

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

CONOCOPHILLIPS ALASKA NATURAL GAS
CORPORATION

)
) FE DOCKET NO. 13-154-LNG
)
)

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE KENAI LNG FACILITY
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3392

FEBRUARY 19, 2014

I. DESCRIPTION OF REQUEST

On December 11, 2013, ConocoPhillips Alaska Natural Gas Corporation (CPANGC) filed an application (Application) with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)¹ for blanket authorization to export liquefied natural gas (LNG) in a volume equivalent to approximately 40 billion cubic feet (Bcf) of natural gas on a cumulative basis for a two-year period commencing on the date of this Order. CPANGC seeks authorization to export the LNG by vessel from existing natural gas liquefaction and marine terminal facilities located near Kenai, Alaska (Kenai LNG Facility).² CPANGC seeks to export this LNG to any country that has, or in the future develops, the capacity to import LNG and with which the United States has, or in the future enters into, a free trade agreement (FTA) requiring national treatment for trade in natural gas (FTA countries).³ CPANGC requests authorization to export this LNG on its own behalf or as agent for other entities who hold title to the LNG at the time of export.

II. BACKGROUND

CPANGC is a Delaware corporation with its principal place of business in Anchorage, Alaska. CPANGC is a wholly-owned subsidiary of ConocoPhillips Company (ConocoPhillips), a publicly-traded Delaware corporation. CPANGC is authorized to do business in the State of Alaska, among other states.

¹ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-002.04F issued on July 11, 2013.

² Although the Application does not state CPANGC's planned mode of transport for the proposed exports, DOE/FE notes that the Kenai LNG Facility is limited to export by vessel and historically has only exported LNG by vessel. Therefore, DOE/FE is approving the proposed exports from the Kenai LNG Facility by vessel. *See infra* at 6.

³ The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

CPANGC is the operator and owner of the Kenai LNG Facility. CPANGC states that it has the ability to manufacture LNG from natural gas produced from fields in the Cook Inlet region of Alaska, and to transport that LNG (either on its own or by an affiliate-owned pipeline) to the Kenai LNG Facility. CPANGC states that it and/or its predecessors have exported LNG from Alaska for more than four decades pursuant to several sequential export authorizations granted by DOE/FE (or its predecessor agencies).⁴ According to CPANGC, its most recent blanket authorization granted by DOE/FE expired on March 31, 2013.⁵

On December 11, 2013, CPANGC also submitted to DOE/FE a separate application for a two-year blanket authorization to export LNG from the Kenai LNG Facility to non-FTA countries—*i.e.*, those nations with which the United States has not entered into a FTA providing for national treatment for trade in natural gas. CPANGC states that it seeks to export a volume of LNG equivalent to approximately 40 Bcf of natural gas on an aggregate basis under both its requested non-FTA and FTA authorizations. CPANGC's non-FTA application is currently pending before DOE/FE in FE Docket No. 13–155–LNG.⁶ DOE/FE will review that application pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and address it in a separate order.

As stated above, CPANGC is now requesting a blanket authorization to export the proposed volume of LNG, on its own behalf or as agent for other entities, from the Kenai LNG Facility to FTA countries on a short-term or spot basis over a two-year period. CPANGC states

⁴ CPANGC states that, effective August 2, 2011, it became the sole owner of the stock interests and assets in the natural gas liquefaction and export facilities at Kenai, Alaska, having taken ownership of the 30% interest in such stock and assets previously owned by Marathon Oil Company (Marathon). From and after that date, Marathon has ceased to have any direct or indirect ownership or operating interest in such facilities.

⁵ *ConocoPhillips Alaska Natural Gas Corp. & Marathon Oil Co.*, DOE/FE Order No. 2860, Order Granting Authorization to Export Liquefied Natural Gas from Alaska (Oct. 5, 2010) (approving the export of LNG from the Kenai LNG Facility to Japan and/or other countries in the Pacific Rim with which trading is not prohibited by U.S. law).

⁶ See *ConocoPhillips Alaska Natural Gas Corporation*, Application for Blanket Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries on a Short-Term Basis, 79 Fed. Reg. 4,677 (Jan. 29, 2014).

that it will comply with the agency requirements imposed by DOE/FE in a series of recent orders.⁷

According to CPANGC, prices of LNG may vary to reflect changes in market conditions. Therefore, CPANGC states that it is not filing natural gas purchase and sales contracts as part of this Application, which it states is consistent with DOE/FE precedent.

CPANGC states that no environmental review of this Application under the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. § 4321 *et seq.*, is required. According to CPANGC, the proposed export of LNG would not require any changes to the existing Kenai LNG Facility. CPANGC further notes that the LNG manufacturing and storage facilities that will be utilized for the proposed exports have been operating safely, without major disruption of supply or accident, from their startup in 1969.

For these reasons, CPANGC asks DOE/FE to issue the requested authorization without modification or delay, in accordance with the applicable standard of review under section 3(c) of the NGA, 15 U.S.C. § 717b(c), governing exports of natural gas to FTA countries.

III. FINDINGS

(1) The Application has been evaluated to determine if the proposed import and/or export arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA requiring national treatment for trade in natural gas and the import of LNG from other international sources are deemed to be consistent with the public interest, and applications

⁷ See App. at 4 (citing *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011)).

for such imports or exports must be granted without modification or delay. The authorization sought by CPANGC to export LNG to FTA nations meets the section 3(c) criterion and, therefore, is consistent with the public interest. This Order authorizes transactions with terms of no longer than two years.

