

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

Mexico Pacific Limited LLC

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Docket No. 22-167-LNG

**ANSWER OF MEXICO PACIFIC LIMITED LLC TO COMMENTS OF THE
INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS**

Pursuant to Section 590.302(b) of the Department of Energy’s (“DOE”) regulations,¹ Mexico Pacific Limited LLC (“MPL”) hereby submits this answer (“Answer”) in response to the Comments of the Institute for Energy Economics and Financial Analysis (“IEEFA”)² filed in the above-captioned proceeding. The IEEFA Comments ostensibly concern MPL’s application submitted on December 28, 2022, to the DOE Office of Fossil Energy and Carbon Management (“DOE/FECM”) 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.³ In fact, however, the IEEFA Comments offer no analysis or argument that addresses the specifics of the MPL proposal, but instead make generalized assertions regarding the continued usefulness of analyses on which DOE has previously relied in finding other natural gas export project proposals to be consistent with the public interest. Those generalized assertions do not invalidate the analyses of natural gas market dynamics DOE has

¹ 10 C.F.R. § 590.302(b) (2022).

² Comments of the Institute for Energy Economics and Financial Analysis to the Department of Energy Office of Fossil Energy and Carbon Management regarding the application to expand export and re-export operations by Mexico Pacific Limited LLC, Docket No. 22-167-LNG (Mar. 29, 2023) (“IEEFA Comments”).

³ 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, Docket No. 22-267-LNG (Dec. 28, 2022) (“Application”).

accepted, and they do not compel the conclusion that the exports MPL proposes would be inconsistent with the public interest.

In support of its Answer, MPL states the following:

I. BACKGROUND

On December 28, 2022, MPL filed the Application with DOE/FECM, requesting authorization 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.

MPL filed the Application in connection with its continuing development of an LNG production and offtake facility located in the State of Sonora, Mexico (the “MPL Facility”).

On February 1, 2023, DOE/FECM published notice of the Application in the Federal Register, setting a deadline for “protests, motions to intervene, or notices of intervention, as applicable, and written comments” by April 3, 2023.⁴ IEEFA submitted the IEEFA Comments to DOE/FECM on March 29, 2023.⁵

For the reasons stated below, nothing in the IEEFA Comments provides a basis for DOE/FECM to conclude that MPL’s Application would be inconsistent with the public interest.

⁴ Mexico Pacific Limited LLC; Application for Additional Long-Term, Multi-Contract Authorization To Export U.S.-Sourced Natural Gas to Mexico and To Re-Export Liquefied Natural Gas From Mexico to Non-Free Trade Agreement Countries, 88 Fed. Reg. 6716 (Feb. 1, 2023).

⁵ IEEFA, having filed “Comments,” is not a party to this proceeding. *See id.* at 6717 (“Any person wishing to become a party to this proceeding evaluating MPL’s Application, must file a motion to intervene or notice of intervention. The filing of comments or a protest with respect to the Application will not serve to make the commenter or protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the Application.”).

II. ANSWER

A. DOE/FECM Should Grant MPL’s Request for Authorization to Export Natural Gas and LNG to FTA Nations.

Section 3(c) of the Natural Gas Act (“NGA”) requires that applications for authorization to export natural gas, including LNG, to a FTA nation be “deemed to be consistent with the public interest” and “granted without modification or delay.”⁶ Because the question whether to authorize exports to FTA nations has been conclusively resolved by Congress in favor of such exports, the IEEFA Comments are irrelevant to DOE/FECM’s review of MPL’s request for authorization to export natural gas and LNG to FTA nations. Accordingly, MPL reiterates its request that DOE/FECM issue the requested authorization for export to FTA nations as soon as practical, consistent with the statutory mandate.⁷

B. Authorizing MPL to Export LNG to Non-FTA Nations is not Inconsistent with the Public Interest.

With respect to exports to non-FTA nations, Section 3(a) of the NGA creates a rebuttable presumption that proposed exports of natural gas are in the public interest, and DOE/FECM must grant an application for authorization to engage in such exports unless those who oppose the application overcome that presumption.⁸ To do this, an opponent must affirmatively demonstrate that the proposal is inconsistent with the public interest.⁹ The IEEFA Comments contain no basis

⁶ 15 U.S.C. § 717b(c).

⁷ 15 U.S.C. § 717b(a).

⁸ 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).

⁹ See *Sierra Club v. U.S. Dept. of Energy*, 867 F.3d 189, 203 (D.C. Cir. 2017); *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.”).

upon which DOE/FECM could find that this rebuttable presumption has been overcome and conclude that approval of MPL's Application would be inconsistent with the public interest.¹⁰ It should be noted that, while IEEFA purports to "address the question of whether or not the project aligns with the public interest,"¹¹ nowhere in the IEEFA Comments does IEEFA affirmatively state that the export authorization MPL seeks is inconsistent with the public interest, or address anything specific to the MPL Application.

