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

**In The Matter Of:**

**Southern LNG Company, L.L.C.**

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**FECM Docket No. 23-109-LNG**

**ANSWER OF SOUTHERN LNG TO PROTEST AND  
RENEWED REQUEST FOR APPROVAL**

Pursuant to Section 590.304(f) of the United States Department of Energy's ("DOE") regulations,<sup>1</sup> Southern LNG Company, L.L.C. ("Southern LNG") hereby submit the instant answer in opposition ("Answer") to the comments of the Institute for Energy Economics and Financial Analysis ("IEEFA") filed on December 20, 2023 and the protest submitted as part of the Motion to Intervene and Protest of Public Citizen, Inc. ("Public Citizen") filed on December 26, 2023. For the reasons explained herein, Southern LNG respectfully requests that the DOE Office of Fossil Energy and Carbon Management ("DOE/FECM") reject IEEFA's comments and Public Citizen's protest and proceed to issue an order authorizing Southern LNG's requested export authorization.

**I.  
BACKGROUND**

On September 25, 2023, Southern LNG submitted an application to DOE/FECM for long-term multi contract authorization to export up to 28.25 billion cubic feet of natural gas per year to Non-Free Trade Agreement ("Non-FTA") countries. Southern LNG proposes to export LNG from the existing Elba Island Terminal, located in Chatham County, Georgia ("Elba Terminal") to any country that has, or in the future will have, the capacity to import LNG via ocean-going carrier, with which the United States does not have an FTA requiring national treatment for trade in natural

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<sup>1</sup> 10 C.F.R. Part 590 (2021).

gas, and with which trade is not prohibited by U.S. law or policies. Southern LNG Company requests this authorization on its own behalf and as agent for other parties who hold title to the LNG at the time of export.

This application corresponds with Southern LNG’s application (“2023 FERC Application”) with the Federal Energy Regulatory Commission (“FERC”) on April 28, 2023 for authorization to make modifications to the existing liquefaction facilities and install and operate a new condensate plant and liquid nitrogen vaporizers at the existing Elba Island Terminal in FERC Docket No. CP23-375 (the “Elba Liquefaction Optimization Project” or “Project”). Such modifications are intended to modify the Movable Modular Liquefaction System (“MMLS”) Dehydration and Heavies Removal units to reduce cold box fouling, reduce the flaring events associated with cold box deriming, and increase the Elba Liquefaction Project’s authorized maximum LNG production capacity from approximately 2.5 MTPA to 2.9 MTPA.<sup>2</sup>

Currently, in FECM Docket Nos. 12-54-LNG,<sup>3</sup> Southern LNG is authorized to export domestically-produced LNG to any FTA country and which has or in the future develops the capacity to import LNG via ocean-going carrier<sup>4</sup> in an amount up to 182.5 Bcf/y of natural gas. Southern LNG is also authorized by DOE/FECM to export LNG from the Elba Island Terminal to

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<sup>2</sup> FERC is the lead agency for the National Environmental Policy Act review. See *Southern LNG Company, LLC*, Notice of Schedule for the Preparation of an Environmental Assessment for the Proposed Elba Liquefaction Optimization Project (Aug. 9, 2023) (FERC staff plans to issue the Environmental Assessment on March 8, 2024).

<sup>3</sup> *Southern LNG Company, LLC*, DOE/FECM Order No. 3106, FE Docket No. 12-54-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal to Free Trade Agreement Nations (June 15, 2012) and DOE Order No. 3106-A (December 30, 2020) (extending the export term through December 31, 2050).

<sup>4</sup> *Southern LNG Company, LLC*, DOE/FECM Order No. 3956, FE Docket No. 12-100-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal to Non-Free Trade Agreement Nations (December 16, 2016) and DOE Order No. 3956-A (December 30, 2020) (extending the export term through December 31, 2050).

Non-FTA Nations in an amount up to 130 Bcf/y of natural gas.<sup>5</sup> In this regard, the instant Application seeks to align Southern LNG's export authority to Non-FTA Nations with the liquefaction production capacity requested in the 2023 FERC Application.

DOE/FECM published a notice of the DOE Application in the Federal Register on October 24, 2023, requiring that protests, motions to intervene, or notices of intervention, as applicable, and written comments be filed by December 26, 2023.<sup>6</sup>

IEEFA filed comments on December 20, 2023 and Public Citizen submitted a Motion to Intervene and Protest of Public Citizen on December 26, 2023 to DOE/FECM, each objecting to the DOE Application and averring that the request to export LNG should be denied as contrary to the public interest.

## **II. ANSWER IN OPPOSITION**

As detailed below, the arguments set forth in the Protests are, among other things, inaccurate, misleading, and raise issues outside the scope of the DOE Application and therefore, should be disregarded. Moreover, much of the opposition is generalized in nature and challenges long-established DOE/FECM policies and precedent, and such challenges have previously been rejected by DOE/FECM and the courts. Public Citizen and IEEFA allege no information to suggest that granting the export authorization requested by Applicants is not consistent with the public interest. For these reasons, as explained below, DOE/FECM should afford the Protests no weight.

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<sup>5</sup> See *Southern LNG Company, L.L.C.*, DOE/FECM Docket No. 12-54-LNG, Opinion and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal in Chatham County, Georgia to Non-Free Trade Agreement Nations, DOE/FECM Order No. 3956 (December 16, 2016) (hereinafter Order No. 3956) and *Southern LNG Company, L.L.C.*, Order Extending Export Term for Authorizations to Free Trade and Non-Free Trade Agreement Nations Through December 31, 2050, DOE/FECM Order No. 3106-A and DOE Order No. 3956-A (December 30, 2020) (extending the export term through December 31, 2050).

<sup>6</sup> Southern LNG Company, L.L.C.; Application for Long-Term Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Nations 88 Fed. Reg. 73008 (Oct. 24, 2023), available at <https://www.energy.gov/sites/default/files/2023-10/Federal%20Register%20Notice%20of%20Application.pdf>

#### **A. Southern LNG's Application is for a Relatively Small Increase**

The LNG terminal on Elba Island in Chatham, Georgia operates as a bi-directional LNG terminal with two LNG carrier berths, five LNG storage tanks, vaporization capacity, sendout facilities and other associated infrastructure in addition to the ten Movable Modular Liquefaction System (“MMLS”) units. The proposed Elba Liquefaction Optimization Project is intended to modify certain MMLS equipment that will reduce the fouling rate in the liquefaction units, reduce the resultant flaring events associated with cold box deriming, and therefore allow the MMLS to operate in an optimized condition for longer periods of time without fouling, thus yielding improved LNG production and lower GHG emissions associated with derime flaring. The long-term impacts associated with the proposed Project improve efficiency of the MMLS units and reduce derime flaring and associated GHGs by approximately 11,855 tons annually.

Southern LNG’s proposal reflects a relatively small increase in total exports at an operational facility. While the increase could result in up to approximately four additional ships to Non-FTA countries per year, this amount is within Southern LNG’s current FTA authorization and the United States Coast Guard Water Suitability Assessment, so it is unclear whether the additional production from the MMLS Units will actually result in an increase in Non-FTA shipping activity.<sup>7</sup> For this reason, Southern LNG’s customer, Shell NA LNG LLC (“SNALNG”), does not propose to increase its firm transportation capacity to ship natural gas to Southern LNG for the ELO Project. Thus, the natural gas grid in the southeast United States should not be impacted by this slight increase in feed gas because SNALNG has already contracted for enough firm capacity to support these volumes and it is already has been accounted for in the marketplace.

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<sup>7</sup> In 2023, SLNG offloaded 89 total cargos of which 46 were exports for a total quantity of 2.31 MTPA. Of such cargos, 1.94 MTPA were to Non-FTA countries.

**B. Public Citizen’s claims regarding domestic natural gas supply and pricing impacts have been consistently reviewed and rejected by DOE/FECM**

Public Citizen’s Protest and IEEFA’s comments raise unfounded concerns regarding potential natural gas supply and price impacts associated with increased exports of U.S.-sourced LNG. Current projections for U.S. gas supply are more than sufficient to meet both domestic needs as well as the exports proposed by Southern LNG and others proved by DOE/FECM. According to the EIA, domestic natural gas consumption is forecasted to remain stable, and continued increased natural gas production will allow the U.S. to “remain a net exporter of petroleum products and natural gas through 2050 in all AEO2023 cases.”<sup>8</sup> Accordingly, Southern LNG’s proposed export authorization will not have a detrimental impact on the domestic supply of natural gas and, therefore, the Application is not inconsistent with the public interest. This, coupled with continued growth in natural gas production will ensure that continued and additional exports do not threaten domestic gas supply needs. In this regard, AEO 2023 found that current supply projections would simultaneously support LNG exports and anticipated domestic demand.<sup>9</sup>

With regard to price impacts, as noted in the DOE Application, DOE’s 2018 LNG Export Study confirmed that “[i]ncreasing U.S. LNG exports under any given set of assumptions about U.S. natural gas resources and their production leads to only small increases in U.S. natural gas prices.”<sup>10</sup> In its most recent non-FTA export approval, DOE/FECM relied on the 2018 LNG Export

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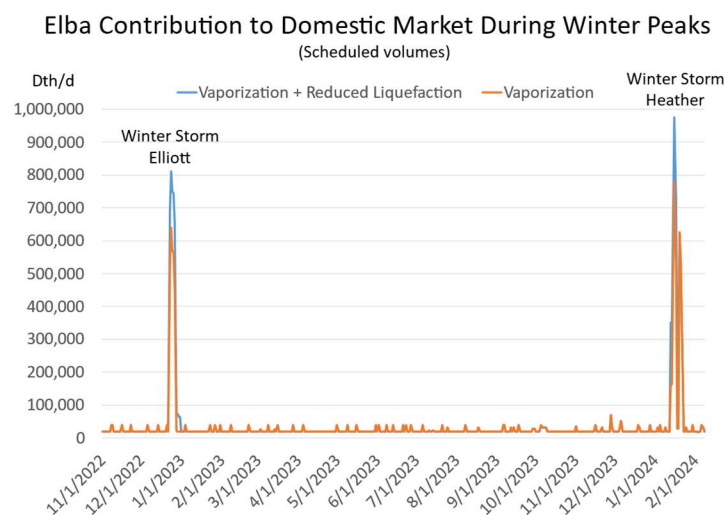
<sup>8</sup> U.S. Energy Info. Admin., Annual Energy Outlook 2023, at p. 6 (Mar. 16, 2023), available at <https://www.eia.gov/outlooks/aeo/>.

<sup>9</sup> AEO 2023, at p. 6 (finding that “continued growth in U.S. production, [] combined with relatively little growth in domestic consumption, allows the United States to remain a net exporter of ... natural gas through 2050 in all AEO2023 cases.”).

<sup>10</sup> NERA Economic Consulting, Macroeconomic Outcomes of Market Determined Levels of U.S. LNG Exports, at p. 56-57 (Jun. 7, 2018), available at <https://www.energy.gov/sites/prod/files/2018/06/f52/Macroeconomic%20LNG%20Export%20Study%202018.pdf> [hereinafter 2018 LNG Export Study].

Study, and reaffirmed that based on the 2022 Annual Energy Outlook projections, the study was fundamentally sound.<sup>11</sup> The most recent AEO 2023 data continues to support the conclusions in the 2018 LNG Export Study with regard to limited price increases. For the year 2050, the AEO 2023 Reference Case shows moderately higher natural gas production from the lower-48 and significantly lower total consumption, which is more favorable than in the AEO 2017 Reference. DOE/FECM should follow the same approach here and such review of the most recently available data will lead to the same conclusion. The 2023 EIA data reaffirms the conclusions contained in the 2018 LNG Export Study with respect to prices.

Finally, it is uninformed to suggest that LNG exports contribute to physical shortages during winter events. Because Elba is bidirectional, SNALNG has delivered LNG from the Elba Terminal to the interstate pipeline grid during extreme winter storms in the past couple years.



<sup>11</sup> *Freeport LNG Expansion, L.P.*, et al., DOE/FECM Order No. 4961, Order Granting Long-Term Authorization To Export Liquefied Natural Gas To Non-Free Trade Agreement Nations, Docket No. 21-98-LNG (Mar. 3, 2023) [hereinafter *Order No. 4961*].

This LNG sendout provides additional supplies to the Southeastern gas market consistent with how LNG facilities are utilized throughout the United States.<sup>12</sup> Such actions are consistent with responding to market forces and dynamics but they do not create or exacerbate such dynamics. Instead of contributing to physical shortages, the Elba Terminal has actually enhanced supply to the market.

### **C. Participants in the Transaction**

Southern LNG owns and operates the export facilities at the Elba Terminal and holds the DOE authorizations for export. Southern LNG also operates the liquefaction facilities at Elba Island, which are owned by Elba Liquefaction Company, L.L.C. (“ELC”), an affiliate of Southern LNG. Southern LNG and ELC, each hold contracts with SNALNG to provide export and liquefaction services, respectively to SNALNG. ELC is a Delaware limited liability company formed on January 30, 2013, which is owned 25.5% by Southern Liquefaction Company LLC, a Delaware limited liability company, and a wholly owned subsidiary of Kinder Morgan Energy Partners, L.P., a Delaware limited partnership, which is indirectly controlled by Kinder Morgan, Inc., a Delaware corporation; 25.5% is owned by CDI Tuscany Intermediate Holdings, LLC, a Delaware limited liability company, and the remaining 49% is owned by BX ELC Holdings LLC, a Delaware limited liability company.

## **III. CONCLUSION**

WHEREFORE, Southern LNG respectfully requests that DOE/FECM accept this Answer and reject the arguments raised for the reasons discussed herein. Southern LNG understands that the Biden-Harris Administration announced on January 26, 2024, after the notice period ended in

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<sup>12</sup> Comments of Chairman Willie L. Phillips and NERC CEO James B. Robb on Reliability (Nov. 6, 2023) (when flows of natural gas into the pipeline are reduced, liquefied natural gas facilities can maintain necessary pressure), available at <https://www.ferc.gov/news-events/news/joint-statement-ferc-nerc-reliability>.

this docket, a temporary pause on pending decisions on exports of Liquefied Natural Gas (LNG) to non-FTA countries until the Department of Energy can update the underlying analyses for authorizations. As the nature of the increase requested in this proceeding is de minimis and the impacts are also insignificant, as more fully described herein, Southern LNG requests that this permit be considered outside the “pause” as it is to incorporate equipment upgrades at an existing, fully operational LNG terminal which has already been permitted and evaluated.

Respectfully submitted,

/s/ Patricia S. Francis

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