

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SCT&E LNG, LLC

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FE DOCKET NO. 14-89-LNG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL
FROM THE PROPOSED SCT&E LNG TERMINAL
IN CAMERON PARISH, LOUISIANA,
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3566

DECEMBER 15, 2014

I. DESCRIPTION OF REQUEST

On July 9, 2014, SCT&E LNG, LLC (SCT&E 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 domestic sources in a volume up to 12 million metric tons per annum (mtpa), which SCT&E LNG states is equivalent to approximately 1.6 billion cubic feet (Bcf) per day (Bcf/d) of natural gas (584 Bcf per year (Bcf/yr)). SCT&E LNG seeks authorization to export the LNG by vessel from the proposed SCT&E LNG Terminal, which SCT&E LNG intends to construct, own, and operate on Monkey Island in the Calcasieu Ship Channel in Cameron Parish, Louisiana (Project). SCT&E LNG seeks authorization to export this LNG for a 30-year term from the Project to any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) providing for national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries).³ SCT&E LNG seeks to export this LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. SCT&E LNG requests that this authorization commence on the earlier of the date of first export or 10 years from the date the authorization is issued (*i.e.*, December 15, 2024).⁴

¹ SCT&E LNG, LLC, Application of SCT&E LNG, LLC for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Free Trade Agreement Countries, FE Docket No. 14-89-LNG (July 9, 2014) [hereinafter SCT&E LNG App.].

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 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.

⁴ SCT&E LNG states that, concurrently with the filing of the Application, it is notifying DOE/FE of its intent to withdraw its prior application pending in FE Docket No. 14-72-LNG, which sought authorization to export a lower volume of LNG to FTA countries.

II. **BACKGROUND**

Applicant. SCT&E LNG states that it is a Delaware limited liability company with its principal place of business in Temecula, California. SCT&E LNG states that it is a wholly owned subsidiary of Southern California Telephone Company, a Delaware corporation doing business as Southern California Telephone & Energy (SCT&E). SCT&E LNG states that SCT&E is an electric service provider that maintains a Federal Energy Regulatory Commission (FERC) authority, which entitles SCT&E to buy and sell energy nationwide.

Liquefaction Project. SCT&E LNG states that it plans to develop a natural gas liquefaction manufacturing, storage, and export facility to be located on Monkey Island on the east side of the Calcasieu Ship Channel in Cameron Parish, Louisiana. SCT&E LNG states that the Project facilities are anticipated to include six LNG trains, LNG storage tank(s) with capacity of approximately 160,000 cubic meters, and vessel loading facilities. SCT&E LNG states that each of the LNG trains will be capable of producing up to two mtpa of LNG, for a total capacity of 12 mtpa of LNG. According to SCT&E LNG, the Project facilities would permit natural gas to be received by pipeline at the SCT&E LNG Terminal, liquefied, and loaded from the storage tank onto an LNG carrier berthed alongside the Terminal.

SCT&E LNG states that it has secured from the Westlands Corporation approximately 246 acres of land in Cameron Parish for the Project.⁵ Specifically, SCT&E LNG states that it has signed an exclusive, binding five-year Real Estate Lease Option Agreement (Option Agreement) with the Westlands Corporation for the Project site.⁶ SCT&E LNG states that the Option Agreement includes the ability to develop the land to the fullest extent, which includes

⁵ A copy of the legal description of the property is attached to the Application as Attachment D.

⁶ A copy of the Option Agreement is attached to the Application as Attachment C.

liquefaction of natural gas with loading and unloading docks and the construction of the SCT&E LNG Terminal.

SCT&E LNG states that the Option Agreement includes an agreed upon form of Ground Lease with a 30-year lease term. SCT&E LNG asserts that it has the right to extend the lease term, at its sole discretion, for 69 additional years (for a total lease of 99 years). SCT&E LNG states that, subject to compliance with the terms of the Option Agreement, it may exercise the option and enter into the Ground Lease with the Westlands Corporation at any time.

Source of Natural Gas. SCT&E LNG states that it seeks authorization to export natural gas available from the U.S. natural gas pipeline supply and transmission system. SCT&E LNG states that its Terminal will be situated within close proximity of numerous major interstate and intrastate natural gas pipelines, including those owned by Kinder Morgan-El Paso Corporation, Cheniere Energy, Chevron Pipe Line Company, ANR Pipeline Company, Transcanada, Natural Gas Pipeline Company of America, Bridgeline Holdings, L.P., Columbia Gulf Transmission Company, Gulf South Pipeline Company, LP, and Koch Industries. Through these pipelines, SCT&E LNG maintains that it will be able to directly and indirectly access the natural gas pipeline grid, thus providing its future customers with a variety of stable and economical supply options.

