

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

G2 LNG LLC

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FE DOCKET NO. 15-44-LNG

ORDER GRANTING LONG-TERM, MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL FROM THE
PROPOSED G2 LNG TERMINAL IN CAMERON PARISH, LOUISIANA,
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3682

JULY 17, 2015

I. DESCRIPTION OF REQUEST

On March 19, 2015, G2 LNG LLC (G2 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 equivalent to approximately 672 billion standard cubic feet per year (Bcf/yr) of natural gas (1.84 Bcf per day (Bcf/d)). G2 LNG seeks authorization to export the LNG by vessel from the proposed G2 LNG natural gas liquefaction terminal (G2 LNG Terminal) to be built on a 500-acre site along the Calcasieu Ship Channel (Liquefaction Project) in Cameron Parish, Louisiana. G2 LNG seeks authorization to export this LNG for a 30-year term to any country with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries).³ G2 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. G2 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 (July 17, 2025).

II. BACKGROUND

Applicant. G2 LNG is a Delaware limited liability company with its principal place of business in Baton Rouge, Louisiana. G2 LNG has three members, all of which are Louisiana

¹ G2 LNG LLC, Application for Long-Term Authorization to Export Liquefied Natural Gas to Free Trade Agreement Nations, FE Docket No. 15-44-LNG (March 19, 2015) [hereinafter G2 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 Redelelegation Order No. 00-006.02 issued on November 12, 2014.

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.

limited liability companies located in Baton Rouge, Louisiana: RRM LNG, LLC; G2 Development, LLC; and TH LNG, LLC.

Liquefaction Project. G2 LNG seeks to develop the Liquefaction Project for the export of LNG in an amount up to 672 Bcf/yr. G2 LNG states that the Liquefaction Project will be located along the Calcasieu Ship Channel in Cameron Parish, Louisiana, and that it will have a 14 million metric tons per annum (mtpa) liquefaction capacity. G2 LNG states that the Liquefaction Project facilities are anticipated to include two LNG trains, LNG storage tank(s) with approximately ten days of storage at full capacity, and vessel loading facilities. G2 LNG states that each of the LNG trains will be capable of producing up to seven mtpa of LNG. G2 LNG states that the Liquefaction Project facilities will permit natural gas to be received by pipeline at the G2 LNG Terminal, liquefied, stored, and loaded from the storage tank onto an LNG carrier berthed alongside the G2 LNG Terminal.

G2 LNG states that it has secured approximately 500 acres of land for the Liquefaction Project along the Calcasieu Ship Channel in Cameron Parish, Louisiana.⁴ G2 LNG states that it signed an exclusive and binding five-year Real Estate Lease Option Agreement for the Liquefaction Project site.⁵ G2 LNG states that the Option Agreement includes the ability to develop the land to the fullest extent, including for the construction and operation of natural gas liquefaction facilities, loading and unloading docks, and an LNG terminal. G2 LNG notes that the Option Agreement also incorporates by reference an agreed-upon form of Lease,⁶ with a 30-year term that gives G2 LNG the right to extend the lease term, at its sole discretion, for six

⁴ The legal description of the property is included as Exhibit B to Attachment C of the Application.

⁵ See G2 LNG App. at Attachment C. The Liquefaction Project site is owned by 27 different individual parties, with ownership interests ranging from more than 44% to less than 0.1%. To date, G2 LNG has executed the Option Agreement with owners representing almost 98.5% of the ownership interests. Efforts affecting the remaining approximately 1.5% of ownership interests are in progress, and G2 LNG expects to conclude those in the near future. However, G2 LNG states that it can proceed with the Liquefaction Project on the basis of the 98.5% interests who have already executed the Option Agreement.

⁶ See G2 LNG App. at Attachment C, Exhibit D.

further periods of 10 years and one period of nine years, or 99 years in total. G2 LNG states that subject to compliance with the terms of the Option Agreement, it may exercise the option and enter into the Ground Lease at any time.

G2 LNG anticipates a 24-month construction schedule for the Liquefaction Project, beginning in mid-2017; it expects to commence operation in 2019.

Source of Supply. G2 LNG states that by virtue of its location in Cameron Parish, the Liquefaction Project site is located close to many intrastate and interstate pipelines. According to G2 LNG, the network of pipelines that can deliver natural gas to the Liquefaction Project site in Cameron Parish can be supplied from almost the entire United States east of the Rockies.⁷ G2 LNG states that this extensive natural gas pipeline transportation system will provide it with access to vast quantities of both conventional gas and unconventional shale gas produced not only throughout Louisiana and Texas, but from regions far beyond as well. G2 LNG asserts that this ensures that the Liquefaction Project and its future customers will have a vast array of stable and economic supply options.

Business Model. G2 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. G2 LNG states that it will comply with all DOE/FE requirements for exporters and agents, including the registration requirements set forth in recent DOE/FE orders.

As the Liquefaction Project development proceeds, G2 LNG expects to enter into a variety of natural gas supply arrangements. G2 LNG anticipates the end result will be a mix of long-term and spot market agreements, some of which G2 LNG will enter into for its own account and others of which will be for G2 LNG customers.

⁷ See *id.* at Attachment D.

Environmental Review. G2 LNG states that it will engage in FERC's pre-filing review process and submit an application to the Federal Energy Regulatory Commission (FERC) for the proposed Liquefaction Project facilities pursuant to the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. § 4321 *et seq.* G2 LNG anticipates that, consistent with Section 15 of the NGA,⁸ FERC will act as lead agency for environmental review, with DOE acting as a cooperating agency. In addition, G2 LNG states that it will seek the necessary permits from and consultations with other federal, state, and local agencies.

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.⁹

(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 G2 LNG in support of the Application. The instant grant of authority should not be read to indicate DOE/FE's views on those arguments.

(3) The countries with which the United States has a FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Colombia, Dominican

⁸ 15 U.S.C. § 717n.

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.

Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore.

(4) As described above, G2 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., *et al.* (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 titleholder (Registrant) to include the same company identification information and long-term

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 G2 LNG proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), G2 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. § 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 G2 LNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which G2 LNG exports LNG as agent for a Registrant once those agreements 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 purchase and sale agreement involving LNG stored or liquefied at the G2 LNG Terminal.

¹³ See *id.* at 7-8.

¹⁴ 10 C.F.R. § 590.202(b).

(7) DOE/FE also will require G2 LNG to file any long-term contracts G2 LNG enters into providing for the long-term export of LNG on its own behalf from the G2 LNG Terminal. 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 regulations¹⁵ requires that G2 LNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the G2 LNG Terminal within 30 days of their execution by G2 LNG or a Registrant.

(9) DOE/FE recognizes that some information in G2 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 G2 LNG Terminal, may be commercially sensitive. DOE/FE therefore will provide G2 LNG the option to file or cause to be filed either un-redacted contracts, or in the alternative: (A) G2 LNG may file, or cause to be filed, long-term contracts under seal or subject to a claim of confidentiality or privilege. If G2 LNG files the contracts under seal or subject to a claim of confidentiality or privilege, within 30 days of the contract execution date, G2 LNG shall also file, or cause others to file, for public posting, 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, destination, re-sale provisions, and other relevant provisions; and (B) a statement demonstrating why the redacted or non-disclosed information should be exempted from public disclosure.

¹⁵ *Id.* § 590.202(c).

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. G2 LNG LLC is authorized to export domestically produced LNG by vessel from the proposed G2 LNG Terminal, to be located in Cameron Parish, Louisiana. The volume authorized in this Order is equivalent to approximately 672 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 (July 17, 2025). G2 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. G2 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 U.S. 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) G2 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 proposed G2 LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if G2 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, G2 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, G2 LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) G2 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 G2 LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if G2 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, G2 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, G2 LNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. G2 LNG shall include, and require others for whom G2 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. 3682, issued July 17, 2015, in FE Docket No. 15-44-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 G2 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 G2 LNG LLC is made aware of all such actual destination countries.

F. G2 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 G2 LNG with all information necessary to permit G2 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, length of the 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, G2 LNG shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by G2 LNG to ensure that all such persons or entities are registered with DOE/FE shall be grounds for rescinding the authorization in whole or in part.

I. Within two weeks after the first export of domestically produced LNG occurs from the proposed G2 LNG Terminal, G2 LNG shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. G2 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 Liquefaction 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 Liquefaction Project, the date the facility is expected to be operational, the status of the long-term contracts associated with the long-term export of LNG, and any long-term supply contracts associated with the authorization granted in this Order.

K. Prior to any change in control of the authorization holder, G2 LNG must comply with DOE/FE Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas.¹⁶ 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 G2 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

¹⁶ 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. 65,541 (Nov. 5, 2014).

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, G2 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 thousand cubic feet (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

¹⁷ See *id.* at 65,542.

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 July 17, 2015.

A handwritten signature in black ink, appearing to read "John A. Anderson". The signature is written in a cursive style with a horizontal line extending from the end.

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