1. Authorizing MPL's Proposed Exports Will Result in Net Economic Benefits

DOE/FECM has concluded that the United States will experience net economic benefits from the issuance of authorizations to export LNG.¹² It has based this conclusion on, among other things, a 2018 study prepared for DOE/FECM by NERA Economic Consulting.¹³ IEEFA asserts that this 2018 LNG Export Study and other studies DOE/FECM relies on to consider whether export authorization is consistent with the public interest are "outdated."¹⁴ Specifically, IEEFA argues that the 2014 Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy

¹⁰ 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 policy of promoting market competition, and (iv) any other factors bearing on the public interest. *See, e.g., Golden Pass Prods. LLC*, DOE/FE Order No. 3978-E at 25, Docket No. 12-156-LNG (Apr. 27, 2022). DOE/FECM 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. *See, e.g., Vista Pacifico LNG S.A.P.I. de C.V.*, DOE/FECM Order No. 4929 at 26, Docket No. 20-153-LNG (Dec. 20, 2022).

¹¹ IEEFA Comments at 1. MPL is assuming that use of the term "project" by IEEFA is meant to refer to the Application, not the MPL Facility.

¹² 2018 Study Response to Comments, 83 Fed. Reg. 67,251, 67,272 (Dec. 28, 2018).

¹³ *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> (the "2018 LNG Export Study").

¹⁴ IEEFA Comments at 1.

Markets study,¹⁵ the 2015 Macroeconomic Impact of Increasing U.S. LNG Exports report,¹⁶ and the 2018 LNG Export Study fail to account for the COVID-19 pandemic, recent increases in rates of inflation, recent supply and demand trends, and upheavals to the natural gas markets due to Russia's invasion of Ukraine.

Contrary to IEEFA's assertions, DOE/FECM has revisited its studies in recent export authorizations and has concluded that "[t]he assumptions underlying the 2018 LNG Export Study's findings remain consistent with more recent assessments of current and future natural gas supply, demand, and prices" and that "the 2018 LNG Export Study is fundamentally sound."¹⁷ IEEFA does not address this updated analysis or contest DOE/FECM's recent conclusions reaffirming the appropriateness of its continued reliance on the 2018 Export Study.

Importantly, the IEEFA Comments do not acknowledge that DOE/FECM relies on a number of studies other than those mentioned by IEEFA to evaluate the benefits of export authorizations. DOE/FECM recently has pointed to the Annual Energy Outlook 2022 ("AEO 2022") issued by the Energy Information Administration ("EIA") on March 3, 2022, as well EIA's Short-term Energy Outlook issued on March 8, 2022, as supporting the conclusion that these most recent analyses and their conclusions are consistent with the findings and conclusions of the 2018 LNG Export Study. The most recent analyses available in fact support DOE/FECM's findings that increases in LNG exports will not be inconsistent with the public interest. Having essentially ignored much of what DOE/FECM has found and concluded on the basis of the most recent

¹⁵ *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Market*, U.S. Energy Information Administration (Oct. 2014), available at <https://www.eia.gov/analysis/requests/fe/pdf/lng.pdf>.

¹⁶ *The Macroeconomic Impact of Increasing U.S. LNG Exports*, National Energy Technology Laboratory (Oct. 29, 2015), available at https://www.energy.gov/sites/prod/files/2015/12/f27/20151113_macro_impact_of_lng_exports_0.pdf.

¹⁷ *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).

authoritative governmental analyses available, IEEFA has failed to provide any reason for DOE/FECM to depart from its conclusion that it may continue to rely on the 2018 LNG Export Study as well as a number of other more recent analyses to conclude that increases in LNG exports will not be inconsistent with the public interest.

The IEEFA Comments do little more than take issue with the DOE studies; they make no points specific to MPL's Application. Nevertheless, MPL reiterates in this Answer that MPL's proposed exports to non-FTA nations will not be inconsistent with the public interest. MPL properly relied on the DOE studies as well as more recent information to support this conclusion, which MPL discussed and included by reference in its Application. MPL also offered information describing the enormous domestic natural gas resource base that is available to support exports,¹⁸ the environmental benefits of fuel switching and decreased flaring,¹⁹ and the substantial benefits of natural gas exports to the U.S. balance of trade and geopolitical strategy.²⁰ With this information and other information MPL has presented, DOE/FECM has ample evidence on which to conclude that MPL's proposed exports to non-FTA nations will not be inconsistent with the public interest.

2. The IEEFA Comments Do Not Accurately Reflect the Reality of LNG Demand and Natural Gas Prices

IEEFA posits that "market developments may accelerate over the next several years if prices remain high, reducing the pace of long-term LNG demand growth."²¹ Ultimately, IEEFA states, if the demand for LNG diminishes, the economic benefits of LNG exports for the U.S. would be diminished, and such diminished economic benefits at some point would not outweigh the costs to the public of MPL's requested export authorization. IEEFA cites several of its own

¹⁸ Application at 20.
¹⁹ Application at 26.
²⁰ Application at 24.
²¹ IEEFA Comments at 4.

studies and cherry-picks data in an attempt to cast doubt on the future growth in demand for U.S. LNG. IEEFA's arguments do not support the conclusions IEEFA urges.

First, IEEFA's arguments regarding the potential for a decline in demand for LNG are simply not accurate. Demand for U.S. LNG is forecast to be robust for many years. The Shell LNG Outlook forecasts that demand for LNG will exceed supply in the near-term and demand will continue to outpace supply until at least 2040.²² MPL's experience is consistent with this forecast, in that it has found that there is strong demand for its LNG. MPL has signed multiple long-term LNG off-take contracts with customers which MPL will be filing with DOE in FE Docket No. 18-70-LNG. DOE/FECM's policy in evaluating export determinations is that the market is the most efficient means of allocating natural gas supplies.²³ Contrary to IEEFA's assertions otherwise, data and MPL's contracting experience demonstrates that U.S.-sourced LNG will continue to encounter robust demand and that MPL's LNG in particular will be needed and participants in the global market wish to commit to purchase it on a long-term basis.

Second, IEEFA's argument that high domestic natural gas prices may reduce LNG demand growth is misguided. Contrary to IEEFA's assertions, domestic natural gas prices are not currently "high"; they have been falling steadily since their highs in 2021-2022. The EIA forecasts that the average natural gas price at Henry Hub will remain around \$3 in the near term.²⁴

Finally, the spike in domestic natural gas prices that occurred in 2021 and 2022, which MPL acknowledged in its Application, does not demonstrate that authorization of MPL's proposed

²² *Shell LNG Outlook 2023*, Shell Oil Company (Feb. 2023) at 28, *available at* https://www.shell.com/energy-and-innovation/natural-gas/liquefied-natural-gas-lng/lng-outlook-2023/_jcr_content/root/main/section_599628081_co/promo_copy_copy/links/item0.stream/1676487838925/410880176bce66136fc24a70866f941295eb70e7/lng-outlook-2023.pdf.

²³ *See Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas*, 49 Fed. Reg. 6,684 (Feb. 22, 1984).

²⁴ *Short-Term Energy Outlook*, U.S. Energy Information Administration (Apr. 2023), *available at* https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf.

exports would be contrary to the public interest. As MPL stated in the Application, DOE/FECM 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 to only small increases in U.S. natural gas prices.”²⁵ When considering domestic price increases in evaluating recent export authorizations, DOE/FECM has compared the pricing assumptions that underpin the 2018 LNG Export Study with the pricing assumptions incorporated in the EIA AEO 2022. On the basis of this comparison, DOE/FECM has found that the EIA AEO 2017, on which the 2018 LNG Export Study relies, projected a Henry Hub price through 2050 of \$6.27 per MMBtu compared to the EIA AEO 2022 projection for 2050 of \$3.59 per MMBtu, using 2021 dollars in each case.²⁶

Since MPL filed its Application, the conclusion that natural gas exports will lead only to small increases in U.S. natural prices has only been bolstered. EIA’s recently released AEO for 2023 forecasts that natural gas prices at Henry Hub will remain below \$4.02 through 2050.²⁷ Thus, recent EIA pricing data is *more supportive* of LNG exports than the data that DOE/FECM studied in the 2018 LNG Export Study. DOE/FECM can conclude here, as it has done in recent cases, that exports of the amounts of LNG which MPL seeks to make available to non-FTA nations will not drive substantial increases in U.S. natural gas prices.

²⁵ *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).

²⁶ *Cheniere Marketing LLC & Corpus Christie Liquefaction, LLC*, DOE/FE Order No. 4799 at 53 (Mar. 16, 2022).

²⁷ *Annual Energy Outlook*, U.S. Energy Information Administration (Mar. 2023), *available at* https://www.eia.gov/outlooks/aeo/pdf/AEO2023_Narrative.pdf.

III. CONCLUSION

For all the foregoing reasons, MPL requests that DOE/FECM accept this Answer, and when acting on the Application, reject the arguments raised in the IEEFA Comments. On the basis of the information provided in the Application and this Answer, DOE/FECM can conclude that the export authorization requested by MPL is not inconsistent with the public interest.

Respectfully submitted,

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

Mexico Pacific Limited LLC

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Docket No. 22-167-LNG

CERTIFICATE OF SERVICE

Pursuant to 10 C.F.R. § 590.107, I, Tyler R. Brown, hereby certify that I caused the above documents to be served on the persons included on the official service list for this docket, as provided by DOE/FE, on April 13, 2023.

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