States."[77] DOE/FECM can conclude for MPL, as it did for Vista Pacífico and Costa Azul, that the EA need not contain a project-specific calculation of emission from construction and operation of the proposed MPL Facility because the 2014 LCA GHG Report and 2019 Update provide sufficient consideration of emissions and their potential impacts. The MPL Facility is comparable to the representative LNG project analyzed in the 2014 LCA GHG Report and 2019 Update because: (i) the source of natural gas for the MPL Facility (the lower-48 states of the United States) is the same source analyzed in the 2014 LCA GHG Report and 2019 Update; and (ii) the pipeline transportation that will be performed to support the exports proposed in this application is comparable to the transportation considered in the 2014 LCA GHG Report and 2019 Update.

On the basis of a review of: (i) production of U.S.-sourced natural gas; (ii) cross-border pipelines; (iii) Mexico's environmental review; (iv) marine transportation of LNG; and (v) GHG emissions, DOE/FECM can support a finding of no significant impact. MPL respectfully requests that DOE/FECM make such a finding.

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[76] *Energía Costa Azul, S. de R.L. de C.V.*, DOE/FECM Order No. 4365-B at 46, Docket No. 18-14-LNG (Dec. 20, 2022) (quoting Costa Azul EA at 13).

[77] 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)("2014 LCA GHG Report"); 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) ("2019 Update").

## V. ATTACHMENTS AND APPENDICES

The following attachments and appendices are included with this application:

- **Attachment 1**: MPL Facility Site Ownership
- **Appendix A**: Legal Opinion of Counsel of Mexico Pacific Limited LLC
- **Appendix B**: Verification

## VI. CONCLUSION

For the reasons set forth above, MPL respectfully requests that DOE/FECM grant MPL long-term, multi-contract authorization to export 291.22 Bcf/year of natural gas by pipeline to Mexico, to be liquefied in Mexico and re-exported to both FTA and non-FTA nations; and 134.35 Bcf/year of natural gas by pipeline to Mexico, a FTA nation, for use as fuel for pipeline transportation or liquefaction in Mexico. MPL requests orders be issued as promptly as possible.

Respectfully submitted,

**MEXICO PACIFIC LIMITED LLC**

By: *\/s/ James F. Bowe, Jr.*
James F. Bowe, Jr.
King & Spalding LLP
1700 Pennsylvania Ave., NW, Suite 900
Washington, DC 20006-4707

*Counsel for Mexico Pacific Limited LLC*

Dated: December 28, 2022

**Attachment 1**

**MPL Facility Site Ownership**

Government of the State of Sonora

| | |
|---|---|
| Public Instrument No. 14,841, Vol. 336 | Grant date: August 16, 2004<br>Issue date: August 24, 2004 |

Sonora Pacific Mexico, S. de R.L. de C.V.

| | |
|---|---|
| Public Instrument No. 19,720, Vol. 365 | Grant date: September 6, 2006<br>Issue date: October 18, 2006 |

Terminal GNL de Sonora, S. de R.L. de C.V.

| | |
|---|---|
| Real Estate Purchase and Sale Agreement<br>Public Deed No. 40,222 | Executed September 5, 2017 |

Mexico Pacific Land Holdings, S. de R.L. de C.V.

(indirect subsidiary of Mexico Pacific Limited LLC,
applicant for NGA Section 3 export authorization)

# Appendix A

## Legal Opinion of Counsel for Mexico Pacific Limited LLC

KING & SPALDING

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December 28, 2022

Ms. Amy Sweeney
Director, Office of Regulation, Analysis, and
Engagement
Office of Oil and Natural Gas
Office of Fossil Energy and Carbon Management
(FE-34)
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

**Re:** ***Mexico Pacific Limited LLC*, Docket NO. 22-167-LNG**
**Application for Additional Long-Term Authorization to Export Natural Gas to Mexico and to Re-export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Nations**

Dear Ms. Sweeney:

This opinion is provided pursuant to Section 590.202(c) of the Department of Energy Regulations, 10 C.F.R. § 590.202(c), in support of the Application of Mexico Pacific Limited LLC ("Mexico Pacific") for Additional Long-Term, Multi-Contract Authorization to Export Natural Gas to Mexico and to Re-export Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade Agreement Nations (the "Application").

I am counsel to Mexico Pacific, a limited liability company organized under the laws of the State of Delaware. I have reviewed and relied upon the corporate documents of Mexico Pacific, and it is my opinion that the proposed exports described in the Application are within the limited liability company powers of Mexico Pacific.

Very truly yours,

James F. Bowe, Jr.

*Counsel to Mexico Pacific Limited LLC*

# Appendix B

# Verification

## VERIFICATION

I, Tyler R. Brown being first duly sworn, state that I am a duly authorized representative of Mexico Pacific Limited LLC; I have read the above Application and I am familiar with its contents; and the matters set forth in the Application are true and correct to the best of my knowledge, information, and belief.

Tyler R. Brown

*Counsel to Mexico Pacific Limited LLC*

Sworn and subscribed before me this 28th day of December, 2022.

Notary Public
for ~~Fulton~~ Henry County, Georgia
My Commission expires: April 3, 2024

RANA ASHLEY BIGGS
NOTARY
EXPIRES
GEORGIA
April 3, 2024
PUBLIC
HENRY COUNTY, GA