SCT&E LNG anticipates that the sources of natural gas will include Texas, Louisiana, and Mississippi producing regions, including recent shale gas discoveries in the Haynesville, Eagle Ford, Barnett, Floyd-Neal/Conasauga, and Marcellus shale plays. SCT&E LNG further states that the size of traditional and emerging natural gas supply sources in close proximity to the SCT&E LNG Terminal will provide its customers with diverse, reliable alternative gas supply options.

Business Model. SCT&E LNG requests this authorization on its own behalf and as agent for other entities who hold title to the LNG at the time of export. SCT&E LNG states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements. SCT&E LNG further states that, when acting as agent, it will register with DOE/FE each LNG title holder for which it seeks to export LNG as agent, and will comply with other registration requirements as set forth in recent DOE/FE orders.⁷

Environmental Review. SCT&E LNG states that, following the issuance of this requested authorization, it will initiate the pre-filing process at FERC for review of the proposed Project facilities under the National Environmental Policy Act (NEPA). Additionally, SCT&E LNG states that it will seek permits from and consultations with other federal, state, and local agencies, as necessary.

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 requesting authority for (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/or (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 requested authorization without modification or delay.⁸

⁷ SCT&E LNG states that, at this time, it expects to provide natural gas to a power plant with LNG storage facilities to be developed and built in the Dominican Republic by a subsidiary of SCT&E (SCT&E LNG's parent company), called North Energy Central. It further states that it has not yet entered into natural gas contracts with prospective customers. SCT&E LNG App. at 6.

⁸ 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.

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

(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, SCT&E 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. 2913,⁹ 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*,¹⁰ 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.

⁹ *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).

¹⁰ *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.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.¹¹ 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.¹²

To ensure that the public interest is served, the authorization granted herein shall be conditioned to require that where SCT&E LNG proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), SCT&E 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."¹³ Additionally, DOE regulations at 10 C.F.R. § 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.

(6) DOE/FE will require that SCT&E LNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which SCT&E 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

¹¹ *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).

¹² *See id.* at 7-8.

¹³ 10 C.F.R. § 590.202(b).

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 sales contract involving LNG stored or liquefied at the Liquefaction Project.

(7) DOE/FE also will require SCT&E LNG to file any long-term contracts SCT&E 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 regulations¹⁴ requires that SCT&E LNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Liquefaction Project within 30 days of their execution that either SCT&E LNG or the Registrant enters into.

(9) DOE/FE recognizes that some information in SCT&E 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 proposed SCT&E LNG Terminal, may be commercially sensitive. DOE/FE therefore will provide SCT&E LNG the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) SCT&E 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

¹⁴ *Id.* § 590.202(c).

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 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. SCT&E LNG is authorized to export domestically produced LNG by vessel from the proposed SCT&E LNG Terminal, to be located on Monkey Island in the Calcasieu Ship Channel in Cameron Parish, Louisiana. The volume authorized in this Order is equivalent to approximately 584 Bcf/yr of natural gas for a 30-year term, beginning on the earlier of the date of first export or 10 years from the date the authorization is issued (December 15, 2024). SCT&E 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. SCT&E 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) SCT&E 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 SCT&E LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SCT&E 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, SCT&E 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, SCT&E LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) SCT&E 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 SCT&E LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SCT&E 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, SCT&E 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, SCT&E LNG

shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. SCT&E LNG shall include, and require others for whom SCT&E 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. 3566, issued December 15, 2014, in FE Docket No. 14-89-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 SCT&E LNG, 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 SCT&E LNG, LLC is made aware of all such actual destination countries.

F. SCT&E LNG is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other parties with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply SCT&E LNG with all information necessary to permit SCT&E 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, SCT&E LNG shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by SCT&E 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 domestically produced LNG occurs from the SCT&E LNG Terminal, SCT&E LNG shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. SCT&E 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 proposed SCT&E LNG Terminal. 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 SCT&E LNG Terminal, 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, SCT&E 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 SCT&E 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.¹⁵

L. Monthly Reports: With respect to the LNG exports authorized by this Order, SCT&E LNG 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. 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

¹⁵ 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).

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 December 15, 2014.

A handwritten signature in black ink, appearing to read "John A. Anderson", 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