(2) The countries with which the United States has an FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore.

(3) As described above, CPANGC requests authorization to export LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. DOE/FE previously addressed the issue of Agency Rights in DOE/FE Order No. 2913,⁸ which granted Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) authority to export LNG to FTA countries. In that order, DOE/FE approved a proposal by FLEX to register each LNG title holder for whom FLEX sought to export LNG as agent. DOE/FE found that this proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *The Dow Chemical Company*,⁹ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. We find that the same policy considerations that supported DOE/FE's acceptance of the alternative registration proposal in DOE/FE Order No. 2913 apply here as well.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export*,

⁸ See *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913, *supra* at n.7.

⁹ *The Dow Chemical Company*, DOE/FE Order No. 2859, Order Granting Blanket Authorization to Export Liquefied Natural Gas (Oct. 5, 2010), at 7-8, discussed in *Freeport LNG*, DOE/FE Order No. 2913, at 7-8.

LLC.¹⁰ In *Gulf Coast*, DOE/FE confirmed that, in LNG export orders in which Agency Rights have been granted, DOE/FE shall require registration materials filed for, or by, an LNG titleholder (Registrant) to include the same company identification information and long-term contract information of the Registrant as if the Registrant had filed an application to export LNG on its own behalf.¹¹

To ensure that the public interest is served, the authorization granted herein shall be conditioned to require that where CPANGC proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), CPANGC must register with DOE/FE those entities on whose behalf it will export LNG in accordance with the procedures and requirements described herein.

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. CPANGC is authorized to export domestically produced LNG from the Kenai LNG Facility by vessel, up to the equivalent of 40 Bcf of natural gas, pursuant to transactions that have terms of no longer than two years. CPANGC is authorized to export this LNG on its own behalf or as agent for other entities who hold title to the natural gas at the time of export. This authorization shall be effective for a two-year term beginning on February 19, 2014, and extending through February 18, 2016.

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua,

¹⁰ *Gulf Coast LNG Export, LLC*, DOE/FE Order No. 3163, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations (Oct. 16, 2012).

¹¹ *See id.* at 7-8.

Oman, Panama, Peru, Republic of Korea, and Singapore, and to any nation that the United States subsequently enters into a FTA requiring national treatment for trade in natural gas, provided that the destination nation has the capacity to import ocean going vessels. FTA countries are currently identified by DOE/FE at:

<http://www.energy.gov/fe/services/natural-gas-regulation>.

C. CPANGC shall ensure that all transactions authorized by this order are permitted and lawful under U.S. laws and policies, including the rules, regulations, orders, policies, and other determinations of the Office of Foreign Assets Control of the United States Department of the Treasury. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. CPANGC shall include, and require others for whom CPANGC acts as agent to include, the following provision in any agreement or other contract for the sale or transfer of LNG exported pursuant to this Order:

“Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries with the capacity to import ocean-going LNG carriers and identified in Ordering Paragraph B of DOE/FE Order No. 3392, issued February 19, 2014, in FE Docket No. 13-154-LNG, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such LNG to such countries. Customer or purchaser further commits to cause a report to be provided to ConocoPhillips Alaska Natural Gas Corporation that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that ConocoPhillips Alaska Natural Gas Corporation is made aware of all

such actual destination countries.”

E. CPANGC is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other entities with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply CPANGC with all information necessary to permit CPANGC to register that person or entity with DOE/FE, including: (1) the Registrant’s agreement to comply with this Order and all applicable requirements of DOE’s regulations at 10 C.F.R. Part 590, including but not limited to destination restrictions; (2) the exact legal name of the Registrant, state/location of incorporation/registration, primary place of doing business, and the Registrant’s ownership structure, including the ultimate parent entity if the Registrant is a subsidiary or affiliate of another entity; and (3) 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.

F. Each registration submitted pursuant to this Order shall have current information on file with DOE/FE. Any changes in company name, contact information, or other relevant modification shall be filed with DOE/FE within 30 days of such change(s).

G. As a condition of this authorization, CPANGC shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by CPANGC to ensure that all such persons or entities are registered with DOE/FE shall be grounds for rescinding in whole or in part the authorization.

H. **Monthly Reports:** With respect to LNG exports authorized by this Order, CPANGC shall file with the Office of Oil and Gas Global Security and Supply, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made.

Monthly reports shall be filed whether or not initial deliveries have begun. If no exports have been made, a report of “no activity” for that month must be filed. If exports of LNG have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the LNG tanker; (4) the date of departure from the U.S. export terminal; (5) the country of destination into which the exported LNG was actually delivered; (6) the name of the supplier/seller; (7) the volume in Mcf; (8) the price at point of export per million British thermal units (MMBtu); (9) the duration of the supply agreement (indicate spot sales); and (10) the name(s) of the purchaser(s).

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

I. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to (202) 586-6050.

Issued in Washington, D.C., on February 19, 2014.

A handwritten signature in blue ink, appearing to read "John A. Anderson", is written over a horizontal line.

John A. Anderson
Director, Division of Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas