UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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ALASKA LNG PROJECT LLC	)	FE DOCKET NO. 14-96-LNG
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ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE PROPOSED ALASKA LNG PROJECT
IN THE NIKISKI AREA OF THE KENAI PENINSULA, ALASKA,
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3554

NOVEMBER 21, 2014

I. DESCRIPTION OF REQUEST

On July 18, 2014, Alaska LNG Project LLC (Alaska LNG) filed an application (Application)[1] with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)[2] for long-term, multi-contract authorization to export liquefied natural gas (LNG) produced from Alaska sources in a volume equivalent to 20 million metric tons per annum (mtpa) of LNG, which Alaska LNG states is equivalent to approximately 929 billion cubic feet per year (Bcf/yr) of natural gas (2.55 Bcf per day).[3] Alaska LNG seeks authorization to export the LNG for a 30-year term from a proposed Liquefaction Facility to be constructed in the Nikiski area of the Kenai Peninsula in south central Alaska (Project).

Alaska LNG seeks to export the LNG by vessel from the proposed Project to: (i) any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring the national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries),[4] and (ii) any country with which the United States has not entered into a FTA requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (non-FTA countries). Alaska LNG seeks to export the LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. Alaska LNG requests that this authorization commence on the earlier

[1] Alaska LNG Project LLC, Application of Alaska LNG Project LLC for Long-Term Authorization to Export Liquefied Natural Gas, FE Docket No. 14-96-LNG (July 18, 2014) [hereinafter Alaska LNG App.]. On September 5, 2014, Alaska LNG submitted Supplemental Information to DOE/FE via electronic mail, and that Supplemental Information is incorporated herein.

[2] 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.

[3] According to Alaska LNG, this volume of 20 mtpa of LNG, or 929 Bcf/yr of natural gas, is the volume proposed to be exported. In-state volumes would be separate from and in addition to this volume. *See* Alaska LNG App. at 8 n.21.

[4] 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.

of the date of first export or 12 years from the date the authorization is issued (*i.e.*, November 21, 2026).

The portion of the Application that seeks authorization to export LNG produced from Alaska sources to FTA countries will be reviewed pursuant to NGA section 3(c), 15 U.S.C. § 717b(c), and approved in this Order. The portion of the Application that seeks authorization to export LNG produced from Alaska sources to non-FTA countries will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and addressed in a separate order.

II. BACKGROUND

Applicant. Alaska LNG is a Delaware limited liability company with its principal place of business in Anchorage, Alaska. Alaska LNG states that its current members are ExxonMobil Alaska LNG LLC, ConocoPhillips Alaska LNG Company, and BP Alaska LNG LLC (collectively, the Members). According to Alaska LNG, affiliates of the Members currently hold oil and gas leasehold interests in Alaska, including in the Prudhoe Bay and Point Thomson Units.[5]

Liquefaction Project. Alaska LNG plans to construct one integrated, interdependent Project. According to Alaska LNG, the Project facilities will include four main components: (i) a Liquefaction Facility consisting of three LNG trains with a total maximum capacity of 20 mtpa, with storage and LNG delivery facilities for the marine loading of LNG; (ii) an approximately 800-mile long, large-diameter gas pipeline from the Liquefaction Facility to the gas treatment plant, which will have multiple compressor stations and at least five off-take points for delivery of gas to Alaska; (iii) a gas treatment plant on the North Slope of Alaska consisting of three or more amine processing/treating train modules with compression, dehydration, and

[5] Alaska LNG notes that, on May 8, 2014, Alaska Governor Sean Parnell signed Senate Bill 138 into law, enabling the State of Alaska to participate in the Alaska LNG Project. *See* Alaska LNG App. at 3. Alaska LNG notes that it may seek to amend the Application to add a State of Alaska designee. *See id*. at 7.

chilling, to be built in a modular fashion and sealifted to its location; and (iv) transmission lines between the gas treatment plant and producing fields on the North Slope.

Alaska LNG states that, to date, it has secured more than 200 acres of land for the Project, nearly half of the total acreage of the proposed Liquefaction Facility site.[6] The Liquefaction Facility site is located in an area that is currently a mix of industrial, commercial, and residential uses, with no zoning requirements. Alaska LNG states that it will be required to build each component of this greenfield Project, and will obtain any necessary land use permits or authorizations related to the development of the site.

Alaska LNG states that the Project is unique due to its significant size, scope, costs, required upstream development, and project development timeline. According to Alaska LNG, the Project would be the largest integrated gas and LNG project of its kind ever designed and constructed.

Source of Natural Gas. Alaska LNG seeks authorization to export natural gas from Alaska, in particular the North Slope Point Thomson Unit and Prudhoe Bay Unit production fields. According to Alaska LNG, affiliates of Members of Alaska LNG are leaseholders of natural gas resources in Alaska, thus providing the Project with access to natural gas. Alaska LNG expects that the natural gas developed and produced by the respective affiliates of its Members will be delivered to the Liquefaction Facility where LNG will be produced and made available for export.

Business Model. Alaska LNG seeks to export the requested LNG on its own behalf and as agent for any or all of the following: (i) each of its Members; (ii) the respective affiliates of its Members; (iii) the State of Alaska or its nominee; and (iv) other third parties, under contracts

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[6] A map of the Project and an affidavit concerning the land acquired for the Project is attached to the Application as Appendices C and D, respectively.

to be executed in the future, as applicable. Alaska LNG maintains that the requested agency rights "would encompass any exports of any State of Alaska (or its nominee) share of LNG from the Project facilities."[7] Alaska LNG contemplates that the title holder at the point of export likely may be another party, such as the respective affiliates of its Members or other third parties, pursuant to a LNG sales and purchase contract.

Alaska LNG further states that it will comply with all DOE/FE requirements for exporters and agents as set forth in DOE/FE orders, including registering each LNG title holder for whom Alaska LNG seeks to export as agent. Alaska LNG states that this registration will include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included by DOE/FE in Alaska LNG's export authorization. Alaska LNG further states that it will include those requirements in a subsequent purchase or sale agreement entered into by that title holder. In addition, Alaska LNG states that it will file under seal with DOE/FE any relevant long-term commercial agreements between Alaska LNG and the LNG title holder, once those agreements have been executed.

Export Term and Commencement of Export Operations. Alaska LNG states that the requested 30-year export term and 12-year commencement term will support the size of this Project, as well as the continued development of natural gas resources on the North Slope. Alaska LNG emphasizes the massive size, scope, and cost of this "integrated mega-project."[8] Alaska LNG further states that a 30-year export term is supported by its natural gas reserves and resources estimates, and will provide long-term access to market outlets needed to allow a reasonable ability to recover investments.

[7] Alaska LNG App. at 10.
[8] *Id*. at 5, 40-41.

As to the 12-year period for the commencement of export operations, Alaska LNG notes that construction of the Project will take place in challenging Arctic conditions. Alaska LNG also highlights the complexity and expansive scope of the Project, which it anticipates will lengthen the environmental review and permitting timelines under the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq*.

Environmental Review. Alaska LNG asserts that construction of the planned facilities will be subject to approval by the Federal Energy Regulatory Commission (FERC). Alaska LNG states that it expects to commence the FERC pre-filing process in 2014, seeking authorization to construct the Liquefaction Facility based on a 20-mtpa design parameter.

III. FINDINGS

(1) Section 3(c) of the NGA was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that applications authorizing (a) 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 (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the Application without modification or delay.[9]

(2) In light of DOE/FE's statutory obligation to grant this Application without modification or delay, there is no need for DOE/FE to review other arguments asserted by Alaska LNG in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments or on Alaska LNG's request for non-FTA export authorization.

[9] DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. Part 590, are applicable only to applications seeking to export natural gas, including LNG, to countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

(3) 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.

(4) As described above, Alaska LNG 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,[10] 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*,[11] 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, LLC*.[12] 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 title-holder (Registrant) to include the same company identification information and long-term

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[10] *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 2913, FE Docket No. 10-160-LNG, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).
[11] *The Dow Chemical Company*, DOE/FE Order No. 2859, FE Docket No. 10-57-LNG, Order Granting Blanket Authorization to Export Liquefied Natural Gas, at 7-8 (Oct. 5, 2010), discussed in *Freeport LNG*, DOE/FE Order No. 2913, at 7-8.
[12] *Gulf Coast LNG Export, LLC*, DOE/FE Order No. 3163, FE Docket No. 12-05-LNG, 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).

contract information of the Registrant as if the Registrant had filed an application to export LNG on its own behalf.[13]

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

(5) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."[14] Additionally, DOE regulations at 10 C.F.R. Part 590.202(e) allow confidential treatment of the information supplied in support of or in opposition to an application if the submitting party requests such treatment, shows why the information should be exempted from public disclosure, and DOE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.[15]

(6) DOE/FE will require that Alaska LNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which Alaska LNG exports LNG as agent for a Registrant once they have been executed. DOE/FE finds that the submission of all such agreements or contracts within 30 days of their execution using the procedures described below will be consistent with the "to the extent practicable" requirement of section 590.202(b). By way of example and without limitation, a "relevant long-term commercial agreement" would include an agreement with a minimum term of two years, such as a long-term contract involving LNG stored or liquefied at the Project.

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[13] *See id*. at 7-8.
[14] 10 C.F.R. § 590.202(b).
[15] *Id*. § 590.202(e).

(7) DOE/FE also will require Alaska LNG to file any long-term contracts Alaska LNG enters into providing for the long-term export of LNG on its own behalf from the Project. DOE/FE finds that the submission of these contracts within 30 days of their execution using the procedures described below will be consistent with the "to the extent practicable" requirement of section 590.202(b).

(8) In addition, DOE/FE finds that section 590.202(c) of DOE/FE's regulations[16] requires that Alaska LNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Project within 30 days of their execution that either Alaska LNG or the Registrant enters into.

(9) DOE/FE recognizes that some information in Alaska LNG's or a Registrant's long-term commercial agreements associated with the export of LNG, and/or long-term contracts associated with the long-term supply of natural gas to the Project may be commercially sensitive. DOE/FE therefore will provide Alaska LNG the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) Alaska LNG may file, or cause to be filed, long-term contracts under seal, but it also will file either: i) a copy of each long-term contract with commercially sensitive information redacted, or ii) a summary of all major provisions of the contract(s) including, but not limited to, the parties to each contract, contract term, quantity, any take or pay or equivalent provisions/conditions, destinations, re-sale provisions, and other relevant provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

To ensure that DOE/FE destination and reporting requirements included in the Order are conveyed to subsequent title holders, DOE/FE will include as a condition of this authorization

[16] *Id*. § 590.202(c).

that future contracts for the sale or transfer of LNG exported pursuant to the Order shall include an acknowledgement of these requirements.

ORDER

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

A. Alaska LNG is authorized to export LNG produced from Alaska sources by vessel from the proposed Project, to be constructed in the Nikiski area of the Kenai Peninsula in south central Alaska. The volume authorized in this Order is equivalent to approximately 929 Bcf/yr of natural gas for a 30-year term, beginning on the earlier of the date of first export or 12 years from the date the authorization is issued (*i.e.*, November 21, 2026). Alaska LNG is authorized to export this LNG on its own behalf and as agent for other entities who hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore, and to any nation with which 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 LNG via ocean going vessels. FTA countries are currently identified by DOE/FE at: http://www.fossil.energy.gov/programs/gasregulation/index.html.

C. Alaska LNG 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. (i) Alaska LNG shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term export of LNG on its own behalf or as agent for other entities from the Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Alaska LNG has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Alaska LNG shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, Alaska LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) Alaska LNG shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Alaska LNG has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, Alaska LNG shall also file, or cause others to file, for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, Alaska LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. Alaska LNG shall include, and require others for whom Alaska LNG 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 identified in Ordering Paragraph B of DOE/FE Order No. 3554, issued November 21, 2014, in FE Docket No. 14-96-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 Alaska LNG Project LLC 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 Alaska LNG Project LLC is made aware of all such actual destination countries.

F. Alaska LNG 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 Alaska LNG with all information necessary to permit Alaska LNG 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; (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; (4) within 30 days of execution, a copy, of any long-term contracts, not previously filed with DOE/FE, described in Ordering Paragraph D of this Order.

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

H. As a condition of this authorization, Alaska LNG shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by Alaska LNG 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.

I. Within two weeks after the first export of LNG occurs from the Project, Alaska LNG shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. Alaska LNG shall file with the Office of Oil and Gas Global Security and Supply, on a semi-annual basis, written reports describing the progress of the Project. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the progress of the Project, the date the facility is expected to be operational, and the status of the long-term contracts associated with the long-term export of LNG and any long-term supply contracts.

K. Prior to any change in control of the authorization holder, Alaska LNG must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a "change in control" shall include any change, directly or indirectly, of the power to direct the management or policies of Alaska LNG, whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means.[17]

L. Monthly Reports: With respect to the LNG exports authorized by this Order, Alaska LNG shall file with the Office of Oil and Gas Global Security and Supply, within 30 days

[17] *See* U.S. Dep't of Energy, Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas, 79 Fed. Reg. 65,641 (Nov. 5, 2014).

following the last day of each calendar month, a report indicating whether exports of LNG have been made. The first monthly report required by this Order is due not later than the 30th day of the month following the month of first export. In subsequent months, if exports have not occurred, 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 (or countries) of destination into which the 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)

M. 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 Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on November 21, 2014.

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Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas