UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

SOUTHERN LNG COMPANY, L.L.C. ) FE DOCKET NO. 12-100-LNG

OPINION AND ORDER GRANTING LONG-TERM, MULTI-CONTRACT AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL FROM THE ELBA ISLAND TERMINAL IN CHATHAM COUNTY, GEORGIA TO NON-FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3956

DECEMBER 16, 2016
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FREQUENTLY USED ACRONYMS

AEO  Annual Energy Outlook
API  American Petroleum Institute
Bcf/d  Billion Cubic Feet per Day
Bcf/yr  Billion Cubic Feet per Year
CH4  Methane
CO2  Carbon Dioxide
CO2e  Carbon Dioxide Equivalent
CPP  Clean Power Plan
DOE  U.S. Department of Energy
EA  Environmental Assessment
EIA  U.S. Energy Information Administration
EPA  U.S. Environmental Protection Agency
EUR  Estimated Ultimate Recovery
FERC  Federal Energy Regulatory Commission
FONSI  Finding of No Significant Impact
FTA  Free Trade Agreement
GDP  Gross Domestic Product
GEM  Global Economic Model
GHG  Greenhouse Gas
GIM  Global Industry Model
GWP  Global Warming Potential
IECA  Industrial Energy Consumers of America
IPCC  Intergovernmental Panel on Climate Change
kWh  Kilowatt-Hour
LCA  Life Cycle Analysis
LNG  Liquefied Natural Gas
Mcf  Thousand Cubic Feet
MMBtu  Million British Thermal Units
mtpa  Million Metric Tons per Annum
MWh  Megawatt-Hour
NEMS  National Energy Modeling System
NEPA  National Environmental Policy Act
NERA  NERA Economic Consulting
NETL  National Energy Technology Laboratory
NGA  Natural Gas Act
NOx  Nitrogen Oxides
PM  Particulate Matter
RWGTM  Rice World Gas Trade Model
Tcf  Trillion Cubic Feet
tonne(s)  metric ton(s)
TRR  Technically Recoverable Resources
VOC  Volatile Organic Compound
I. INTRODUCTION

On August 31, 2012, Southern LNG Company, L.L.C. (SLNG) 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 4 million metric tons per annum (mtpa) of liquefied natural gas (LNG) produced from domestic sources, which SLNG states is a volume equivalent to approximately 182.5 billion cubic feet per year (Bcf/yr) of natural gas (0.5 Bcf per day (Bcf/d)). SLNG seeks authorization to export this LNG by vessel from the existing Elba Island LNG Terminal, which SLNG owns and operates in Chatham County, Georgia (Elba Island Terminal) to any country with which the United States does not 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 (non-FTA countries).\(^3\)

SLNG already has received authorizations from the Federal Energy Regulation Commission (FERC) and DOE/FE, respectively, to add liquefaction capacity at the Elba Island Terminal in order to conduct LNG export operations (Export Project or Liquefaction Project),\(^4\) and to export up to 182.5 Bcf/yr of domestically-produced LNG to any country with which the United States has, or in the future may enter into an FTA requiring national treatment for trade in natural gas (FTA countries), and which has or in the future develops the capacity to import LNG

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\(^2\) 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 Redegligation 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.

\(^4\) See Elba Liquefaction Company, LLC, Southern LNG Company, LLC and Elba Express Company, LLC, Order Granting Section 3 and Section 7 Authorizations, 155 FERC ¶ 61,219 (Jun. 1, 2016) [hereinafter FERC Order].
via ocean-going carrier.\textsuperscript{5} As authorized by FERC, the aggregate maximum liquefaction capacity of the Elba Island Export Project equates to approximately 2.5 mtpa of LNG.\textsuperscript{6}

SLNG seeks authorization in this proceeding to export LNG for a 20-year term from the Elba Island Terminal. SLNG requests that this authorization commence on the earlier of the date of first commercial export from the Export Project or ten years from the date this authorization is issued. Additionally, SLNG seeks to export this LNG on its own behalf and as agent for other entities that hold title to the LNG at the time of export.

This Order, as discussed below, authorizes SLNG to export LNG from the Elba Island Terminal to non-FTA countries in volumes equivalent to 130 Bcf/yr (0.36 Bcf/d) of natural gas. While lower than the requested volume of 182.5 Bcf/yr, this authorization is estimated by DOE to be equivalent to the maximum annual liquefaction capacity of the Export Project (2.5 mtpa)\textsuperscript{7}. Furthermore, the volume authorized in this proceeding for exports from the Elba Island Terminal to non-FTA countries (130 Bcf/yr) is not additive to the authorized LNG export volumes set forth in SLNG’s existing FTA order, DOE/Order No. 3106 (FE Docket No. 12-54-LNG) (182.5 Bcf/yr).\textsuperscript{8} DOE/FE is issuing this Opinion and Order subject to the additional conditions set forth below.

\textsuperscript{5} Southern LNG Company, LLC, DOE/FE Order No. 3106, FE Docket No. 12-54-LNG, Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Elba Island Terminal to Free Trade Agreement Nations (June 15, 2015) [hereinafter FTA Order]. The volume approved in that FTA order and this Order are not additive. \textit{See infra} at § IV.C.

\textsuperscript{6} FERC Order at 4.

\textsuperscript{7} DOE/FE used conversion factors of 1.022 million Btu per thousand cubic feet of dry natural gas and 51.75 Bcf per million metric tons of dry natural gas. This estimate is based on a mixture of methane and ethane with an energy content of 1.022 Btu per cubic foot of natural gas, indicative of natural gas quality in the U.S. pipeline system.

\textsuperscript{8} See FTA Order.
**DOE/FE Proceeding.** On October 17, 2012, DOE/FE published a Notice of SLNG’s Application in the *Federal Register.* The Notice of Application called on interested persons to submit protests, motions to intervene, notices of intervention, and comments by December 17, 2012. DOE/FE received motions to intervene with protests opposing the Application from the American Public Gas Association (APGA) and Sierra Club. DOE/FE has considered these filings in its review of SLNG’s Application. *See infra §§ XI, XII.*

Additionally, in evaluating the public interest under NGA section 3(a), DOE/FE has considered the following economic and environmental studies in its review of SLNG’s Application:

**A. Economic Studies:**

In 2011, DOE/FE engaged the U.S. Energy Information Administration (EIA) and NERA Economic Consulting (NERA) to conduct a two-part study of the economic impacts of U.S. LNG exports (the “2012 LNG Export Study”). The 2012 LNG Export Study is described below (*infra § VI.A*). DOE/FE published a notice of availability of the 2012 LNG Export Study in the *Federal Register* for public comment, and DOE/FE responded to the public comments in connection with the LNG export proceedings identified in that notice. In relevant part, the NERA study projected that, across all scenarios studied—assuming either 6 Bcf/d or 12 Bcf/d of LNG export volumes—the United States would experience net economic benefits from allowing LNG exports.

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By May 2014, in light of the volume of LNG exports to non-FTA countries then-authorized by DOE/FE and the number of non-FTA export applications still pending, DOE/FE determined that an updated study was warranted to consider the economic impacts of exporting LNG from the lower-48 states to non-FTA countries.\textsuperscript{11} On May 29, 2014, DOE announced plans to undertake new economic studies to gain a better understanding of how potentially higher levels of U.S. LNG exports—at levels between 12 and 20 Bcf/d of natural gas—would affect the public interest.\textsuperscript{12}

DOE/FE commissioned two new macroeconomic studies. The first, \textit{Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets}, was performed by EIA and published in October 2014 (2014 EIA LNG Export Study or 2014 Study).\textsuperscript{13} The 2014 Study assessed how specified scenarios of increased natural gas exports could affect domestic energy markets. At DOE’s request, this 2014 Study updated EIA’s January 2012 study of LNG export scenarios and used baseline cases from EIA’s 2014 \textit{Annual Energy Outlook} (AEO 2014).\textsuperscript{14}

The second study, \textit{The Macroeconomic Impact of Increasing U.S. LNG Exports}, was performed jointly by the Center for Energy Studies at Rice University’s Baker Institute and Oxford Economics under contract to DOE/FE (together, Rice-Oxford) and was published in October 2015 (2015 LNG Export Study or 2015 Study).\textsuperscript{15} The 2015 Study is a scenario-based study.

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\textsuperscript{11} Because there is no natural gas pipeline interconnection between Alaska and the lower 48 states, DOE/FE generally views those LNG export markets as distinct. DOE/FE therefore focuses on LNG exports from the lower-48 states for purposes of determining macroeconomic impacts.
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\textsuperscript{14} Each Annual Energy Outlook (AEO) presents EIA’s long-term projections of energy supply, demand, and prices. It is based on results from EIA’s National Energy Modeling System model. \textit{See infra} § VI.B.
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assessments of the macroeconomic impact of levels of U.S. LNG exports, sourced from the lower-48 states in volumes ranging from 12 to 20 Bcf/d of natural gas under a range of assumptions, including U.S. resource endowment, U.S. natural gas demand, international LNG market dynamics, and other factors. The analysis covers the 2015 to 2040 time period.

Additional information about the 2014 and 2015 Export Studies is set forth below. See infra §§ VI.B, VI.C, VII.

On December 29, 2015, DOE/FE published a Notice of Availability of the 2014 and 2015 LNG Export Studies in the Federal Register, and invited public comment on those Studies.16 DOE received 38 comments in response to the Notice of Availability, of which 14 comments opposed the 2014 and 2015 Studies and/or LNG exports generally, 21 expressed support for the Studies, and three took no position. See infra § VII.

DOE/FE previously has issued final, long-term non-FTA export authorizations for LNG and compressed natural gas (CNG) in a cumulative volume equivalent to 16.30 Bcf/d of natural gas.17 The grant of this Order—in a volume of LNG equivalent to 0.36 Bcf/d of natural gas—brings DOE/FE’s cumulative volume for approved non-FTA LNG exports to 16.65 Bcf/d of natural gas (numbers do not add because of rounding). Because the 2014 and 2015 Studies examined U.S. LNG exports in excess of 12 Bcf/d, we find it appropriate to review those Studies as part of our public interest review in this proceeding.

B. Environmental Studies:

16 U.S. Dep’t of Energy, Macroeconomic Impacts of LNG Exports Studies; Notice of Availability and Request for Comments, 80 Fed. Reg. 81,300, 81,302 (Dec. 29, 2015) [hereinafter Notice of Availability] (providing a 45-day public comment period “to help inform DOE in its public interest determinations of the authorizations sought in the 29 non-FTA export applications identified …”).

17 See Magnolia LNG, LLC, DOE/FE Order No. 3909, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From the Proposed Magnolia LNG Terminal to be Constructed in Lake Charles, Louisiana, to Non-Free Trade Agreement Nations (Nov. 30, 2016); see also infra § XII.D (identifying each non-FTA LNG export authorization granted to date).
On June 4, 2014, DOE/FE issued two notices in the Federal Register proposing to evaluate different environmental aspects of the LNG production and export chain. First, DOE/FE announced that it had conducted a review of existing literature on potential environmental issues associated with unconventional natural gas production in the lower-48 states. The purpose of this review was to provide additional information to the public concerning the potential environmental impacts of unconventional natural gas exploration and production activities, including hydraulic fracturing. DOE/FE published its draft report for public review and comment, entitled Draft Addendum to Environmental Review Documents Concerning Exports of Natural Gas from the United States (Draft Addendum).¹⁸ DOE/FE received comments on the Draft Addendum and, on August 15, 2014, issued the final Addendum with its response to the public comments contained in Appendix B.¹⁹

Second, DOE/FE commissioned the National Energy Technology Laboratory (NETL), a DOE applied research laboratory, to conduct an analysis calculating the life cycle greenhouse gas (GHG) emissions for LNG exported from the United States. See infra § IX.A. The purpose of this analysis was to determine: (i) how domestically-produced LNG exported from the United States compares with regional coal (or other LNG sources) for electric power generation in Europe and Asia from a life cycle GHG perspective, and (ii) how those results compare with natural gas sourced from Russia and delivered to the same markets via pipeline. DOE/FE published NETL’s report, entitled Life Cycle Greenhouse Gas Perspective on Exporting

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Liquefied Natural Gas from the United States (LCA GHG Report). DOE/FE also received public comment on the LCA GHG Report, and provides its response to those comments in this Order. See infra § IX.B.

With respect to both the Addendum and the LCA GHG Report, DOE/FE has taken all public comments into consideration in this decision and has made those comments, as well as the underlying studies, part of the record in this proceeding. As explained below, neither the Addendum nor the LCA GHG Report are required by the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. § 4321 et seq., but DOE/FE believes that these documents will inform its review of the public interest under NGA section 3(a), and are responsive to concerns previously raised in this proceeding.

Parallel FERC Proceeding. On March 10, 2014, SLNG and Elba Liquefaction Company, L.L.C. (ELC) filed a joint application with FERC in FERC Docket No. CP14-103-000 to site, construct, and operate the new natural gas liquefaction and export facilities at the Elba Island Terminal. As detailed below, DOE/FE participated as a cooperating agency in FERC’s environmental review proceeding under NEPA, which culminated in the issuance of an Environmental Assessment (EA) for the Liquefaction Project. On February 5, 2016, FERC issued the EA and placed it into the public record. The EA recommended that FERC subject any approval of the Liquefaction Project to 90 environmental conditions. FERC received 35 comment letters on the EA, including submissions from the U.S. Fish and Wildlife Service

21 Southern LNG, LLC, Order Granting Section 3 and Section 7 Authorizations, 155 FERC ¶ 61,219, at P 1 (June 1, 2016) [hereinafter FERC Order].
23 See id. at 4-1-15.
On June 1, 2016, FERC issued an Order Granting Authorization Under Section 3 of the Natural Gas Act, which authorized SLNG to site, construct, and operate the proposed Liquefaction Project subject to 92 environmental conditions contained in the Appendix of the Order (the 90 environmental conditions recommended in the EA and two others imposed by FERC). FERC determined that “subject to the conditions imposed in this order, the Elba Liquefaction Project is not inconsistent with the public interest” because the project “will not involve the construction of any new LNG storage tanks,” and “is not expected to result in an increase in the size and/or frequency of LNG carriers from that previously contemplated for the terminal.” On December 9, 2016, FERC issued an order denying requests for rehearing of its June 1 Order (FERC Order on Rehearing). Details of the FERC proceeding are discussed below. See infra § X.C.

**DOE/FE’s Adoption of the EA and Issuance of a Finding of No Significant Impact (FONSI) Under NEPA, and NGA Section 3(a) Authorization.** After an independent review,
DOE/FE is concurrently adopting FERC’s EA for the Liquefaction Project (DOE/EA-1963) and issuing a Finding of No Significant Impact (FONSI) for the proposed Liquefaction Project and other related facility modifications. As discussed below, this Order grants the Application for export authorization in a total volume equivalent to 130 Bcf/yr of natural gas but the authorization is conditioned on SLNG’s compliance with the 92 environmental conditions adopted in the FERC Order.

II. SUMMARY OF FINDINGS AND CONCLUSIONS

This Order presents DOE/FE’s findings and conclusions on all issues associated with SLNG’s proposed exports under NGA section 3(a), including both environmental and non-environmental issues. As the basis for this Order, DOE/FE has reviewed a substantial administrative record that includes (but is not limited to) the following: SLNG’s Application; the motion to intervene and protest filed by the American Public Gas Association (APGA); the motion to intervene and protest filed by Sierra Club; SLNG’s answer to the motions to intervene, protests, and comments; Sierra Club’s renewed motion to reply and reply comments; DOE/FE’s 2014 and 2015 LNG Export Studies; the Addendum; the LCA GHG Report; public comments received on DOE/FE’s various analyses; FERC’s EA on the Liquefaction Project; the FERC Order granting authorization for SLNG to site, construct, and operate the Liquefaction Project; and the FERC Order on Rehearing.

On the basis of this record, DOE/FE has determined that it has not been shown that SLNG’s proposed exports will be inconsistent with the public interest, as is required to deny SLNG’s Application under NGA section 3(a). DOE/FE therefore authorizes SLNG’s export of domestically produced LNG from the Elba Island Terminal to non-FTA countries in a total volume of 130 Bcf/yr.

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volume equivalent to 130 Bcf/yr of natural gas. This authorization is subject to the Terms and Conditions and Ordering Paragraphs set forth herein, which incorporate by reference the 92 environmental conditions imposed by FERC. See infra §§ XIII-XV.

III. PUBLIC INTEREST STANDARD

Section 3(a) of the NGA sets forth the standard for review of the Application:

[N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary of Energy29] authorizing it to do so. The [Secretary] shall issue such order upon application, unless after opportunity for hearing, [he] finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by [the Secretary’s] order grant such application, in whole or part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.

15 U.S.C. § 717b(a). This provision creates a rebuttable presumption that a proposed export of natural gas is in the public interest. DOE/FE must grant such an application unless opponents of the application overcome that presumption by making an affirmative showing of inconsistency with the public interest.30

While section 3(a) establishes a broad public interest standard and a presumption favoring export authorizations, the statute does not define “public interest” or identify criteria that must be considered. In prior decisions, however, DOE/FE has identified a range of factors that it evaluates when reviewing an application for export authorization. These factors include

29 The Secretary’s authority was established by the Department of Energy Organization Act, 42 U.S.C. § 7172, which transferred jurisdiction over imports and export authorizations from the Federal Power Commission to the Secretary of Energy.
economic impacts, international impacts, security of natural gas supply, and environmental impacts, among others. To conduct this review, DOE/FE looks to record evidence developed in the application proceeding.31

DOE/FE’s prior decisions have also looked to certain principles established in its 1984 Policy Guidelines.32 The goals of the Policy Guidelines are to minimize federal control and involvement in energy markets and to promote a balanced and mixed energy resource system. The Guidelines provide that:

The market, not government, should determine the price and other contract terms of imported [or exported] natural gas …. The federal government’s primary responsibility in authorizing imports [or exports] will be to evaluate the need for the gas and whether the import [or export] arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market.33

While nominally applicable to natural gas import cases, DOE/FE subsequently held in Order No. 1473 that the same policies should be applied to natural gas export applications.34

In Order No. 1473, DOE/FE stated that it was guided by DOE Delegation Order No. 0204-111. That delegation order, which authorized the Administrator of the Economic Regulatory Administration to exercise the agency’s review authority under NGA section 3, directed the Administrator to regulate exports “based on a consideration of the domestic need for the gas to be exported and such other matters as the Administrator finds in the circumstances of a

31 See, e.g., Sabine Pass, DOE/FE Order No. 2961, at 28-42 (reviewing record evidence in issuing conditional authorization).
33 Id. at 6685.
34 Phillips Alaska Natural Gas, DOE/FE Order No. 1473, at 14 (citing Yukon Pacific Corp., DOE/FE Order No. 350, Order Granting Authorization to Export Liquefied Natural Gas from Alaska, 1 FE ¶ 70,259, at 71,128 (1989)).
particular case to be appropriate.” In February 1989, the Assistant Secretary for Fossil Energy assumed the delegated responsibilities of the Administrator of ERA.

Although DOE Delegation Order No. 0204-111 is no longer in effect, DOE/FE’s review of export applications has continued to focus on: (i) the domestic need for the natural gas proposed to be exported, (ii) whether the proposed exports pose a threat to the security of domestic natural gas supplies, (iii) whether the arrangement is consistent with DOE/FE’s policy of promoting market competition, and (iv) any other factors bearing on the public interest described herein.

IV. DESCRIPTION OF REQUEST

SLNG requests long-term, multi-contract authorization to export 4 mtpa of domestically produced LNG, on its own behalf and as agent for other entities that will hold title to the LNG, from the Elba Island Terminal to non-FTA countries, which SLNG estimated is equivalent to 182.5 Bcf/yr of natural gas (0.5 Bcf/d). SLNG requests a 20-year term of authorization, commencing on the earlier of the date of first export or ten years from the date of the issuance of this Order.

A. Description of Applicant

SLNG is a limited liability company formed under the laws of Delaware, with its principal place of business in Birmingham, Alabama. SLNG is a wholly-owned subsidiary of Kinder Morgan, Inc. (Kinder Morgan). SLNG owns the Elba Island Terminal, which has an existing direct interconnection with three interstate natural gas pipelines, Southern Natural Gas Company, L.L.C., Elba Express Company, L.L.C., and Carolina Gas Transmission Corporation,

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35 DOE Delegation Order No. 0204-111, at 1; see also 1984 Policy Guidelines, 49 Fed. Reg. at 6,690.
and indirectly connects with two other interstate natural gas pipelines, Transcontinental Gas Pipe Line Company, LLC and Florida Gas Transmission, LLC. Through these direct and indirect connections with interstate pipelines, the Elba Island Terminal connects to the nationally integrated interstate pipeline grid.38

B. Description of Facility

1. Elba Island Terminal

According to SLNG, the Elba Island Terminal initially was used for the purpose of receiving and storing foreign-sourced LNG, re-gasifying such LNG, and sending it out for delivery to domestic markets. FERC authorized the construction and operation of the Elba Island Terminal for these purposes in 1972. SLNG states that the Terminal commenced operations in 1978, but ceased operations in 1982.

FERC authorized SLNG to recommission the Elba Island Terminal and to modify the terminal in order to increase deliverability and to provide terminalling services on an open-access basis in 2000.39 SLNG states that it placed the Terminal back in service on December 1, 2001.

In 2003, FERC authorized SLNG to expand its storage capacity by 3.3 Bcf and its vaporization facilities by 540 million cubic feet per day (MMcf/d) and to construct a marine slip with new docking facilities to accommodate receipt of two LNG tankers and to serve as the primary receipt point for LNG shipments at the Elba Island Terminal. These facilities commenced operations on February 1, 2006.40

38 See SLNG App. at 7.
39 Id. at 5.
40 Id. at 5-6.
FERC authorized additional facilities in 2007 in two phases. Phase A included (1) modification of existing unloading docks; (2) construction of a new LNG storage tank with 4.22 Bcf of storage capacity; and (3) installation of additional vaporization with a firm send-out capacity of 405 MMcf per day. SLNG recommenced activities at its slip following modification of the unloading docks in February 2009. The vaporization portion of Phase A was placed in service in March 2010. The storage portion of Phase A was placed in service in July 2010. Phase B of the planned expansion would have included an additional LNG storage tank and additional vaporization capacity. However, SLNG elected not to pursue Phase B of the planned expansion and, on August 2, 2011, requested FERC to vacate the authorization it received for Phase B. On October 11, 2011, FERC granted SLNG’s request to vacate the authorization for the Phase B facilities.41

2. SLNG Liquefaction Project

Pursuant to its application in FERC Docket Nos. CP14-103-000, SLNG is planning to add natural gas processing and liquefaction capabilities to receive and liquefy domestic natural gas at the Elba Island Terminal for export to foreign markets (“Liquefaction Project”).42 SLNG states that the Liquefaction Project will permit natural gas to be received by pipeline at the Elba Island Terminal, liquefied, and loaded from the Terminal’s storage tanks onto vessels berthed at the existing facility. The Liquefaction Project has been designed to allow bi-directional service.43

FERC conducted an environmental review under NEPA for the Elba Liquefaction Project, which culminated in FERC’s issuance of a final Environmental Assessment (EA) in

41 Southern LNG Company, LLC, Order Vacating Section 3 Authorization, 137 FERC P61,034 (2011).
42 Id. at 6.
43 Id. at 7.
February 2016. DOE participated as a cooperating agency in that environmental review process. On June 1, 2016, FERC issued an order granting SLNG’s request for authorization to site, construct, and operate the Liquefaction Project subject to 92 environmental conditions contained in that Order. The FERC Order also authorized SLNG to construct and operate pipeline and compression facilities for purposes of supporting the Liquefaction Project.

C. Procedural History

Pertinent aspects of the procedural history in this proceeding not described in the preceding discussion are summarized below.

FTA Order (DOE/FE Order No. 3106). On June 15, 2012, DOE/FE issued Order No. 3106, authorizing SLNG to export LNG, on its own behalf and as agent for other entities, from the Elba Island Terminal to FTA countries in a volume equivalent to approximately 182.5 Bcf/yr of natural gas (0.5 Bcf/d)—the same volume requested for non-FTA exports in this proceeding. Order No. 3106 authorizes FTA exports for a 25-year period to commence on the earlier of the date of first export or ten years from the date the authorization was issued (June 15, 2022), and permits SLNG to export the LNG on its own behalf or as agent for other entities.

Change in Control. On March 7, 2016, SLNG submitted a letter updating the Application in several particulars. The letter stated that Kinder Morgan had acquired all of the outstanding equity securities of El Paso Pipeline Partners, L.P. (EPB) on November 26, 2014. Prior to that acquisition, SLNG had been wholly owned indirectly by EPB. As a consequence of Kinder Morgan’s acquisition of EPB, SLNG had become a wholly-owned subsidiary of Kinder Morgan. In addition, the letter stated that Elba Liquefaction Company, LLC, one of the co-

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44 See Elba Liquefaction Company, LLC, Southern LNG Company, LLC and Elba Express Company, LLC., Order Granting Section 3 and Section 7 Authorizations, 155 FERC ¶ 61,219 (Jun. 1, 2016).
45 See FTA Order at 2.
sponsors of the application to FERC for the Elba Liquefaction Project, had likewise become a wholly owned subsidiary of Kinder Morgan.

**D. Business Model**

SLNG requests authority to export the LNG on its own behalf and as agent for other entities that will hold title to the LNG at the time of export. SLNG states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements. SLNG 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. Consistent with DOE precedent, SLNG also states that, when practicable, it will file under seal with DOE any relevant long-term commercial agreements with LNG title holders on whose behalf the exports are performed.

**E. Source of Natural Gas**

According to SLNG, export operations from the Elba Island Terminal will not depend on a particular source of natural gas or even a particular supply basin. As noted above, SLNG states that the Terminal is directly interconnected with Southern Natural Gas Company, L.L.C., Elba Express Company, L.L.C., and Carolina Gas Transmission Corporation, and indirectly connects with Transcontinental Gas Pipe Line Company, LLC and Florida Gas Transmission, LLC. Through these direct and indirect connections with interstate pipelines, SLNG maintains that the Elba Island Terminal connects to the nationally integrated interstate pipeline grid, thereby allowing access to a variety of supply options.

**V. APPLICANT’S PUBLIC INTEREST ANALYSIS**

SLNG states that its proposed exports are not inconsistent with the public interest, and

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46 See SLNG App. at 9-10.
47 See id.
therefore meet the standard under NGA section 3(a). In support of this position, SLNG addresses the following four factors: (i) U.S. natural gas supply; (ii) U.S. natural gas demand; (iii) impact on domestic natural gas prices; and (iv) other public interest considerations. As discussed below, SLNG relies on publicly available information and on two studies that it commissioned from Navigant Consulting, Inc. (Navigant) to support its analysis. The two Navigant studies include a Market Analysis Study that examines the possible impacts that the Liquefaction Project might have on natural gas supply and pricing, and an Economic Impact Assessment Study that, according to SLNG, shows that the Liquefaction Project will create material economic benefits in the Southeast region of the United States.

A. U.S. Natural Gas Supply

According to SLNG, Navigant’s Market Analysis Study and publicly available information show that North America has significant natural gas resources available at prices that are sufficient to meet projected domestic needs and up to 4 million tons per annum over the 20-year period covered in SLNG’s request for export authority. Citing the 2012 Annual Energy Outlook issued by the Energy Information Administration (EIA) (AEO 2012), SLNG asserts that domestic natural gas production will grow more quickly than domestic demand for consumption.48 SLNG further states that domestic gas production has been on a significant upward trend in recent years as rapid growth in supply from unconventional discoveries has more than compensated for declines in production from conventional onshore and offshore fields. SLNG refers to a study published by the Brookings Energy Security Initiative that, according to SLNG, estimates that shale gas production increased by an average annual rate of

48 Id. at 17 (citing Energy Information Administration, Annual Energy Outlook 2012 (June 2012) at 92, http://www.eia.gov/outlooks/archive/aeo12/.
17 percent from 2000 to 2006, and by 48 percent from 2006 to 2010.\textsuperscript{49} SLNG further maintains that increased drilling productivity in certain prolific shale gas formations, including the Marcellus and Haynesville shales, has enabled domestic production to continue expanding despite a reduction in the number of wells drilled. Moreover, SLNG asserts, new shale resources plays are still being discovered. In this regard, SLNG contends that the Massachusetts Institute of Technology estimated in \textit{The Future of Natural Gas} (MIT Report) that the United States has a mean recoverable gas resource base of approximately 650 Tcf and other studies estimate the total amount of technically recoverable shale gas resources in the range of less than 700 Tcf to over 1,800 Tcf.

SLNG further maintains that the growth in shale gas production has been accompanied by an increase in the overall volume of U.S. natural gas resources. According to SLNG, in April 2011, the Potential Gas Committee raised its prior estimates of the U.S. technically recoverable gas resource base by 61 Tcf to 1,898 Tcf at yearend 2010. Similarly, the MIT Report estimates that the United States has a mean remaining resource base of approximately 2,100 Tcf. SLNG maintains that, “[b]ased off 2011 U.S. demand of 24 Tcf per year, the U.S. alone has enough gas resources to supply demand for up to more than 90 years” with this inventory expected to grow as advancements in drilling technology are deployed to exploit additional shale gas opportunities.\textsuperscript{50}

\textbf{B. Domestic Natural Gas Demand}

SLNG asserts that domestic natural gas demand continues to be outpaced by the available

\textsuperscript{49} Id. (citing Brookings Energy Security Initiative, Liquid Markets: Assessing the Case for U.S. Exports of Liquefied Natural Gas at 3 (May 2012), http://www.brookings.edu/research/reports/2012/05/02-lng-exports-ebinger).

supply. Citing AEO 2012, SLNG states that consumption of natural gas in the U.S. by industrial end-users has steadily declined over the last 15 years, from a peak of 8.51 Tcf in 1997 to 6.7 Tcf in 2011.\textsuperscript{51} Similarly, SLNG argues, EIA projects a 6% decline in residential consumption of natural gas to 4.64 Tcf in 2035 in its Reference Case,\textsuperscript{52} citing appliance efficiency gains, improvements in building construction, population shifts towards warmer regions, higher commodity prices, and an increase in the share of natural gas customers who do not use natural gas as their primary space-heating fuel.\textsuperscript{53} SLNG argues that, although the EIA projects natural gas consumption for electric power generation to grow by 0.8% to 8.96 Tcf in 2035 in its Reference Case, the amount of growth will likely depend on commodity price competition and additional Environmental Protection Agency regulations. Finally, SLNG asserts that natural gas consumed for residential and commercial transportation accounts for a small portion of domestic demand and that demand in the transportation sector is not likely to increase dramatically, mainly due to a lack of refueling infrastructure and an incremental cost premium for LNG trucks of approximately $70,000.\textsuperscript{54}

\textbf{C. Impact on Domestic Natural Gas Prices}

Navigant’s Market Analysis (also called the “Navigant Supply Study” in the Application) assessed the potential supply, demand, and pricing impact on U.S. natural gas markets under two major scenarios through 2035, which is the timeframe for SLNG’s proposed exports. According to SLNG, under each scenario analyzed, there is more than adequate supply for domestic markets

\textsuperscript{51} Id. at 19 (citing Energy Information Administration, \textit{Annual Energy Outlook 2012} at 92 (June 2012), http://www.eia.gov/outlooks/archive/aeo12/)
\textsuperscript{52} Id.
along with LNG exports and the impact of exports on domestic pricing and domestic demand for natural gas are minimal.\(^55\) Under the “Base Case” scenario, Navigant projected natural gas forward prices and monthly basis differentials at 90 market points throughout the North American Grid. This scenario assumes that two authorized LNG export facilities in North America will be operational by the time the SLNG Export Project is in service: Sabine Pass LNG in Louisiana and Kitimat LNG near Prince Rupert, British Columbia. The “SLNG Exports Case” scenario tests the effect of exporting natural gas in liquefied form from the SLNG facility against the Base Case. The “Aggregate Exports Case” expands upon the SLNG Exports Case by including an additional 3.5 Bcf/d of generic export capacity. This scenario assumes the existing authorized facilities in place plus the SLNG Export Project plus additional exports from projects other than the SLNG Export Project.\(^56\) A second scenario, the “High Demand Base Case,” incorporates aggressive assumptions about natural gas demand through the phase-in of natural gas vehicles and the additional 3.5 Bcf/d of generic LNG exports projected in the Aggregate Exports Case and tests the effects of exporting LNG from the proposed Terminal beginning in June 2015 against the High Demand Base Case.

Supply Impacts. SLNG states that the modeling in the Navigant Market Analysis Study shows that little effect would be seen on the supply of natural gas in the US. According to SLNG, under the Base Case and SLNG Exports Case, Navigant projects U.S. gas supply at the same rate from 68.2 Bcf/d in 2012 to 83.5 Bcf/d in 2035. Under the Aggregate Exports Case, SLNG states, U.S. gas supply will slightly increase to an estimated 84.1 Bc/f/d in 2035.\(^57\)


\(^{56}\) Id. at 22.

\(^{57}\) Id. at 23.
maintains that U.S. gas supply increases to a total of 88.3 Bcf/d in 2035 under both the High Demand Base Case and the High Demand Base Case Plus SLNG’s proposed exports at 0.5 Bcf/d.\textsuperscript{58} Thus, SLNG argues that the Export Project would have a minor positive impact on natural gas supplies in the U.S. Moreover, SLNG argues that, contrary to the concerns expressed that LNG exports will deplete U.S. resources, the demand induced by such exports will incentivize production, yielding net positives across all scenarios.\textsuperscript{59}

Demand Impacts. SLNG states that the modeling in the Navigant Market Analysis Study shows there would be little effect on overall total demand for natural gas in the U.S.\textsuperscript{60} SLNG states that LNG exports at SLNG have virtually no effect on the distribution of demand among the major sectors of the domestic economy. SLNG points out that the Navigant Market Analysis Study shows almost no difference between the Base Case and the SLNG Exports Case. According to SLNG, for the Aggregate Exports Case, the difference is an approximate of 0.6 Bcf/d increase in demand due to liquefaction plant fuel losses.\textsuperscript{61} Similarly, SLNG states, the Navigant Market Analysis Study reflects virtually no difference between the High Demand Base Case and the High Demand Base Case Plus SLNG at 0.5 Bcf/d.\textsuperscript{62} According to SLNG, these differing scenarios show that the SLNG Export Project will have an insignificant impact on the demand for natural gas in the U.S. market across all scenarios tested.\textsuperscript{63}

Price Impacts. The Navigant Market Analysis Study considers SLNG’s impact on Transcontinental Pipeline Company (Transco) Zone 4 prices and on Henry Hub prices, and

\begin{itemize}
\item \textsuperscript{58} Id. at 22-23.
\item \textsuperscript{59} Id. at 23.
\item \textsuperscript{60} SLNG App. at 23.
\item \textsuperscript{61} Id. (citing Navigant Market Analysis Study at 52).
\item \textsuperscript{62} Id. (citing Navigant Market Analysis Study at 60).
\item \textsuperscript{63} Id. at 23-24.
\end{itemize}
shows that the impact is minimal for all cases throughout the twenty-year term. The average price increase of the SLNG Exports Case versus the Base Case is $0.14 per MMBtu for Henry Hub and Transco Zone 4, representing a 2.7% difference.64 SLNG states that the average price increase from the Aggregate Exports Case versus the SLNG Exports Case is $0.23, or about 4.4% for Henry Hub.65 According to SLNG, the Study showed that, with the introduction of the 0.5 Bcf/d export volume at issue here, the prices at Transco Zone 4 and Henry Hub in the High Demand Base Case Plus SLNG at 0.5 Bcf/d remain near or below $6.00 per MMBtu through 2025 and 2026, respectively, and below $7.00 per MMBtu through 2032.66 SLNG states that the price increase for the High Demand Base Case Plus SLNG at 0.5 Bcf/d versus the High Demand Base Case is $0.20 per MMBtu at Henry Hub and $0.19 per MMBtu at Transco Zone 4.67

According to SLNG, the Navigant Market Analysis Study supports the conclusion that the proposed LNG exports will have a minimal impact on domestic natural gas prices.68 Further, SLNG states, any upward pressure on prices due to increased demand for exports would likely be offset by a reduction in domestic price volatility.69 SLNG states that in recent years, low market prices have resulted in domestic producers deferring the drilling of new wells or completion of wells that have already been drilled.70 SLNG argues that a sharp cutback in the development of new gas wells will ultimately lead to a sharp rebound in natural gas prices. SLNG maintains that LNG export facilities will reduce the cycle of sharp natural gas price fluctuations.71 SLNG argues that allowing the market to allocate gas usage through expanded exports of LNG will help

64 Id. at 24 (citing Navigant Market Analysis Study at 47).
65 SLNG App. at 25.
66 Id.
67 Id. (citing Navigant Market Analysis Study at 60).
68 SLNG App. at 26.
69 Id.
70 Id.
71 Id.
to stabilize natural gas prices.\textsuperscript{72} According to SLNG, this will smooth out investment and provide an additional market for U.S. production, encouraging exploration, development, and production at times when domestic demand alone might not.\textsuperscript{73}

Additionally, SLNG states, customers of the Export Project will have the flexibility to reduce exports and redirect gas to the domestic market if demand and market prices indicate a sufficient need for incremental supplies. As SLNG notes, the increased production and reserves are not irrevocably or unilaterally dedicated to foreign destinations.\textsuperscript{74} SLNG cites to the Policy Guidelines in arguing that market signals in the United States will play a key role in the determination of whether such natural gas will be consumed in the United States or delivered to a foreign market.\textsuperscript{75} Further, SLNG states that allowing the Export Project to proceed will not prevent the importation of LNG when market forces dictate, and notes that SLNG is prepared to provide service under either scenario. In sum, SLNG contends that the Navigant Market Analysis Study and publicly available information demonstrate that the U.S. has sufficient natural gas resources available at modest prices to meet projected domestic demand over the twenty-year period for which SLNG requests authorization.\textsuperscript{76}

\textbf{D. Other Public Interest Considerations}

\textbf{1. Benefits to U.S., Regional, and Local Economies}

SLNG commissioned Navigant Economics to assess the economic impact of the SLNG Export Project in the Southeast region. According to SLNG, expenditures related to the development, support, and construction of the SLNG Export Project are estimated to cost

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{72} Id. at 26-27.
\item \textsuperscript{73} SLNG App. at 27.
\item \textsuperscript{74} Id.
\item \textsuperscript{75} Id. at 27.
\item \textsuperscript{76} Id. at 27-28.
\end{enumerate}
\end{footnotesize}
between $1.4 and $2 billion. SLNG projects that $187.5 million of the construction activities would be spent within Chatham, Bryan, and Effingham Counties in Georgia. SLNG projects the operation and maintenance of the SLNG Export Project will be $118.6 million annually. Customers of the SLNG Export Project will spend an estimated $820.9 million annually on purchasing natural gas for the SLNG Export Project.

a) **Economic Impacts**

SLNG relies upon the Navigant Economic Impact Assessment Study’s calculation of the number of jobs created, the incremental wage income associated with these jobs, and the value added by the Export Project. According to SLNG, over the two and a half year construction timeframe, the Export Project will create 807 full-time equivalent jobs in Chatham County, earning $30 million each year on average. The estimated average annual value added of the jobs in Chatham County is $64.5 million. For the Savannah Metropolitan Statistical Area (comprised of Chatham, Bryan, and Effingham Counties in Georgia), the SLNG Export Project is anticipated to create an additional 1,064 full-time equivalent jobs, earning $39.4 million each year, and adding $69.6 million each year on average during the two and a half year construction period.

Similarly, SLNG argues that the continuing economic impact from the operation of the SLNG Export Project will be significant. Navigant Economics projects that the operation and maintenance of the SLNG Export Project will create 421 new full-time equivalent jobs in Chatham County. Navigant also found that employee earnings and value added will be $20.7 million annually.

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77 Id. at 28 (citing Navigant Economics, Southern LNG Export Project Economic Impact Assessment Study, at 1 (Aug. 31, 2012) (“Economic Impact Assessment”)).
78 Id. at 29.
79 Id.
80 SLNG App. at 29.
million higher and $73.2 million higher, respectively, in Chatham County than without the facilities. In the Savannah Metropolitan Statistical Area, Navigant projects that in each year of Project operations, there will be 563 more full-time equivalent jobs, $28.3 million more employee earnings, and $77 million more value added than would have been the case absent outlays associated with the operation and maintenance of the SLNG Export Project.\textsuperscript{81}

An even greater number of jobs, SLNG argues, will result from the exploration and production of the 0.5 Bcf/d SLNG seeks to export. Customers outside the Savannah Metropolitan Statistical Area will purchase the natural gas as well, creating 7,648 new jobs, $501.5 million more employee earnings, and $1,134 million value added per year.\textsuperscript{82}

\textbf{b) Additional Tax Revenues Generated}

According to SLNG, the Export Project will pay an incremental $10.1 million in property taxes annually during construction of the SLNG Export Project. The State of Georgia would obtain incremental tax revenues (in addition to the Chatham County property taxes) of $17.7 million.\textsuperscript{83} Nationally, during construction, federal tax revenues will increase by $420 million and the state and local tax revenues will increase by $226.9 million.\textsuperscript{84} It is estimated that after the SLNG Export Project goes into service, the facilities will pay $10.5 million in property taxes annually to Chatham County. Additionally, it is projected that the State of Georgia will obtain incremental tax revenues (separate from the Chatham County property taxes) each year of $6.3 million due to new facilities and the natural gas purchased for the SLNG Export Project.\textsuperscript{85}

\textsuperscript{81 Id. at 30.}
\textsuperscript{82 Id.}
\textsuperscript{83 Id.}
\textsuperscript{84 Id. (citing Economic Impact Assessment at 43).}
\textsuperscript{85 SLNG App. at 30.}
Moreover, it is estimated that federal tax revenues will increase by $169.6 million and state and local tax revenues will increase by $104.6 million.\(^\text{86}\)

2. **International Considerations**

   a) **The Market for LNG**

   SLNG argues that, in addition to creating economic benefits domestically, there exists a need for U.S. exports of LNG abroad. SLNG cites Asian countries as being heavily dependent on the importation of LNG.\(^\text{87}\) With demand expected to grow and limited excess capacity on the part of the region’s traditional suppliers, SLNG argues, imports of LNG from the U.S. will become increasingly important in meeting Asia’s energy needs.\(^\text{88}\) A similar situation exists, according to SLNG, in Europe where many countries rely heavily, if not exclusively, on the importation of Russian gas at high, oil-indexed prices.

   b) **Balance of Trade**

   SLNG states that exportation of LNG will have a beneficial impact on the balance of payments of the U.S., thereby reducing the overall U.S. trade deficit.\(^\text{89}\) SLNG, refers to a 2012 report by the Bureau of Economic Analysis within the U.S. Department of Commerce. According to SLNG, the report found the U.S. trade deficit in 2011 to be $560 billion.\(^\text{90}\) SLNG states that, if approved, the SLNG Export Project would help reduce the U.S. trade deficit by up to $1.7 billion per year over the 20-year period of the requested authorization.\(^\text{91}\)

   c) **Geopolitical Benefits**

\(^{86}\) *Id.*  
\(^{87}\) *Id.* at 31-32.  
\(^{88}\) *Id.*  
\(^{89}\) *Id.* at 32.  
\(^{91}\) *Id.* at 32-33.
SLNG argues that the export of domestically produced LNG from the SLNG Project will promote liberalization of the global gas market by fostering increased liquidity and trade prices established by market forces. In particular, SLNG argues, the competitive threat of LNG available for European markets has a positive impact on U.S. geopolitical interests because it provides a moderating effect on Russian’s ability to restrict gas supply to Europe for geopolitical purposes and it alleviates a potential stress point to an economy that is already under pressure for other reasons.\textsuperscript{92} Additionally, SLNG contends that the SLNG Export Project could help increasing demand for natural gas among Asian countries. Thus, SLNG states, even though the amount of supply from the SLNG Export Project will be a small percentage of the global LNG capacity, the entrance of additional LNG supplies will significantly diversify the global gas market and will help the United States enhance its strategic influence.\textsuperscript{93}

d) Additional International Benefits

Additional positive impacts of authorizations to export LNG that SLNG cited include: (1) promoting international markets and development of additional resources domestically and internationally; (2) enabling overseas generators to switch from oil or coal to cleaner natural gas with its environmental benefits; (3) assisting countries with limited resources to broaden and diversify their supply base, which will contribute to transparency, efficiency, and liquidity of international natural gas markets and encourage liberalized trade and greater diversification of global supplies; and, (4) decoupling international natural gas prices from oil prices, leading to lower natural gas prices.\textsuperscript{94}

\textsuperscript{92} Id. at 34-35.  
\textsuperscript{93} Id.  
\textsuperscript{94} Id. at 35-36.
VI. DOE/FE’S LNG EXPORT STUDIES

A. 2012 LNG Export Study

On May 20, 2011, DOE/FE issued Order No. 2961, DOE/FE’s first order conditionally granting a long-term authorization to export LNG produced in the lower-48 states to non-FTA countries. By August 2011, with several other non-FTA export applications then pending before it, DOE/FE determined that further study of the economic impacts of LNG exports was warranted to better inform its public interest review under section 3 of the NGA. Accordingly, DOE/FE engaged EIA and NERA Economic Consulting to conduct a two-part study of the economic impacts of LNG exports.

First, in August 2011, DOE/FE requested that EIA assess how prescribed levels of natural gas exports above baseline cases could affect domestic energy markets. Using its National Energy Modeling System (NEMS), EIA examined the impact of two DOE/FE-prescribed levels of assumed LNG exports—equivalent to 6 Bcf/d and 12 Bcf/d of natural gas—under numerous scenarios and cases based on projections from EIA’s 2011 Annual Energy Outlook (AEO 2011), the most recent EIA projections available at that time. The new scenarios and cases examined by EIA included a variety of supply, demand, and price outlooks. EIA published its study, Effect of Increased Natural Gas Exports on Domestic Energy Markets, in January 2012. EIA generally found that LNG exports will lead to higher domestic natural

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95 Sabine Pass, DOE/FE Order No. 2961, supra note 28.
96 DOE/FE stated in Sabine Pass that it “will evaluate the cumulative impact of the [Sabine Pass] authorization and any future authorizations for export authority when considering any subsequent application for such authority.” DOE/FE Order No. 2961, at 33.
98 The Annual Energy Outlook (AEO) presents long-term projections of energy supply, demand, and prices. It is based on results from EIA’s NEMS model.
gas prices, increased domestic natural gas production, reduced domestic natural gas consumption, and increased natural gas imports from Canada via pipeline.

Second, DOE contracted with NERA to assess the potential macroeconomic impact of LNG exports by incorporating EIA’s then-forthcoming case study output from the NEMS model into NERA’s general equilibrium model of the U.S. economy. NERA analyzed the potential macroeconomic impacts of LNG exports under a range of global natural gas supply and demand scenarios, including scenarios with unlimited LNG exports. DOE published the NERA Study, *Macroeconomic Impacts of LNG Exports from the United States*, in December 2012 (NERA Study). Among its key findings, NERA projected that the United States would gain net economic benefits from allowing LNG exports. For every market scenario examined, net economic benefits increased as the level of LNG exports increased.

In December 2012, DOE/FE published a Notice of Availability (NOA) of the EIA and NERA studies (collectively, the 2012 LNG Export Study or Study).100 DOE/FE invited public comment on the Study, and stated that its disposition of the then-pending non-FTA LNG export applications would be informed by the Study and the comments received in response thereto.101 DOE/FE received over 188,000 initial comments and over 2,700 reply comments, of which approximately 800 were unique.102 The comments were posted on the DOE/FE website and entered into the public records of the 15 LNG export proceedings identified in the NOA.103

100 77 Fed. Reg. at 73,627.
101 Id. at 73,628.
102 Because many comments were nearly identical form letters, DOE/FE organized the initial comments into 399 docket entries, and the reply comments into 375 entries. See http://www.fossil.energy.gov/programs/gasregulation/authorizations/export_study/export_study_initial_comments.html (Initial Comments – LNG Export Study) & http://www.fossil.energy.gov/programs/gasregulation/authorizations/export_study/export_study_reply_comments.html (Reply Comments – LNG Export Study).
103 See 77 Fed. Reg. at 73,629 & n.4.
DOE/FE responded to those public comments in connection with the LNG export proceedings identified in the NOA.\(^\text{104}\)


1. **Methodology**

DOE/FE asked EIA to evaluate the impact of increased natural gas demand, reflecting possible exports of U.S. natural gas, on domestic energy markets using the modeling analysis presented in AEO 2014 as a starting point. DOE/FE requested an assessment of how specified scenarios of increased exports of LNG from the lower-48 states could affect domestic energy markets, focusing on consumption, production, and prices. At DOE/FE’s request, EIA assumed three LNG export scenarios, including exports of:

- 12 Bcf/d, phased in at a rate of 2 Bcf/d each year beginning in 2015;
- 16 Bcf/d, phased in at a rate of 2 Bcf/d each year beginning in 2015; and
- 20 Bcf/d, phased in at a rate of 2 Bcf/d each year beginning in 2015.

EIA noted that the ramp-up specified by DOE/FE for these scenarios is extremely aggressive and intended to provide results that show an outer envelope of domestic production and consumption responses that might follow from the approval of exports beyond 12 Bcf/d. Accordingly, EIA also included a 20 Bcf/d export scenario, applied to the AEO 2014 Reference case, with a delayed ramp-up to identify the impact of higher LNG exports implemented at a slower pace, referred to as the “Alt 20 Bcf/d scenario.”

DOE/FE requested that EIA consider the above scenarios in the context of baseline cases from EIA’s AEO 2014. These five cases are:

- The AEO 2014 Reference case;

\(^{104}\) *See, e.g., Sabine Pass Liquefaction, LLC, DOE/FE Order No. 3792, at 66-121 (Mar. 11, 2016).*
• The High Oil and Gas Resource (HOGR) case, which reflects more optimistic assumptions about domestic natural gas supply than the Reference case;

• The Low Oil and Gas Resource (LOGR) case, which reflects less optimistic assumptions about domestic oil and natural gas supply than the Reference case;

• The High Economic Growth (HEG) case, in which the U.S. gross domestic product grows at an average annual rate 0.4 percentage points higher than in the Reference case, resulting in higher domestic energy demand; and

• The Accelerated Coal and Nuclear Retirements (ACNR) case, in which higher costs for running existing coal and nuclear plants result in accelerated capacity retirements and greater reliance on natural gas to fuel electricity generation than in the Reference case.

Taken together, the four scenarios and five cases presented 16 case scenarios:

Table 2: Case Scenarios Considered By EIA in Analyzing Impacts of LNG Exports

<table>
<thead>
<tr>
<th>AEO 2014 Cases</th>
<th>Export Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Reference</td>
<td>12 Bcf/d</td>
</tr>
<tr>
<td>2 Reference</td>
<td>16 Bcf/d</td>
</tr>
<tr>
<td>3 Reference</td>
<td>20 Bcf/d</td>
</tr>
<tr>
<td>4 Reference</td>
<td>Alt 20 Bcf/d</td>
</tr>
<tr>
<td>5 HOGR</td>
<td>12 Bcf/d</td>
</tr>
<tr>
<td>6 HOGR</td>
<td>16 Bcf/d</td>
</tr>
<tr>
<td>7 HOGR</td>
<td>20 Bcf/d</td>
</tr>
<tr>
<td>8 LOGR</td>
<td>12 Bcf/d</td>
</tr>
<tr>
<td>9 LOGR</td>
<td>16 Bcf/d</td>
</tr>
<tr>
<td>10 LOGR</td>
<td>20 Bcf/d</td>
</tr>
<tr>
<td>11 HEG</td>
<td>12 Bcf/d</td>
</tr>
<tr>
<td>12 HEG</td>
<td>16 Bcf/d</td>
</tr>
<tr>
<td>13 HEG</td>
<td>20 Bcf/d</td>
</tr>
<tr>
<td>14 ACNR</td>
<td>12 Bcf/d</td>
</tr>
<tr>
<td>15 ACNR</td>
<td>16 Bcf/d</td>
</tr>
<tr>
<td>16 ACNR</td>
<td>20 Bcf/d</td>
</tr>
</tbody>
</table>

EIA used the five AEO 2014 cases described above as the starting point for its analysis and made several changes to represent the export scenarios specified in the study request. EIA exogenously added LNG exports from the lower-48 states in its model runs, using the NEMS model, to reach the targeted LNG export levels.
The Mid-Atlantic and South Atlantic regions were each assumed to host 1 Bcf/d of LNG export capacity, the Pacific region was assumed to host 2 Bcf/d, with all of the remaining Lower 48 states’ export capacity hosted along the Gulf Coast in the West South Central Census division. In addition to the volume of natural gas needed to satisfy the levels of LNG exports defined in the scenarios, a supplemental volume of gas is required in order to liquefy natural gas for export as LNG. EIA assumed that this volume would equal 10 percent of the LNG export volume. The additional natural gas consumed during the liquefaction process is counted as fuel use within the U.S. region where liquefaction occurs.

As in AEO 2014, U.S. natural gas pipeline imports and exports and U.S. LNG imports are endogenously determined in the model. However, LNG exports out of Alaska were set exogenously to the projected level from the corresponding baseline cases.

One further modeling change was applied only in export scenario runs using the Accelerated Coal and Nuclear Retirements case. This case was included in the Study to reflect a baseline with high use of natural gas and low use of coal for electricity generation that is driven by factors other than favorable natural gas supply conditions and low natural gas prices, which are considered in the High Oil and Gas Resource case. In order to represent a situation in which increased coal generation is not an available response to higher domestic natural gas prices, coal-fired generation was not allowed to rise above the Accelerated Coal and Nuclear Retirements baseline level when the DOE/FE export scenarios were implemented.

2. Scope of EIA Study

The EIA Study recognizes that projections of energy markets over a 25-year period are highly uncertain, and that many events—such as supply disruptions, policy changes, and
technological breakthroughs—cannot be foreseen. Other acknowledged limitations on the scope of the EIA Study include:

- NEMS is not a world energy model and does not address the interaction between the potential for additional U.S. natural gas exports and developments in world natural gas markets;

- Global natural gas markets are not fully integrated, and their nature could change substantially in response to significant changes in natural gas trading patterns. Future opportunities to profitably export natural gas from the United States depend on the future of global natural gas markets, the inclusion of relevant terms in specific contracts to export natural gas, and the assumptions in the various cases analyzed;

- Given its focus on the domestic energy system, NEMS does not fully account for interactions between energy prices and the global economy that could benefit the U.S. economy; and

- Measures of domestic industrial activity in NEMS are sensitive to both the composition of final U.S. demand and changes in domestic energy prices. However, NEMS does not account for the impact of domestic and global energy price changes on the global utilization pattern for existing manufacturing capacity or the siting of new capacity inside or outside of the United States in energy-intensive industries.

3. Results of the 2014 EIA LNG Export Study

EIA generally found that LNG exports will lead to higher domestic natural gas prices, increased domestic natural gas production, reduced domestic natural gas consumption, and higher levels of economic output (as measured by real gross domestic product or GDP). The impacts of exports, according to EIA, are as follows:

**Increased natural gas prices.** EIA stated that larger export levels would lead to larger domestic price increases. Percentage changes in delivered natural gas prices would be lower than percentage changes in producer prices, particularly for residential and commercial customers.
**Increased natural gas production and supply.** Increased exports would result in increased natural gas production that would satisfy 61 to 84 percent of the increase in natural gas exports, with a minor additional contribution from increased imports from Canada. Across most cases, EIA states that about three-quarters of this increased production would come from shale sources.

**Decreased natural gas consumption.** Due to higher prices, EIA projects a decrease in the volume of natural gas consumed domestically. EIA states that the electric power generation mix would shift toward other generation sources, including coal and renewable fuels. EIA indicates that there also would be a small reduction in natural gas use in all sectors from efficiency improvements and conservation.

**Increased levels of GDP.** EIA states that increased energy production would spur investment, which would more than offset the adverse impact of somewhat higher energy prices. GDP increases would range from 0.05 to 0.17 percent and generally increase with the amount of added LNG exports.

4. **Increased Natural Gas Prices**

EIA found that natural gas prices would increase generally across all of the export scenarios, with the greatest impact during the first 10 years when LNG exports are ramping up. The smallest price change over the baseline occurs in the High Oil and Gas Resource case. The Low Oil and Gas Resource case yields the largest price response.

EIA notes that the percentage changes in producer natural gas prices and delivered prices to customers compared to the AEO 2014 Reference case baseline would vary, but would be relatively modest. Prices paid to producers would increase from 4 to 11 percent under the 12 and
20 Bcf/d scenario, respectively, while prices paid by residential customers would rise even less—from 2 to 5 percent under the 12 and 20 Bcf/d scenarios.

5. Increased Natural Gas Production and Supply

EIA projected that most of the additional natural gas needed for export would be provided by increased domestic production with a minor contribution from increased pipeline imports from Canada. The remaining portion of the increased export volumes would be offset by decreases in consumption resulting from higher prices associated with the increased exports.

6. Energy-Related Carbon Dioxide Emissions

EIA projected that the use of natural gas to provide energy for added liquefaction, combined with the displacement of natural gas by more carbon-intensive fuels in end-use sectors, causes an increase in U.S. CO₂ emissions over the analysis period in most pairings of export scenarios and baselines. The Study noted that the increased use of coal in the electric power sector and the increased use of liquids in the industrial sector generally result in a net increase in CO₂ emissions. The Study also noted that, despite the CO₂ emission increases projected in the LNG export scenarios, energy-related CO₂ emissions remain below the 2005 level in each year of the projection period across all pairings of scenarios and baselines.

EIA’s analysis did not include the U.S. Environmental Protection Agency’s (EPA) Transport Rule,¹⁰⁵ as it had been vacated at the time, or other proposed EPA rulemakings.¹⁰⁶ EIA also did not analyze global CO₂ emissions or life cycle emissions. DOE looked at these latter issues in a separate analysis—the LCA GHG Report, discussed below in Section IX.

1. Decreased Domestic Natural Gas Consumption

EIA projected that greater export levels would lead to decreases in domestic natural gas consumption. This decrease would occur largely within the electric power sector. EIA projected that over the 2015-40 period, the decline in natural gas consumption from electric power generators, on average, contributes from 10 to 18 percent to the levels of natural gas needed for the increased LNG export demands, across all cases and scenarios. The Study noted that the trade-off in natural gas-fired generation and generation from competing fuels varies depending on the case, and generally depends on the generation fuel mix in the base scenarios.

2. Increased End-User Natural Gas and Electricity Delivered Prices

EIA projected increased total end-use energy expenditures across the range of LNG export scenarios and baselines. Implementation of the 12 Bcf/d scenario under Reference case conditions is projected to increase total end-use energy expenditures by $9 billion per year, or 0.6 percent on average, from 2015-2040. For the 20 Bcf/d scenario, total end-use energy expenditures are projected to rise by $18 billion per year, or 1.3 percent on average, from 2015 to 2040. EIA projected that increased end-use expenditures on natural gas account for one-third of additional expenditures.

3. Increased Gross Domestic Product

EIA projected that increased LNG exports leads to higher economic output, as measured by real GDP, as increased energy production spurs investment. This higher economic output is enough to overcome the negative impact of higher domestic energy prices over the projection period. EIA projected that implementing the export scenarios specified for this Study increased GDP by 0.05 to 0.2 percent over the 2015-2040 period depending on the export scenario. The
GDP gains from increasing LNG exports are positive across all cases, although relatively modest.


The Center for Energy Studies at Rice University’s Baker Institute and Oxford Economics (hereinafter, Rice-Oxford) were commissioned by Leonardo Technologies, Inc. (LTI) on behalf of DOE/FE to undertake a scenario-based assessment of the macroeconomic impact of alternative levels of U.S. LNG exports under a range of assumptions concerning U.S. resource endowment, U.S. natural gas demand, and the international market environment—referred to herein as the 2015 Study.

1. Overview of Rice-Oxford’s Findings in the 2015 Study

The key findings of the 2015 Study include the following:

**Rising LNG exports are associated with a net increase in domestic natural gas production.** The 2015 Study finds that the majority of the increase in LNG exports is accommodated by expanded domestic production rather than reductions in domestic demand.

**As exports increase, the spread between U.S. domestic prices and international benchmarks narrows.** In every case, greater LNG exports raise domestic prices and lower prices internationally. The majority of the price movement (in absolute terms) occurs in Asia.

**The overall macroeconomic impacts of higher LNG exports are marginally positive, a result that is robust to alternative assumptions for the U.S. natural gas market.** With external demand for U.S. LNG exports at 20 Bcf/d, the impact of increasing exports from 12 Bcf/d is between 0.03 and 0.07 percent of GDP over the period of 2026–2040, or $7 to $20 billion annually in today’s prices.
An increase in LNG exports from the United States will generate small declines in output at the margin for some energy-intensive, trade-exposed industries. The sectors that appear most exposed are cement, concrete, and glass, but the estimated impact on sector output is very small compared to expected sector growth to 2040.

Negative impacts in energy-intensive sectors are offset by positive impacts elsewhere. Other industries benefit from increasing U.S. LNG exports, especially those that supply the natural gas sector or benefit from the capital expenditures needed to increase production. This includes some energy-intensive sectors and helps offset some of the impact of higher energy prices.

2. Methodology

Rice-Oxford’s analysis in the 2015 Study used a highly specialized, multi-stage modeling approach. First, the Rice World Gas Trade Model (RWGTM) was used to simulate various alternative futures for the global natural gas market. These output data were input into the Oxford Economics Global Economic Model (GEM) and Global Industry Model (GIM) to simulate broad macroeconomic and sectors impacts of the various alternative paths for the global natural gas market.

According to Rice-Oxford, the 2015 Study analyzed a wide range of scenarios in order to establish conclusions that are not dependent on any particular set of starting conditions for the U.S. or international natural gas markets. The scenario assumptions fall along two core dimensions. In one dimension, Rice-Oxford considered different U.S. domestic market conditions regarding resources and domestic demand. In the other dimension, Rice-Oxford

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107 The Rice World Gas Trade Model is an equilibrium global natural gas model, as described in Annex B of the 2015 LNG Study. The model has 290 regional demand areas that cover countries having 90 percent of the global energy demand, and 140 natural gas resource and production regions modeled on recent authoritative resource estimates.
considered specific circumstances that result in different international demand pull for U.S.-sourced LNG for each domestic scenario. The domestic scenarios were:

- Reference domestic case;
- High Resource Recovery (HRR) case, which reflects a higher level of recoverable resource in the United States;
- Low Resource Recovery (LRR) case, which reflects a lower level of recoverable resource in the United States; and
- High Natural Gas Demand (Hi-D) case, which reflects a higher level of demand in the United States.

The international demand scenarios were:

- Reference international case;
- Global demand for U.S. LNG supports 12 Bcf/d of exports;
- Global demand for U.S. LNG supports 20 Bcf/d of exports but U.S. exports do not exceed 12 Bcf/d;
- Global demand for U.S. LNG supports 20 Bcf/d of exports but U.S. exports do not exceed 20 Bcf/d; and
- Global demand for U.S. LNG supports 20 Bcf/d of exports and U.S. exports are endogenously determined by the RWGTM.
The table below outlines the approach.

<table>
<thead>
<tr>
<th>International Demand Scenarios</th>
<th>Domestic Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reference</td>
</tr>
<tr>
<td>Reference</td>
<td>Ref_Ref</td>
</tr>
<tr>
<td>Global Demand for U.S. LNG Supports 12 Bcf/d</td>
<td>LNG12_Ref</td>
</tr>
<tr>
<td>U.S. LNG Exports 12 Bcf/d</td>
<td>LNG20_Ref12</td>
</tr>
<tr>
<td>U.S. LNG Exports 20 Bcf/d</td>
<td>LNG20_Ref20</td>
</tr>
<tr>
<td>U.S. LNG Exports Endogenous</td>
<td>LNG20_Ref</td>
</tr>
</tbody>
</table>

In general, when reading the case nomenclature in the table above, Rice-Oxford notes for a case “N1_N2X,” N1 denotes the name of the international demand scenario, N2 denotes the domestic scenario, and X (either 12 or 20 Bcf/d) denotes the level of LNG exports that can occur from the United States based on the scenario. If X is not present, this means that the amount of LNG exports from the United States is fully endogenous to (i.e., internally generated within) the scenario being considered.

3. Natural Gas Market Assumptions across International Demand Scenarios

Rice-Oxford constructed the scenarios of the 2015 Study to show sufficient international market opportunity to support commercially viable LNG exports from the United States in accordance with the volumes indicated in each case. Various assumptions are made about the international natural gas market so as to stimulate investment in the U.S. upstream sector and the
commensurate development of LNG export infrastructure. These scenario assumptions primarily constrain alternative sources of global supply, such as foreign shale production or LNG capacity, to leave more global natural gas demand to be met by U.S. LNG. The Reference, Global Demand for U.S. LNG at 12 Bcf/d (LNG12), and Global Demand for U.S. LNG at 20 Bcf/d (LNG20) international demand scenarios adjust shale resource availability, pipeline, and LNG infrastructure expansion opportunities outside the United States, and natural gas demand in different countries. Table 4 below presents key assumptions used in the 2015 Study.

For U.S. LNG exports to reach 12 to 20 Bcf/d of natural gas, several unlikely developments in the global natural gas market were included in the 2015 Study. For example, accessible global shale resources were limited to 3,542 Tcf in the LNG20 Scenario compared to 8,407 Tcf in the Reference case. Other assumptions in Table 4 are equally drastic, such as assuming no foreign LNG export capacity comes online after 2020. Without significant assumptions of this magnitude, U.S. LNG exports in the Rice World Gas Trade Model would not reach the 12 or 20 Bcf/d export levels.
Table 4: Select Natural Gas Market Assumptions Across International Demand Scenarios

<table>
<thead>
<tr>
<th>Accessible Shale Resource (trillion cubic feet)</th>
<th>Reference</th>
<th>LNG12</th>
<th>LNG20</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>8,407</td>
<td>6,500</td>
<td>3,542</td>
</tr>
<tr>
<td>Africa</td>
<td>1,918</td>
<td>1,918</td>
<td>0</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>2,107</td>
<td>1,075</td>
<td>90</td>
</tr>
<tr>
<td>China</td>
<td>1,285</td>
<td>390</td>
<td>0</td>
</tr>
<tr>
<td>Australia</td>
<td>529</td>
<td>529</td>
<td>90</td>
</tr>
<tr>
<td>Europe</td>
<td>444</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>South America</td>
<td>1,786</td>
<td>1,786</td>
<td>1,260</td>
</tr>
<tr>
<td>North America</td>
<td>1,839</td>
<td>1,839</td>
<td>1,839</td>
</tr>
<tr>
<td>US</td>
<td>829</td>
<td>829</td>
<td>829</td>
</tr>
<tr>
<td>Canada</td>
<td>498</td>
<td>498</td>
<td>498</td>
</tr>
<tr>
<td>Mexico</td>
<td>513</td>
<td>513</td>
<td>513</td>
</tr>
<tr>
<td>Rest of World</td>
<td>314</td>
<td>86</td>
<td>0</td>
</tr>
</tbody>
</table>

| LNG New Build Capability                      | No limits | Limited expansion capabilities in selected locations | Only U.S. has expansion capability beyond 2020 |
| Pipeline New Build Capability                 | No limits | No future expansions of Central Asian pipelines to China | LNG12 plus existing Russia-China pipeline supply agreements dissolve |
| Demand                                        | In all scenarios, a CO₂ trading platform is in place in Europe and the United States is assumed to retire 61 GWs of coal by 2030 | Chinese gas demand rises in response to policies to limit coal use; Japanese nukes remain offline | LNG12 case plus CO₂ reduction protocols targeting coal use in India, Indonesia, South Korea, and a handful of other smaller coal consuming nations |

4. The Rice World Gas Trade Model

The Rice World Gas Trade Model (or RWGTM) is used in the 2015 Study to investigate how various assumptions about international and domestic demand and resource availability could impact the U.S. natural gas market over the coming decades. The Rice World Gas Trade Model proves and develops resources, constructs and utilizes transportation infrastructure, and
calculates prices to equate demands and supplies while maximizing the present value of producer
profits within a competitive framework. New capital investments in production and delivery
infrastructure thus must earn a minimum return for development to occur. The debt-equity ratio
is allowed to differ across different categories of investment, such as proving resources,
developing wellhead delivery capability, constructing pipelines, and developing LNG
infrastructure. By developing supplies, pipelines, and LNG delivery infrastructure, the Rice
World Gas Trade Model provides a framework for examining the effects of different economic
and political influences on the global natural gas market within a framework grounded in
geologic data and economic theory.

5. The Oxford Global Economic Model and Global Industry Model

Rice-Oxford stated that the Global Economic Model is the world’s leading globally
integrated macro model, used by over 100 clients around the world, including finance ministries,
leading banks, and blue-chip companies. The Global Economic Model covers 46 countries,
including the United States, Canada, the EU, and major emerging markets including China and
India. The model provides a rigorous, consistent structure for analysis and forecasting, and
allows the implications of alternative global scenarios and policy developments to be analyzed at
both the macro and sector level.

The Global Economic Model is an error correction model, a form of a multiple time
series model that estimates the speed at which a dependent variable returns to its equilibrium
after a shock to one or more independent variables. Rice-Oxford noted that this form of model is
useful as estimating both the short and long run effects of variables on the given variable in
question. The Global Economic Model exhibits “Keynesian” features in the short run. Factor
prices are sticky and output is determined by aggregate demand. In the long-run, its properties
are Neoclassical, such that prices adjust fully, the equilibrium is determined by supply factors (productivity, labor and capital), and attempts to raise growth by boosting demand only lead to higher prices.

Linked to the Global Economic Model is the Global Industry Model. This model, based upon standard industrial classifications and updated quarterly, has a detailed breakdown of output by sector across 100 sectors and 67 countries. The model includes a particularly detailed breakdown in the manufacturing sector, covering eight key sectors: metals, chemicals, motor vehicles, engineering and metal goods, electronics and computers, textiles and clothing, aerospace, and other intermediate goods. The Global Industry Model generates forecasts for both gross output and gross value added (output excluding intermediate consumption).

6. Results of the 2015 LNG Export Study

In the 2015 Study, Rice-Oxford generally found that LNG exports will lead to:

(i) increased domestic natural gas production, (ii) a narrowing of the spread between domestic prices and marginally positive international benchmarks, (iii) macroeconomic impacts, and (iv) small declines in output at the margin for some energy-intensive industries that are offset by positive impacts elsewhere.

Table 5 below indicates the level of U.S. LNG exports in the year 2040 for every case considered. The Rice World Gas Trade Model Reference International and Domestic Scenario (Ref_Ref case) has 6.38 Bcf/d of U.S. LNG exports in 2040. With the Reference International Demand Scenario and different Domestic Scenarios, U.S. LNG exports range from 5.20 Bcf/d to 6.74 Bcf/d.108

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108 Additional explanation of the Ref_Ref case is provided in the 2015 LNG Export Study. The Study explains that, although U.S. LNG exports increase in the Ref_Ref case, the impact of U.S. LNG exports and other global supply developments on international domestic prices ultimately places a check on the total volume of U.S. LNG exports.
Table 5: U.S. LNG Exports in 2040 Across Cases (Bcf/d)

<table>
<thead>
<tr>
<th>International Demand Scenarios</th>
<th>Domestic Scenarios</th>
<th>High Natural Gas Demand</th>
<th>Low Resource Recovery</th>
<th>High Resource Recovery</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.38</td>
</tr>
<tr>
<td>Global Demand for U.S. LNG Supports 12 Bcf/d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.18</td>
</tr>
<tr>
<td>U.S. LNG Exports 12 Bcf/d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.81</td>
</tr>
<tr>
<td>U.S. LNG Exports 20 Bcf/d</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>U.S. LNG Exports Endogenous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22.34</td>
</tr>
</tbody>
</table>

* The level of exports in these cases is the same as in the “U.S. LNG Exports Endogenous” cases.

The impacts of exports, according to Rice-Oxford, included:

**Increase in domestic natural gas production.** The 2015 Study found that the majority of the increase in LNG exports is accommodated by expanded domestic production rather than reductions in domestic demand. Domestic production continues to increase through the time horizon when LNG export volumes can expand to 20 Bcf/d of natural gas, rising 4 percent on average from 2026-2040.

**As exports increase, the spread between U.S. domestic prices and international benchmarks narrows.** In every case, greater LNG exports raise domestic prices and lower prices internationally. The majority of the price movement (in absolute terms) occurs in Asia.

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Specifically, the price spreads in the international marketplace weaken to the point that full cost recovery of U.S. LNG export facilities currently under construction is compromised for about a decade. Although those facilities operate during that time period, further investment in LNG export capacity is stymied until global demand expands to stimulate new capital flows into the U.S. LNG export value chain. See 2015 LNG Export Study at 41.
The Japan Korea Marker (JKM) price declines in dollar terms by an amount that is roughly six times greater than the price increase at Henry Hub in the United States. Rice-Oxford states that this is the result of the international market conditions that are simulated in the LNG20 cases. Additionally, the LNG demand stimulus is primarily the result of highly constrained supply potentials plus higher demand in Asia. Although shale potential is also constrained in Europe in the LNG20 cases, the change relative to the Reference international case is small compared to the change in Asia.

**Marginally positive overall macroeconomic impacts.** This result is robust to alternative assumptions for the U.S. natural gas market. With external demand for domestically produced LNG exports at 20 Bcf/d of natural gas, the impact of increasing exports in excess of 12 Bcf/d is between 0.03 and 0.07 percent of GDP from 2026-2040, or $7 to $20 billion annually in today’s prices. The 2015 Study detailed several key drivers of the macroeconomic impacts:

- **U.S. LNG Production and Investment:** When U.S. LNG exports rise to 20 Bcf/d from 12 Bcf/d, natural gas production is 4.0 percent higher in the domestic Reference case. This is associated with a rise in net fuel exports of just 0.02 percent of GDP over the period 2026–2040 and additional investment of 0.06 percent of GDP. There are positive multipliers from the extra production and investment, as activity is stimulated in the rest of the economy, and as a result total output is 0.1 percent higher from 2026–2040.

- **U.S. Natural Gas Prices:** The Henry Hub price is, on average, 4.3 percent higher in the 20 Bcf/d export case than the 12 Bcf/d case over the period 2026–2040. As noted above, higher gas prices dampen domestic consumption and erode U.S. export competitiveness. In total, higher prices reduce GDP by 0.1 percent from 2026–2040.

- **U.S. Profits:** Profits in the 20 Bcf/d export case are higher given the rise in prices, production and export volumes, but the scale of the impact is small relative to the size of GDP. Profits are 0.03 percent of GDP higher in the 20 Bcf/d case compared with the 12 Bcf/d case. The rise in profit is also modest because it is assumed U.S. producers receive the Henry Hub price on LNG exports rather than the price in the destination market. It assumed that 95 percent of profits are distributed to households and this results in a marginal increase in consumption and GDP from 2026–2040.
• **Rest of World Natural Gas Production and Investment:** Production in the rest of the world is little changed when U.S. LNG exports increase to 20 Bcf/d from 12 Bcf/d. Due to the Study’s scenario assumptions, international demand conditions remain unchanged, and the addition of incremental U.S. LNG exports displaces very little supply from the rest of the world. As a result, capital expenditures by the natural gas sector in the rest of the world remain broadly unchanged when the United States increases LNG exports.

• **Rest of World Natural Gas Prices:** The increase in the availability of cheaper U.S. natural gas exports on the world market dampens natural gas price increases in Asia, though prices in Europe are little affected. The marginal decline in natural gas prices both boosts real income in the rest of the world—which boosts demand and is positive for U.S. exports—and boosts the competitiveness of Asian firms relative to U.S. companies, which is negative for U.S. exports. However, the small impact on gas prices and the relative unimportance of natural gas to total energy supply in Asia means that the impact on consumption in Asia is limited as is the competitiveness boost enjoyed by Asian firms from lower natural gas prices. As a result, the overall impact on U.S. GDP is limited.

**Small declines in output at the margin for some energy-intensive, trade-exposed industries.** The sectors that appear most exposed are cement, concrete, and glass, but the estimated impact on sector output is very small compared to expected sector growth to 2040.

**Negative impacts in energy-intensive sectors are offset by positive impacts elsewhere.** Other industries benefit from increasing U.S. LNG exports, especially those that supply the natural gas sector and/or benefit from the capital expenditures needed to increase production. This includes some energy-intensive sectors and helps offset some of the impact of higher energy prices.

**VII. COMMENTS ON THE 2014 AND 2015 LNG EXPORT STUDIES AND DOE/FE ANALYSIS**

DOE/FE published the Notice of Availability of the 2014 and 2015 LNG Export Studies in the Federal Register on December 29, 2015, seeking public comment on both studies. DOE/FE specifically invited comment on:
[T]he potential impact of LNG exports on domestic energy consumption, production, and prices; the macroeconomic factors identified in the two studies, including Gross Domestic Product, consumption, U.S. economic sector analysis, and U.S. LNG export feasibility analysis; and any other factors included in the analyses.109

DOE noted that, “[w]hile this invitation to comment covers a broad range of issues, the Department may disregard comments that are not germane to the present inquiry.”110

DOE/FE has reviewed the 38 comments submitted in response to the NOA. Of those, 14 comments opposed the two Studies and/or exports of LNG, 21 supported the Studies, and three took no position. Below, DOE/FE summarizes: (i) the pertinent arguments by topic, with reference to representative comments, and (ii) DOE/FE’s basis for the conclusions that it drew in reviewing those comments. In so doing, DOE/FE has responded to the relevant, significant issues raised by the commenters.111

A. Data Inputs and Estimates of Natural Gas Demand

1. Comments

Several commenters, including Sierra Club, the Industrial Energy Consumers of America (IECA), Cascadia Wildlands, Wim de Vriend, and Hair on Fire Oregon, challenge the data used as inputs to the LNG Export Studies.112 Specifically, these commenters assert that the 2015 LNG Export Study relies on inaccurate assumptions that fail to reflect “current conditions” adversely affecting the viability of exporting domestically produced LNG from the United States. Citing various articles and natural gas industry reports, these commenters point to the following conditions—some of which they acknowledge arose after the 2015 LNG Export Study was published:

110 Id.
112 Unless specifically noted, the comments address the 2015 LNG Export Study.
• An oversupplied global energy market due to the rapid expansion worldwide of LNG terminals (“supply glut”), which commenters allege will be the status quo for years to come;
• The drop in international oil prices, which allegedly has reduced or eliminated the price advantage for U.S. LNG exports;
• The difference in costs between greenfield and brownfield LNG projects and the associated risks to capital, given the alleged uncertainties associated with LNG exports;
• The declining costs of and advances in renewable energy sources, which allegedly will compete directly with U.S. LNG in end markets;
• Japan’s re-starting of some of its nuclear power plants;
• The increasing prevalence of carbon trading regimes internationally (e.g., China), making natural gas less of a viable energy source; and
• China’s slowing economy.

According to Sierra Club and other commenters, these conditions undermine the assumptions and constraints of the 2015 LNG Export Study, calling into question the Study’s conclusions that LNG exports will provide a slight benefit to GDP. Sierra Club further contends that, in light of these changing conditions, DOE should have revisited the 2012 LNG Export Study, rather than conducting new studies to analyze the marginal effects of higher LNG export volumes.

2. DOE/FE Analysis

We note that the 2015 LNG Export Study modeled a wide range of possible future supply and demand conditions, including alternative assumptions for domestic resource availability, domestic natural gas demand, and a range of international supply and demand conditions that generate different potential market pull for U.S. LNG exports. The 2015 Study scenarios were constructed so there was sufficient international demand to support commercially viable LNG export flows from the United States in accordance with the volumes indicated in each case. This approach allowed Rice-Oxford to assess the macroeconomic impacts of increased levels of U.S. LNG exports under global market conditions where that trade would occur. The 2015 LNG
Export Study found that “the overall macroeconomic impacts of higher LNG exports are marginally positive, a result that is robust to alternative assumptions for the U.S. natural gas market.”\textsuperscript{113} That is, the macroeconomic results are similar across the different scenarios examined. The energy market conditions noted by the commenters would, all else being equal, reduce international demand for U.S. LNG exports. The 2014 LNG Export Study included cases with levels of U.S. LNG exports below 20 Bcf/d, specifically 12 and 16 Bcf/d. The 2014 LNG Export Study found that “GDP gains from increasing LNG exports are positive across all cases, although relatively modest.”\textsuperscript{114}

We also take note of EIA’s projections in AEO 2016 for natural gas supply, demand, and prices. The AEO 2016 Reference case incorporates the Clean Power Plan (CPP) final rule\textsuperscript{115} and assumes that all states choose to meet a mass-based standard to cover both existing and new sources of carbon dioxide emissions. Although Reference case natural gas consumption for the year 2040 (the end of the forecast period in these Outlooks) was projected to increase by 7.6 Bcf/d between AEO 2014 and AEO 2016 (from 86.7 Bcf/d to 94.3 Bcf/d), total 2040 lower-48 domestic dry gas production was projected to increase by nearly twice that amount, increasing by 14.9 Bcf/d (from 99.7 Bcf/d to 114.6 Bcf/d). In addition, the projected 2040 Henry Hub price declined from $8.03 per million British thermal units (MMBtu) to $4.86/MMBtu (both prices in constant 2015 dollars), despite projected Reference case 2040 net exports (including both pipeline and LNG exports) rising from 15.9 Bcf/d in AEO 2014 to 20.7 Bcf/d in AEO 2016. As described here, the AEO 2016 Reference case, even more so than the AEO 2014, projects robust

\textsuperscript{113} 2015 Study at 8.
\textsuperscript{114} 2014 Study at 25.
domestic supply conditions that are more than adequate to meet domestic needs and supply exports.

B. Distributional Impacts

1. Gross Domestic Product (GDP)

a. Comments

Several commenters, including IECA, allege that any macroeconomic benefits from the 2015 LNG Export Study are likely overstated. Cascadia Wildlands, Sierra Club, and Hair on Fire Oregon, among others, allege that, in concluding that LNG exports would create a net benefit to the economy, the 2015 Study relied too heavily on the fact that exports will increase GDP while failing to give adequate weight to projected domestic natural gas price increases, foreign natural gas price decreases, and deleterious socio-economic, sectoral, and regional impacts on consumers, households, and the middle class, including wage-earners. Additionally, Cascadia Wildlands notes that the 2015 Study concludes that economic benefits associated with LNG exports are only “marginally positive,” and asserts that this margin is so small as to be within the margin of error for the Study’s calculations. IECA argues that the 2015 Study fails to account for the lost capital investment opportunity that would have occurred in the absence of LNG exports, as well as for the significant jobs that would have been created in the United States had it not been for higher natural gas prices, thus eliminating any “marginally positive” benefits associated with LNG exports.

Conversely, a number of other commenters, including API, Exxon Mobil Corporation, African American Environmentalist Association, William Shughart, Western Energy Alliance, and the City of Tulsa’s Office of the Mayor, assert that LNG exports will create jobs and boost the economy. For example, the African American Environmentalist Association states that a report by ICF International shows that LNG exports will result in a net gain in employment in
the United States, and that the job impacts of LNG exports will grow larger as export volumes rise.

b. **DOE/FE Analysis**

The 2015 LNG Export Study analyzed the macroeconomic impacts of LNG exports in five areas. These are U.S. natural gas production and investment, U.S. natural gas prices, recycling of extra profits from the U.S. natural gas sector, changes to natural gas production and investment in the rest of the world, and international natural gas prices.\footnote{2015 Study at 14.} Although some commenters assert that the 2015 Study failed to give adequate weight to changes in natural gas prices, Rice-Oxford noted that the first two areas of impact—U.S. natural gas production and investment and U.S. natural gas prices—are the most significant for the United States and broadly offset each other.

The Studies found that increasing LNG exports from 12 Bcf/d to 20 Bcf/d could increase GDP by up to $20 billion. The 2015 Rice-Oxford Study found in its Reference domestic case (the 20 Bcf/d export case) that, in the long run, U.S. GDP was 0.03 percent higher on average ($7.7 billion annually in today’s prices) over 2026-2040 than in the 12 Bcf/d export case.\footnote{See id.} The 2015 Study’s result of GDP gains is consistent with the results of the EIA 2014 LNG Export Study. The 2014 EIA Study found that GDP increases across all cases “range from 0.05% to 0.17% and generally increase with the amount of added LNG exports required to fulfill an export scenario for the applicable baseline.”\footnote{2014 Study at 12.} This equals an annual net increase to GDP of $12 billion to $20 billion across the scenarios from the 2014 LNG Export Study.\footnote{See id. at 32 (“Gross Domestic Product” in 2005 U.S. dollars).} These increases are significant, and the Studies project higher levels of employment with increased LNG exports.
2. Sectoral Impacts

a. Comments

Some commenters debate whether LNG exports will impact the domestic energy-intensive, trade-exposed (EITE) sectors disproportionately, at too high a cost to the U.S. economy to justify exporting LNG. Specifically, IECA and Citizens Against LNG assert that increasing LNG exports reduces the cost of natural gas to our global competitors and simultaneously increases the domestic cost of natural gas and electricity—negatively impacting EITE industries. According to these commenters, exporting LNG will drive up the price of natural gas for American consumers and manufacturers, eliminate jobs, and create a financial burden in an already stressed American economy. IECA further contends that the 2015 Study fails to include the “relative cost impact” to EITE industries, i.e., “the combined impact of lower prices to our global competitors and higher prices domestically,” and thus overstates the macroeconomic results associated with LNG exports. Stating that the 2015 Study fails to cite any studies on the price sensitivity of EITE industries, IECA also questions whether any research on EITE industries was conducted as part of the Study.

Other commenters, including API and ExxonMobil, dispute these arguments. They challenge the notion that an LNG export industry cannot co-exist with a growing domestic manufacturing base. API, ExxonMobil, and Golden Pass Products, LLC emphasize the size and productivity of the U.S. natural gas resource base, contending that there is an abundance of natural gas to support both LNG export demand and continued growth in the EITE industries. These commenters note that the vast supply of natural gas in the United States will continue to support current gains in domestic manufacturing, even as LNG exports take place. They also state that LNG exports will both sustain and increase domestic production of natural gas, which,
in turn, will provide EITE industries with a greater supply of natural gas at more stable prices, allowing them to stay globally competitive.

Other commenters, such as John L. Rafuse, LNG Allies, and American Council for Capital Formation, maintain that there would be serious consequences to hindering the export of LNG. They state that, if exports are prohibited or constrained, the United States will lose economic benefits that other countries will capture as those countries begin extracting their shale gas resources and competing in the global LNG export market. Many commenters, including Institute for 21st Century Energy, Western Energy Alliance, API, and Golden Pass Products, LLC, similarly assert that it would not be in the public interest for DOE to limit LNG exports in contravention of U.S. free trade principles.

b. DOE/FE Analysis

With respect to the argument that natural gas confers greater value on the U.S. economy when used in manufacturing than when produced for export, we begin with the observation that more natural gas is likely to be produced domestically if LNG exports are authorized than if they are prohibited. There is no one-for-one trade-off between natural gas used in manufacturing and gas diverted for export. The competition between the demand for natural gas for domestic consumption and the demand for natural gas for export is captured in the modelling for the 2014 and 2015 Studies. In scenarios with increased levels of U.S. LNG exports, both Studies found that greater economic benefits, in terms of GDP, accrued to the U.S. economy due to those exports.

The 2015 Study used the Oxford Economics Global Industry Model (GIM) to model the impact of increased LNG exports on activity at the sector level. The Global Industry Model covers 100 sectors in 67 countries. In that model, forecasts for individual industries are driven by the macroeconomic forecast—consumption, investment, and exports—combined with
detailed modeling of industry interactions, such as supply-chain linkages. The 2015 Study presented sector-level impacts for energy-intensive sectors, including chemicals, basic metals and metal products, and non-metallic minerals (which, in turn, includes cement and glass). The 2015 Study projected that the overall impact across sectors is small compared with the expected growth in sector output through 2040.

The 2015 Study noted that higher natural gas prices have a negative impact for energy-intensive manufacturing sectors, and some sectors (glass, cement, and chemicals) will see small declines in output with increased levels of LNG exports. Rice-Oxford found that these declines are “outweighed by gains in manufacturing industries that benefit from increased investment in the natural gas sector and increased construction activity, such as metals, as well as industry gains attributable to the increase in overall demand (i.e., consumer products, food, etc.).” As a result, “the manufacturing sector in aggregate is little impacted.” The 2014 Study found that natural gas price increases would initially challenge EITE industries, “but adverse impacts [would be] ameliorated as energy prices return to base levels and GDP begins to increase.”

With respect to the argument that some industries derive greater economic value from natural gas than others, we continue to be guided by the long-standing principle established in our Policy Guidelines that resource allocation decisions of this nature are better left to the market, rather than to DOE, to resolve.

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120 2015 Study at 22.
121 Id. at 68.
122 Id. at 67.
123 Id.
3. Household and Distributional Impacts

a. Comments

Several commenters, including Sierra Club, IECA, Hair on Fire Oregon, Torrey Byles, Cascadia Wildlands, and Citizens Against LNG, maintain that, for most citizens, the macroeconomic benefits of LNG exports, if any, will be minimal. These commenters contend that the main beneficiaries of LNG exports will be a narrow band of the population, chiefly wealthy individuals in the natural gas industry, foreign investors, and those holding stock or having retirement plans invested in natural gas companies. They assert that, by contrast, a majority of Americans will experience negative economic impacts, such as higher gas and electric bills, without sharing in the benefits of the exports.

b. DOE/FE Analysis

The 2015 LNG Export Study analyzed the macroeconomic impacts of LNG exports in five areas. The 2015 Study projected that, for the economy as a whole, “the positive impacts of higher U.S. gas production, greater investment in the U.S. natural gas sector, and increased profitability of U.S. gas producers typically exceeds the negative impacts of higher domestic natural gas prices associated with increased LNG exports.”125

As noted previously, DOE believes that the public interest generally favors authorizing proposals to export natural gas that have been shown to lead to net benefits to the U.S. economy. While there may be circumstances in which the distributional consequences of an authorizing decision could be shown to be so negative as to outweigh net positive benefits to the U.S. economy as a whole, we do not see sufficiently compelling evidence that those circumstances are present here. None of the commenters advancing this argument has performed a quantitative

125 2015 Study at 16.
analysis of the distributional consequences of authorizing LNG exports at the household level. Given the findings in the 2014 and 2015 Studies that exports will benefit the U.S. economy as a whole in terms of increased GDP, and absent stronger record evidence on the distributional consequences of authorizing the proposed exports, we cannot say that those exports are inconsistent with the public interest on these grounds.

4. Regional Impacts

a. Comments

Many commenters, including Oregon Wild and Harriett Heywood, address the issue of negative and positive regional impacts potentially associated with LNG exports. For example, Ninette Jones and Paula Jones assert that shale gas development and production will have a negative impact on local industries that is incompatible with extraction-related activities, such as agriculture and tourism. These commenters, along with Oregon Wild, identify specific ways in which they allege local communities near shale gas production areas, pipelines, and/or LNG export terminals could be adversely affected by increases in natural gas production and LNG exports. They cite property devaluation, degradation of infrastructure, environmental and public health issues, harm to local economies, and safety risks, among other issues.

Other commenters seek to rebut these concerns by identifying the positive regional benefits associated with LNG exports, both in regions where shale development and production occur, and the regions in which LNG export terminals may be located. The African American Environmentalist Association, the Small Business & Entrepreneurship Council, Women Impacting Public Policy, Our Energy Movement, Center for Liquefied Natural Gas, Sempra LNG, and Western Energy Alliance cite regional economic benefits associated with each LNG project, including the potential for new jobs, substantial direct and indirect business income, and millions of dollars in new tax revenue. Jordan Cove Energy Project, L.P., affirms the positive
regional befits associated with LNG exports, but contends that the 2014 and 2015 LNG Export Studies fail to consider these positive regional impacts to the disadvantage of pending LNG projects subject to review by DOE/FE.

b. DOE/FE Analysis

We agree with the commenters who contend that a general consideration of regional impacts is outside of the scope of the 2014 and 2015 LNG Export Studies, and that regional impacts are appropriately considered by DOE/FE on a case-by-case basis during the review of each LNG export application.

C. Estimates of Domestic Natural Gas Supplies

1. Comments

Clarence Adams and other commenters assert that, in addition to underestimating the demand for domestically produced natural gas, the 2015 Study overestimates future domestic supplies of natural gas. Mr. Adams contends that several factors may limit domestic supplies of natural gas, including: (i) new sources of LNG coming online internationally, (ii) increasing resistance to hydraulic fracturing in the United States, and (iii) the shorter-than-expected productivity of shale gas wells. According to these commenters, lower than estimated supplies of natural gas will exacerbate the likely price increases due to exports.

Contrary to these arguments, many commenters, such as API, the City of Tulsa’s Office of the Mayor, Tara Shumata Lee, and Triana Energy, LLC, argue that the United States has abundant domestic natural gas reserves.

Other commenters, such as Oregon Wild, Torrey Byles, and Sierra Club, contend that, to become energy independent, the United States must preserve its supplies of finite domestic energy resources, not export them. They argue that authorizing LNG exports will hasten the depletion of this country’s natural gas resource base. In their view, investment in LNG exports
will take away from potential investment in renewable energy supplies, compounding this country’s dependency on fossil fuels.

2. DOE/FE Analysis

a. Measures of Supply

Before turning to a consideration of the specific comments, it is important to note the various measures of natural gas supply. DOE/FE notes that, by three measures of supply, there are adequate natural gas resources to meet demand associated with the requested authorization. Because these supply estimates have changed over time, however, DOE/FE will continue to monitor them to inform future decisions. These estimates include:

i) AEO natural gas estimates of production, price, and other domestic industry fundamentals. The AEO 2016 Reference case projection of dry natural gas production in 2035 increased significantly (by 37.3 Bcf/d) as compared with AEO 2011, while projections of domestic natural gas consumption in 2035 also increased in AEO 2016 compared with AEO 2011 (by 16.6 Bcf/d). Even with higher production and consumption, the 2035 projected natural gas market price in the Reference case declined from $7.72/MM Btu (2015$) in AEO 2011 to $4.91/MM Btu (2015$) in AEO 2016. The implication of the latest EIA projections in AEO 2016 is that a greater quantity of natural gas is projected to be available at a lower cost than estimated five years ago.

ii) Proved reserves of natural gas. Proved reserves of natural gas have been increasing. Proved reserves are those volumes of oil and natural gas that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The R/P ratio measures the number of years of production (P) that proved reserves (R) represent at current production rates. Typically industry maintains proved reserves at about 10 years of production, but as Table 6...
below demonstrates, reserves have increased from 9.2 years of production in 2000 to 13.9 years of production in 2014, the latest year statistics are available. Of particular note is that, since 2000, proved reserves have increased 108 percent to 368,704 Bcf, while production has increased only 38 percent, demonstrating the growing supply of natural gas available under existing economic and operating conditions.

Table 6: U.S. Dry Natural Gas Proved Reserves

<table>
<thead>
<tr>
<th>Year</th>
<th>Proved Reserves (R) (Bcf)</th>
<th>Percent change versus year 2000</th>
<th>U.S. Dry Natural Gas Estimated Production (P) (Bcf)</th>
<th>Percent change versus year 2000</th>
<th>R/P Ratio - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>177,427</td>
<td>--</td>
<td>19,219</td>
<td>--</td>
<td>9.2</td>
</tr>
<tr>
<td>2005</td>
<td>204,385</td>
<td>15</td>
<td>18,458</td>
<td>-4</td>
<td>11.1</td>
</tr>
<tr>
<td>2010</td>
<td>304,625</td>
<td>72</td>
<td>22,239</td>
<td>16</td>
<td>13.7</td>
</tr>
<tr>
<td>2014</td>
<td>368,704</td>
<td>108</td>
<td>26,611</td>
<td>38</td>
<td>13.9</td>
</tr>
</tbody>
</table>

iii) Technically recoverable resources (TRR). Technically recoverable resources have also increased significantly. Technically recoverable resources are resources in accumulations producible using current recovery technology but without reference to economic profitability. They include both proved reserves and unproved resources.127

DOE/FE notes that EIA’s estimates of lower-48 natural gas TRR have increased from 1,816 Tcf in AEO 2010 to 1,996 Tcf in AEO 2015.128 EIA notes that these levels represent the

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127 Unproved resources are generally less well known and therefore less precisely quantifiable than proved reserves, and their eventual recovery is less assured.
starting values for the model, and that assumed future technological improvements in the model add to the TRR while production subtracts from the TRR.

b. Supply Impacts

The 2014 and 2015 Studies each conclude that, for the period of the analysis, the United States is projected to have ample supplies of natural gas resources that can meet domestic needs for natural gas and the LNG export market. Additionally, most projections of domestic natural gas resources extend beyond 20 to 40 years. While not all TRR is currently economical to produce, it is instructive to note that EIA’s recent estimate of TRR equates to nearly 83 years of natural gas supply at the 2015 domestic consumption level of 27.47 Tcf. Moreover, given the supply projections under each of the above measures, we find that granting the requested authorization is unlikely to affect adversely the availability of natural gas supplies to domestic consumers such as would negate the net economic benefits to the United States.

We further find that, given these estimates of supply, the projected price increases and increased price volatility that could develop in response to a grant of the requested LNG export authorization are not likely to negate the net economic benefits of the exports. This issue is discussed below. With regard to the adequacy of supply, however, it bears noting that while certain commenters contend that U.S. natural gas production would not be able to meet unlimited LNG exports and domestic demand, the 2015 Study supports a different conclusion. The 2015 Study included scenarios in which LNG exports were unconstrained. Should the U.S. resource base be less robust and more expensive than anticipated, U.S. LNG exports would be less competitive in the world market, thereby resulting in lower export levels from the United States. By way of example, the 2015 Study modeled a number of low resource recovery
scenarios, which had U.S. resources that were less robust and more expensive than other cases. In these low resource recovery scenarios, U.S. wellhead natural gas prices were driven up by higher production costs, and prices increased to a level that lowered demand for exports compared to the Reference case. In other unconstrained cases evaluated with the high resource recovery scenarios, domestic natural gas production was able to keep up with the increased demand for U.S. LNG exports compared to the Reference case. In all of these cases, the supply and price response to LNG exports did not negate the net economic benefit to the economy from the exports.

c. Supply Impacts Related to Renewable Energy Sources

To the degree that natural gas prices may increase, alternative sources of energy will become more attractive to consumers and investors. Accordingly, the 2014 Study forecasts increases in electricity from renewable energy resources across the LNG export cases over the 2015-2040 timeframe. Therefore, we do not agree with the suggestion that LNG exports would diminish investment in renewable energy.

Further, the 2014 and 2015 Studies did not evaluate the steps to become energy independent, as that was not part of the criteria evaluated. However, both Studies concluded that the United States has ample supplies of natural gas resources that can both meet domestic needs for natural gas and allow for participation in the LNG export market, without a significant impact on supplies or prices for the period of the analysis under the assumptions made.
D. Modeling the LNG Export Business

1. Comments

Several commenters, including Hair on Fire Oregon, Torrey Byles, Sierra Club, and Citizens Against LNG, contend that the 2015 LNG Export Study incorrectly assumed that the financing of investments in natural gas supplies for export and in the LNG export projects that will be used for export operations would originate from U.S. sources. These commenters assert that, in fact, a substantial portion of the investment is being made by foreign entities, and these foreign entities—not domestic corporations—will reap the benefits of export activity in the form of royalties, tolling fees, income, and tax proceeds from the resale of LNG overseas.

In addition, Clarence Adams contends that the 2015 Study misrepresents the amount of natural gas used by LNG terminals in the liquefaction process, which understates the demand associated with exports. He contends that any volumes used in the liquefaction process (approximately 10 percent of the export volume) should be considered domestic consumption.

2. DOE/FE Analysis

The 2014 and 2015 Studies did not discuss the impact of foreign investment. The 2015 Study concluded that the main path for positive impacts to GDP from increased U.S. LNG exports is through higher production and greater investment in the natural gas sector in the United States. These positive impacts are “due to the fact that most of any U.S. LNG exports would be made possible by increased extraction rather than the diversion of natural gas supplies.”\textsuperscript{129} The 2015 Study also noted that the model assumes U.S. producers receive the U.S. benchmark Henry Hub price on LNG exports rather than the price in the international destination

\textsuperscript{129} 2015 Study at 83.
market. The 2014 Study stated that “increased energy production spurs investment, which more than offsets the adverse impact of somewhat higher energy prices when export scenarios are applied.”

As for consideration of the natural gas consumed in the liquefaction process, both the 2014 and 2015 Studies assumed a consumption level equal to 10 percent of the natural gas feedstock, which is included in the models.

E. Cost of Environmental Externalities

1. Comments

Sierra Club, along with Citizens Against LNG, Hair on Fire Oregon, Cascadia Wildlands, Oregon Wild, Torrey Byles, MA Rohrer, and Harriet Heywood, maintain that LNG exports will increase demand for natural gas, thereby increasing negative environmental and economic consequences associated with natural gas production. These and other commenters assert that the 2015 Study failed to consider the cost of environmental externalities that would follow such exports. The externalities identified by these commenters include:

- Environmental costs associated with producing more natural gas to support LNG exports, including the costs, risks, and impacts associated with hydraulic fracturing and drilling to produce natural gas; and costs associated with increased water scarcity to support hydraulic fracturing, especially in the drought-stricken regions of the West Coast;

- Environmental costs associated with the life cycle of U.S. LNG (hydraulic fracturing of shale gas, liquefaction, and export) in the form of increased emissions of GHGs and other air pollutants, climate change, and local impacts such as ocean acidification;

- Local and regional costs associated with LNG exports, including impacts on local communities and industries;

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130 Id. at 64.
131 2014 Study at 12.
• The costs associated with eminent domain, which may be necessary to build new pipelines to transport natural gas;

• The costs of hazards associated with LNG developments, such as costs for police, fire, and security personnel overseeing LNG tanker deliveries; risks associated with LNG-related explosions; and threats related to natural disasters, terrorism, and disruption of LNG facilities, storage tanks, and related systems;

• The potential regulatory costs and impacts of environmental regulations governing hydraulic fracturing and natural gas drilling; and

• The social costs of carbon and methane associated with natural gas emissions.

2. DOE/FE Analysis

All environmental issues are discussed below. See infra §§ VIII, IX, X, XII.

F. Prices and Volatility

1. Natural Gas Price Volatility

   a. Comments

   Several commenters, such as IECA, Sierra Club, MA Rohrer, and Citizens Against LNG, address potential natural gas price volatility associated with LNG exports. They contend that there is little evidence that domestic natural gas price volatility will be reduced by LNG exports. Rather, they argue that increases in LNG exports will increase demand for natural gas, driving up prices in the United States and adversely affecting electric and natural gas utility consumers, EITE industries, and residential consumers.

   Sierra Club, Citizens Against LNG, and Torrey Byles also assert that, as domestic natural gas prices rise due to LNG exports, some electric power companies will want to switch from gas-based to coal-based electric generation. However, because there is less coal-fired capacity to switch to, coal-fired options could be limited, which will drive natural gas prices higher than expected. In this regard, they state that the 2014 EIA Study indicates that increasing exports of
LNG will cause increased domestic coal use in all export scenarios, but fails to address or quantify the environmental impacts of this switch.

b. DOE/FE Analysis

Natural gas price volatility can be measured in terms of short term changes—daily or monthly volatility—or over longer periods. Short term volatility is largely determined by weather patterns, localized service outages, and other factors that appear unlikely to be affected substantially by DOE export authorization decisions. Moreover, the 2014 and 2015 Studies were long-term analyses covering a 25-year period, and thus were not intended to focus on short term shocks or volatility.

To the extent commenters are concerned about the risk of large upward price spikes sustained over longer periods, such as those that occurred in 2005 and 2008, we do not agree that LNG exports will necessarily exacerbate this risk. First, as noted above, when domestic wholesale gas prices rise above the LNG netback price, LNG export demand is likely to diminish, if not disappear altogether. Therefore, under some international market conditions, LNG export facilities are likely to make natural gas demand in the United States more price-elastic and less conducive to sustained upward spikes. Second, in light of our findings regarding domestic natural gas reserves explained above, we see no reason why LNG exports would interfere with the market’s supply response to increased prices. In any capital intensive industry, investments are made based on observed and anticipated market signals. In natural gas markets, if prices or expected prices rise above the level required to provide an attractive return on investment for new reserves and production, industry will make that investment to capture the anticipated profit. These investments spur development of reserves and production and increase availability of natural gas, exerting downward pressure on prices. This is part of the normal business cycle that was captured in the 2014 and 2015 Studies. On balance, we are not
persuaded that LNG exports are likely to increase substantially the volatility of domestic natural gas prices.

2. Linking the Domestic Price of Natural Gas to World Prices

a. Comments

Commenters, including IECA and Citizens Against LNG, argue that LNG exports could link domestic natural gas prices to the price of natural gas in the world market, and that this could exacerbate the potential increase in domestic natural gas prices as well as increase price volatility.

By contrast, API argues that natural gas prices will not rise to global prices because the market will limit the amount of U.S. natural gas that will be exported, since liquefaction, transportation, and regasification costs act as a cushion. API argues that, if this cushion disappears and the U.S. export price rises to the global LNG price, market forces will bring U.S. exports to a halt.

b. DOE/FE Analysis

The 2015 Study examined changes in three benchmark prices across the export scenarios: the Henry Hub price in the United States, the National Balancing Point (NBP) price in the United Kingdom, and the Japan Korea Marker (JKM) price. In general, the Henry Hub price rises as LNG exports increase, while the other benchmark prices decline. The 2015 Study stated that this is the result of allowing increased trade from the United States, thereby serving to relax the highly constrained supply situation internationally in the scenarios.132 The 2015 Study presented the price spreads among JKM and Henry Hub and NBP and Henry Hub for all of the cases considered from 2015-2040. The JKM-Henry Hub price spread in 2040 ranges from $5 to over

132 2015 Study at 58.
$15 across the scenarios; the spread for NBP-Henry Hub in 2040 is roughly $3 to nearly $8.\textsuperscript{133} The 2015 Study noted that the impact of LNG exports on the Henry Hub price depends on both domestic and international market considerations. For example, Henry Hub prices would rise with increased domestic demand for natural gas.

Additionally, prices for U.S. LNG would include the cost of inland transportation, liquefaction, shipping, and regasification. The 2015 Study’s model assumed competition among different suppliers, such that buyers would have no incentive to buy natural gas from the United States if the delivered price after liquefaction and transportation is higher than the alternative delivered LNG price from other sources. DOE/FE agrees that a competitive market would behave in this manner and U.S. natural gas prices would be lower than international LNG prices in such a market by at least the costs previously described. Further, the introduction of LNG exported from the United States into the international market would tend to exert downward pressure on the prevailing higher delivered price for LNG in those foreign markets and could weaken the “oil-indexed” pricing terms.

For these reasons, we agree with those commenters who maintain that LNG exports from the United States will have difficulty competing with LNG exports from other countries unless domestic U.S. natural gas can be produced much cheaper. There is no evidence before us demonstrating that the prices of natural gas or LNG in the international market are more volatile than the prices in the U.S. domestic market.

VIII. DOE/FE ADDENDUM TO ENVIRONMENTAL REVIEW DOCUMENTS CONCERNING EXPORTS OF NATURAL GAS FROM THE UNITED STATES

On June 4, 2014, DOE/FE published the Draft Addendum for public comment. The purpose of the Addendum, DOE/FE explained, was to provide information to the public regarding

\textsuperscript{133} Id. at 52.
the potential environmental impacts of unconventional natural gas production. Although not required by NEPA, DOE/FE prepared the Addendum in an effort to be responsive to the public and to provide the best information available on a subject that had been raised by commenters in this and other LNG export proceedings. The 45-day comment period on the Draft Addendum closed on July 21, 2014. DOE/FE received 40,745 comments in 18 separate submissions, and considered those comments in issuing the Addendum on August 15, 2014. DOE provided a summary of the comments received and responses to substantive comments in Appendix B of the Addendum. DOE/FE has incorporated the Draft Addendum, comments, and final Addendum into the record in this proceeding.

The Addendum focuses on the environmental impacts of unconventional natural gas production, which primarily includes production from shale formations, but also includes tight gas and coalbed methane production. DOE/FE elected to focus the Addendum on unconventional production because such production is considered more likely than other forms of production to increase in response to LNG export demand. EIA’s 2012 Study, published as part of the LNG Export Study, projected that more than 90 percent of the incremental natural gas produced to supply LNG exports would come from these unconventional sources.

Although the 2012 EIA Study made broad projections about the types of resources from which additional production may come, the Addendum stated that DOE cannot meaningfully estimate where, when, or by what particular method additional natural gas would be produced in response to non-FTA export demand. Therefore, the Addendum focuses broadly on

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134 Addendum at 3.
135 Id. at 79-151.
unconventional production in the United States as a whole, making observations about regional differences where appropriate.

The Addendum discusses several categories of environmental considerations—Water Resources, Air Quality, Greenhouse Gas, Induced Seismicity, and Land Use Impacts—each of which is summarized briefly below.

A. Water Resources

1. Water Quantity

Natural gas production from shale resources requires water at various stages of development, approximately 89 percent of which is consumed through the process of hydraulic fracturing. The Addendum presents information regarding water usage for shale gas production both in comparison to other energy sources and other regional uses. Although production of natural gas from shale resources is more water-intensive than conventional natural gas production, it is substantially less water-intensive than many other energy sources over the long term after the well has been put into production. As shown in the Addendum, Table 7 below captures differences in water intensity across energy sources.

137 Addendum at 10.
Table 7: Water Intensity

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>Range in Water Intensity (gallons/mmBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Natural Gas</td>
<td>~0</td>
</tr>
<tr>
<td>Shale Gas</td>
<td>0.6 – 1.8</td>
</tr>
<tr>
<td>Coal (no slurry transport)</td>
<td>2 – 8</td>
</tr>
<tr>
<td>Nuclear (uranium at plant)</td>
<td>8 – 14</td>
</tr>
<tr>
<td>Conventional oil</td>
<td>1.4 – 62</td>
</tr>
<tr>
<td>Oil Shale Petroleum (mining)</td>
<td>7.2 – 38</td>
</tr>
<tr>
<td>Oil Sands Petroleum (in situ)</td>
<td>9.4 – 16</td>
</tr>
<tr>
<td>Synfuel (coal gasification)</td>
<td>11 – 26</td>
</tr>
<tr>
<td>Coal (slurry transport)</td>
<td>13 – 32</td>
</tr>
<tr>
<td>Oil Sands Petroleum (mining)</td>
<td>14 – 33</td>
</tr>
<tr>
<td>Syn Fuel (coal Fischer-Tropsch)</td>
<td>41 – 60</td>
</tr>
<tr>
<td>Enhanced Oil Recovery</td>
<td>21 – 2,500</td>
</tr>
<tr>
<td>Fuel ethanol (irrigated corn)</td>
<td>2,500 – 29,000</td>
</tr>
<tr>
<td>Biodiesel (irrigated soy)</td>
<td>13,800 – 60,000</td>
</tr>
</tbody>
</table>

The Addendum also explains that, despite its relatively low long-term water intensity, shale gas production could impact water supply in specific areas, particularly arid regions such as the Eagle Ford Shale play in Texas. The Addendum notes that the relationship between shale gas production and water quantity is principally a local issue, and that the degree of impact depends on “the local climate, recent weather patterns, existing water use rates, seasonal fluctuations, and other factors.” The following Table 8 shows the variation in the proportion of water usage by activity in shale gas regions:

138 *Id.* at 11 (Table 2).
139 *Id.* at 12.
### Table 8: Water Usage in Shale Gas Regions\(^{140}\)

<table>
<thead>
<tr>
<th>Play</th>
<th>Public Supply (%)</th>
<th>Industry &amp; Mining (%)</th>
<th>Power Generation (%)</th>
<th>Irrigation (%)</th>
<th>Livestock (%)</th>
<th>Shale Gas (%)</th>
<th>Total Water Use (Bgal/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnett</td>
<td>82.7</td>
<td>4.5</td>
<td>3.7</td>
<td>6.3</td>
<td>2.3</td>
<td>0.4</td>
<td>133.8</td>
</tr>
<tr>
<td>Eagle Ford(^2)</td>
<td>17</td>
<td>4</td>
<td>5</td>
<td>66</td>
<td>4</td>
<td>3 – 6</td>
<td>64.8</td>
</tr>
<tr>
<td>Fayetteville(^1)</td>
<td>2.3</td>
<td>1.1</td>
<td>33.3</td>
<td>62.9</td>
<td>0.3</td>
<td>0.1</td>
<td>378</td>
</tr>
<tr>
<td>Haynesville(^1)</td>
<td>45.9</td>
<td>27.2</td>
<td>13.5</td>
<td>8.5</td>
<td>4.0</td>
<td>0.8</td>
<td>90.3</td>
</tr>
<tr>
<td>Marcellus(^1)</td>
<td>12.0</td>
<td>16.1</td>
<td>71.7</td>
<td>0.1</td>
<td>0.01</td>
<td>0.06</td>
<td>3,570</td>
</tr>
<tr>
<td>Niobrara(^3)</td>
<td>8</td>
<td>4</td>
<td>6</td>
<td>82</td>
<td></td>
<td>0.01</td>
<td>1,280</td>
</tr>
</tbody>
</table>

\(^{140}\)Bgal/yr = billion gallons per year.

### 2. Water Quality

Observing that water quality concerns may have received more attention than any other aspect of unconventional natural gas production, the Addendum addresses water quality issues arising from four aspects of unconventional natural gas production: construction, drilling, use of hydraulic fracturing fluids, and handling of flowback and produced waters.

Runoff from the construction of access roads and other earth-disturbing activities can lead to temporary increases in turbidity and sedimentation in surface waters when well sites are being developed. However, the Addendum states that “when standard industry practices and preventative measures are deployed, only minor impacts are likely to result.”\(^{141}\)

Drilling in unconventional natural gas production requires penetrating shallower fresh water aquifers. Referring to NETL’s *Modern Shale Gas Development in the United States: A Primer*, the Addendum briefly explains the manner in which such drilling can be undertaken to protect fresh water aquifers.\(^{142}\) The Addendum acknowledges, however, that while

\(^{140}\) Id. at 12 (Table 3) (citations omitted).

\(^{141}\) Id. at 13.

unconventional natural gas formations are thousands of feet below aquifers associated with public water supply or surface hydrological connection, poor construction practices may cause failure of a casing or cement bond. This failure, in turn, could lead to potential contamination of an aquifer. The Addendum also observes that drilling may create connections with existing fractures or faults, or improperly plugged or abandoned wells, allowing contaminants to migrate through the subsurface.\textsuperscript{143}

The fluid used for hydraulic fracturing consists of over 98 percent water, but also may include several different chemical compounds.\textsuperscript{144} These compounds can vary from well to well based on site specific geological information. The Addendum describes federal and state efforts to gather information and require disclosure of the types of chemical additives being used in hydraulic fracturing. The risks posed by the use of these fluids may come from spills and leakages during transport to the well, storage on the well pad, or during the chemical mixing process.\textsuperscript{145} Further, chemical additives may contaminate groundwater should the integrity of the casing or cement seal of the well be compromised.\textsuperscript{146}

The Addendum considers the potential environmental impacts associated with produced water recovered during flowback operations. Produced water may contain elevated levels of total dissolved solids, salts, metals, organics, and natural occurring radioactive materials, as well as the chemicals included in the fracturing fluid noted above. The Addendum discusses the three principal ways of mitigating the impacts associated with produced water: minimization of the quantity of water used, recycling and re-use of produced water, and disposal.

\textsuperscript{143} Id. at 14.
\textsuperscript{144} Id. at 14-15.
\textsuperscript{145} Id. at 18.
\textsuperscript{146} Id.
Concluding its discussion of water resources, the Addendum observes that “[u]nconventional natural gas production, when conforming to regulatory requirements, implementing best management practices, and administering pollution prevention concepts, may have temporary, minor impacts to water resources.” Further, risks may arise when best practices are not employed: “[I]mproper techniques, irresponsible management, inadequately trained staff, or site-specific events outside of an operator’s control could lead to significant impacts on local water resources.”

**B. Air Quality**

The Addendum discusses air pollutants emitted at different stages of the natural gas production process. These emissions and their sources are captured in Table 9 below:

<table>
<thead>
<tr>
<th>Type of Emissions</th>
<th>Sources of Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Combustion Emissions</strong></td>
<td>NO$_x$ and carbon monoxide (CO) resulting from the burning of hydrocarbon (fossil) fuels. Air toxis, PM, un-combusted VOCs, and CH$_4$ are also emitted.</td>
</tr>
<tr>
<td><strong>Vented Emissions</strong></td>
<td>VOCs, air toxics, and CH$_4$ resulting from direct releases to the atmosphere.</td>
</tr>
<tr>
<td><strong>Fugitive Emissions</strong></td>
<td>VOCs, air toxics, and CH$_4$ resulting from uncontrolled and under-controlled emissions.</td>
</tr>
</tbody>
</table>

Table 9: Source Categories of Airborne Emissions from Upstream Natural Gas Activities (EPA, 2013)$^{149}$

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$^{147}$ Addendum at 19.
$^{148}$ Id.
$^{149}$ Id. at 23 (Table 6).
The Addendum describes the existing regulatory framework relating to such emissions, as well as the U.S. Environmental Protection Agency’s (EPA) 2012 New Sources Performances Standards for hydraulically fractured natural gas wells\textsuperscript{150} and EPA’s 2013 update to those standards covering storage tanks.\textsuperscript{151} The Addendum also summarizes the existing literature on each significant category of air pollutant and describes the potential contribution of oil and gas production activities to ground-level ozone pollution and reduced visibility in sensitive areas.

The Addendum concludes its discussion of air quality by stating that natural gas development leads to both short- and long-term increases in local and regional air emissions, especially methane, VOCs, and hazardous air pollutants. According to the Addendum, the intermittent nature of air emissions from sources such as wells makes it difficult to analyze impacts at the regional level. As more data become available, a better understanding of trends in local and regional air quality and potential impacts may emerge.\textsuperscript{152}

\section*{C. GHG Emissions}

Separate from the LCA GHG Report described below, the Addendum includes a discussion of GHG emissions associated with unconventional natural gas production— principally methane and carbon dioxide. The Addendum describes the nature of GHG emissions from each phase of the production process, including: well drilling and completion; gas production; well re-completions, workovers, and maintenance; gas processing; and gas transmission and storage.

The Addendum also summarizes regulations affecting GHG emissions from upstream natural gas activity. As in the air quality section, the Addendum discusses EPA’s 2012 New

\textsuperscript{150} Id. at 20-22.
\textsuperscript{151} Id. at 22.
\textsuperscript{152} Id. at 32.
Source Performance Standards regulations. The Addendum also describes EPA’s publication in April 2014 of five technical white papers on potentially significant sources of emissions in the oil and gas sector, including completions and ongoing production of hydraulically fractured oil wells, compressors, pneumatic valves, liquids unloading, and leaks. EPA stated that it will use these white papers, along with input from peer reviewers and the public to determine how best to pursue emissions reductions from these sources, possibly including the development of additional regulations.

Finally, the Addendum summarizes the existing literature estimating GHG emissions and methane leakage rates from the upstream natural gas industry, noting that most studies suggest that “emissions of GHGs from the upstream industry are of similar magnitude for both conventional and unconventional sources.”

D. Induced Seismicity

The Addendum provides information on induced seismicity across various types of energy resource activities, namely the production of natural gas, gas condensates, and oil from currently targeted unconventional plays. More specifically, it provides greater detail about the potential for induced seismicity from hydraulic fracturing and wastewater disposal via injection, which is one method of disposing of produced water. Because the duration of injection of hydraulic fracturing fluids is generally minutes or hours and the quantity of injected fluid is relatively low, the Addendum states that “the probability of injecting enough fluid into a natural fault to trigger a felt earthquake is low.” By contrast, the Addendum states that the “incidence of felt earthquakes is

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154 Id. at 44.
155 Id. at 40.
156 Id. at 51.
higher for wastewater disposal via wastewater injection wells because a large volume of water is injected over a longer period of time without any withdrawal of fluids, with the result that fluid pressures can be increased within a large area surrounding the injection well.”157 The Addendum identifies seismic events thought to have been triggered by wastewater disposal into injection wells in Oklahoma, Colorado, Arkansas, and Ohio.

Addressing the severity of seismic events induced by natural gas activities, the Addendum cites a 2013 National Research Council report characterizing the risk of induced seismicity as principally one of alarm to the public and minor property damage, as opposed to significant disruption.158

E. Land Use

The Addendum addresses potential land use impacts resulting from unconventional natural gas production. Land use impacts arise from the construction and development of new access roads, heavy truck traffic on existing local roadways, well pads, pipeline rights of way, and other structures such as compressor stations. The Addendum includes discussions of increased vehicle traffic, habitat fragmentation, reflective light pollution, noise, and other impacts associated with these land use changes. According to the Addendum, “[t]he real issue with land use impacts is not the minor impacts related to each well pad, access road, or pipeline.”159 Rather, “[w]hen the impacts from these individual components of shale gas development are considered in aggregate, or cumulatively, the impacts become magnified on an ecosystem or regional scale.”160 The Addendum identifies siting and design considerations that may minimize land use impacts, as well as traffic and road way impacts associated with large vehicles and concerns for vehicular safety.

157 Id. at 52.
158 Id at 55-56 (citing Nat’l Research Council, Induced Seismicity Potential in Energy Technologies 5 (2013)).
159 Addendum at 62.
160 Id.
for the motoring public.

IX. DOE/FE LIFE CYCLE GREENHOUSE GAS PERSPECTIVE ON EXPORTING LIQUEFIED NATURAL GAS FROM THE UNITED STATES

A. Description of LCA GHG Report

In January 2014, DOE/FE commissioned NETL to undertake a study analyzing the life cycle emissions of greenhouse gases (GHG), including carbon dioxide (CO₂) and methane (CH₄), associated with natural gas produced in the United States and exported as LNG to other countries for use in electric power generation. The study was intended to inform DOE/FE’s decision-making under NGA section 3(a) and to provide additional information to the public. The study—entitled *Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States* (LCA GHG Report)—estimated the life cycle GHG emissions of domestically produced LNG (also referred to as U.S. LNG) exports to Europe and Asia, compared with alternative fuel supplies (such as regional coal and other imported natural gas), for electric power generation in the destination countries.

NETL published the LCA GHG Report on May 29, 2014, as well as a 200-page supporting document entitled, *Life Cycle Analysis of Natural Gas Extraction and Power Generation*. On June 4, 2014, DOE/FE provided notice of the documents in the *Federal Register* and invited public comment. The 45-day public comment period closed July 21, 2014. In this section, we summarize the scope of the LCA GHG Report, as well as its methods, limitations, and

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162 Dep’t of Energy, *Notice of Availability of Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States and Request for Comment*, 79 Fed. Reg. 32,260 (June 4, 2014). The NETL documents and all comments received were placed in the administrative record for each of the 25 non-FTA export application dockets then before DOE/FE, including this docket. See id.
conclusions. Below, we summarize the public comments on the Report and respond to those comments. See infra § IX.B.

1. Purpose of the LCA GHG Report

The LCA GHG Report was designed to answer two principal questions:

- How does LNG exported from the United States compare with regional coal (or other LNG sources) used for electric power generation in Europe and Asia, from a life cycle GHG perspective?
- How do those results compare with natural gas sourced from Russia and delivered to the same European and Asian markets via pipeline?

In establishing this framework, NETL considered the following:

- In what countries will the natural gas produced in the United States and exported as LNG be used?
- How will the U.S. LNG be used in those countries, i.e., for what purpose?
- What are the alternatives to using U.S. LNG for electric power generation in those countries?

Because the exact destination country (or countries) of U.S. LNG cannot be predicted for this study, NETL considered one medium-distance destination (a location in Europe) and one long-distance destination (a location in Asia). NETL chose Rotterdam, Netherlands, as the European destination and power plant location, and Shanghai, China, as the Asian location. NETL used other locations for the alternative sources of natural gas and coal, as specified in the Report.

NETL also determined that one of the most likely uses of U.S. LNG is to generate electric power in the destination countries. In considering sources of fuel other than U.S. LNG, NETL assumed that producers in Europe and Asia could generate electricity in the following ways: (1) by obtaining natural gas from a local or regional pipeline, (2) by obtaining LNG from a LNG producer located closer geographically than the United States, or (3) by using regional coal supplies, foregoing natural gas altogether.
Using this framework, NETL developed four study scenarios, identified below. To compare scenarios, NETL used a common denominator as the end result for each scenario: one megawatt-hour (MWh) of electricity delivered to the consumer, representing the final consumption of electricity. Additionally, NETL considered GHG emissions from all processes in the LNG supply chains—from the “cradle” when natural gas or coal is extracted from the ground, to the “grave” when electricity is used by the consumer. This method of accounting for cradle-to-grave emissions over a single common denominator is known as a life cycle analysis, or LCA.\(^{163}\)

Using this LCA approach, NETL’s objective was to model realistic LNG export scenarios, encompassing locations at both a medium and long distance from the United States, while also considering local fuel alternatives. The purpose of the medium and long distance scenarios was to establish likely results for both extremes (\textit{i.e.}, both low and high bounds).

2. Study Scenarios

NETL identified four modeling scenarios to capture the cradle-to-grave process for both the European and Asian cases. The scenarios vary based on where the fuel (natural gas or coal) comes from and how it is transported to the power plant. For this reason, the beginning “cradle” of each scenario varies, whereas the end, or “grave,” of each scenario is the same because the uniform goal is to produce 1 MWh of electricity. The first three scenarios explore different ways to transport natural gas; the fourth provides an example of how regional coal may be used to generate electricity, as summarized in Table 10 below:

\(^{163}\) The data used in the LCA GHG Report were originally developed to represent U.S. energy systems. To apply the data to this study, NETL adapted its natural gas and coal LCA models. The five life cycle stages used by NETL, ranging from Raw Material Acquisition to End Use, are identified in the LCA GHG Report at 1-2.
Table 10: LCA GHG Scenarios Analyzed by NETL\textsuperscript{164}

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Description</th>
<th>Key Assumptions</th>
</tr>
</thead>
</table>
| 1        | - Natural gas is extracted in the United States from the Marcellus Shale.  
- It is transported by pipeline to an LNG facility, where it is cooled to liquid form, loaded onto an LNG tanker, and transported to an LNG port in the receiving country (Rotterdam, Netherlands, for the European case and Shanghai, China, for the Asian case).  
- Upon reaching its destination, the LNG is re-gasified, then transported to a natural gas power plant. | The power plant is located near the LNG import site. |
| 2        | - Same as Scenario 1, except that the natural gas comes from a regional source closer to the destination.  
- In the European case, the regional source is Oran, Algeria, with a destination of Rotterdam.  
- In the Asian case, the regional source is Darwin, Australia, with a destination of Osaka, Japan. | Unlike Scenario 1, the regional gas is produced using conventional extraction methods, such as vertical wells that do not use hydraulic fracturing. The LNG tanker transport distance is adjusted accordingly. |
| 3        | - Natural gas is produced in the Yamal region of Siberia, Russia, using conventional extraction methods.\textsuperscript{165}  
- It is transported by pipeline directly to a natural gas power plant in either Europe or Asia. | The pipeline distance was calculated based on a “great circle distance” (the shortest possible distance between two points on a sphere) between the Yamal district in Siberia and a power plant located in either Rotterdam or Shanghai. |
| 4        | - Coal is extracted in either Europe or Asia. It is transported by rail to a domestic coal-fired power plant. | This scenario models two types of coal widely used to generate steam-electric power: surface mined sub-bituminous coal and underground mined bituminous coal. Additionally, U.S. mining data and U.S. plant operations were used as a proxy for foreign data. |

\textsuperscript{164} The four scenarios are set forth in the LCA GHG Report, at 2.  
\textsuperscript{165} Yamal, Siberia, was chosen as the extraction site because that region accounted for 82.6\% of natural gas production in Russia in 2012.
In all four scenarios, the 1 MWh of electricity delivered to the end consumer is assumed to be distributed using existing transmission infrastructure.

### 3. GHGs Reported as Carbon Dioxide Equivalents

Recognizing that there are several types of GHGs, each having a different potential impact on the climate, NETL normalized GHGs for the study. NETL chose carbon dioxide equivalents (CO₂e), which convert GHG gases to the same basis: an equivalent mass of CO₂. CO₂e is a metric commonly used to estimate the amount of global warming that GHGs may cause, relative to the same mass of CO₂ released to the atmosphere. NETL chose CO₂e using the global warming potential (GWP) of each gas from the 2013 Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) (IPCC, 2013). The LCA GHG Report applied the respective GWPs to a 100-year and a 20-year time frame.

### 4. Natural Gas Modeling Approach

NETL states that its natural gas model is flexible, allowing for the modeling of different methods of producing natural gas. For Scenario 1, all natural gas was modeled as unconventional gas from the Marcellus Shale, since that shale play reasonably represents new marginal gas production in the United States. For Scenarios 2 and 3, the extraction process was modeled after conventional onshore natural gas production in the United States. This includes both the regional LNG supply options that were chosen for this study (Algeria for Europe and Australia for Asia) and extraction in Yamal, Siberia, for pipeline transport to the power plants in Europe and Asia.

In the above three natural gas scenarios, the natural gas is transported through a pipeline, either to an area that processes LNG (Scenarios 1 and 2) or directly to a power plant (Scenario 3). NETL’s model also includes an option for all LNG steps—from extraction to consumption—
known as an LNG supply chain. After extraction and processing, natural gas is transported through a pipeline to a liquefaction facility. The LNG is loaded onto an ocean tanker, transported to an LNG terminal, re-gasified, and fed to a pipeline that transports it to a power plant. NETL assumed that the natural gas power plant in each of the import destinations already exists and is located close to the LNG port.

The amount of natural gas ultimately used to make electricity is affected by power plant efficiency. Therefore, the efficiency of the destination power plant is an important parameter required for determining the life cycle emissions for natural gas power. The less efficient a power plant, the more gas it consumes and the more GHG emissions it produces per unit of electricity generated. For this study, NETL used a range of efficiencies that is consistent with NETL’s modeling of natural gas power in the United States.\textsuperscript{166} NETL also assumed that the efficiencies used at the destination power plants (in Rotterdam and Shanghai) were the same as those used in the U.S. model.

5. Coal Modeling Approach

NETL modeled Scenario 4, the regional coal scenario, based on two types of coal: bituminous and sub-bituminous. Bituminous coal is a soft coal known for its bright bands. Sub-bituminous coal is a form of bituminous coal with a lower heating value. Both types are widely used as fuel to generate steam-electric power. NETL used its existing LCA model for the extraction and transport of sub-bituminous and bituminous coal in the United States as a proxy for foreign extraction in Germany and China. Likewise, NETL modeled foreign coal production as having emissions characteristics equivalent to average U.S. coal production. No ocean

\textsuperscript{166} See LCA GHG Report at 4 (citing NETL, Life Cycle Analysis of Natural Gas Extraction and Power Generation).
transport of coal was included to represent the most conservative coal profile (whether regionally sourced or imported).

The heating value of coal is the amount of energy released when coal is combusted, whereas the heat rate is the rate at which coal is converted to electricity by a power plant. Both factors were used in the model to determine the feed rate of coal to the destination power plant (or the speed at which the coal would be used). For consistency, this study used the range of efficiencies that NETL modeled for coal power in the United States. The study also assumed the same range of power plant efficiencies for Europe and Asia as the U.S. model.

6. Key Modeling Parameters

NETL modeled variability among each scenario by adjusting numerous parameters, giving rise to hundreds of variables. Key modeling parameters described in the LCA GHG Report include: (1) the method of extraction for natural gas in the United States, (2) methane leakage for natural gas production,\(^{167}\) (3) coal type (sub-bituminous or bituminous),\(^{168}\) (4) the flaring rate for natural gas,\(^{169}\) (5) transport distance (ocean tanker for LNG transport, and rail for coal transport),\(^{170}\) and (6) the efficiency of the destination power plant.

For example, as shown in Table 5-1 of the LCA GHG Report, NETL used two different ranges for methane leakage rates for Scenarios 1 and 2: from 1.2 to 1.6% for natural gas extracted from the Marcellus Shale, and from 1.1 to 1.6% from gas extracted using conventional

\(^{167}\) The key modeling parameters for the natural gas scenarios are provided in Table 5-1 (LNG) and Table 5-2 (Russian natural gas). See LCA GHG Report at 6. The key parameters for natural gas extraction, natural gas processing, and natural gas transmission by pipeline are set forth in Tables 5-4, 5-5, and 5-6, respectively. See id. at 7-8.

\(^{168}\) The modeling parameters and values for the coal scenarios are provided in Table 5-3. See LCA GHG Report at 6.

\(^{169}\) Flaring rate is a modeling parameter because the global warming potential of vented natural gas, composed mostly of methane, can be reduced if it is flared, or burned, to create CO\(_2\). See id. at 7.

\(^{170}\) The distances used for pipeline transport of Russian gas are provided in Table 5-2. See id. at 6.
extraction methods. For Scenario 3 (the Russian cases), however, NETL used a higher range for methane leakage rates for both the European and Asian locations, in light of the greater pipeline distance from Russia.\textsuperscript{171} As the pipeline distance increases, the total methane leakage from pipeline transmission also increases, as does the amount of natural gas that is extracted to meet the same demand for delivered natural gas. Notably, as part of the study, NETL conducted a methane leakage breakeven analysis to determine the “breakeven leakage” at which the life cycle GHG emissions for natural gas generated power would equal those for the coal Reference case (Scenario 3).\textsuperscript{172}

In sum, NETL noted that the LCA study results are sensitive to these key modeling parameters, particularly changes to natural gas and coal extraction characteristics, transport distances, and power plant performance.\textsuperscript{173} NETL also identified several study limitations based on the modeling parameters, including: (1) NETL’s LCA models are U.S.-based models adapted for foreign natural gas and coal production and power generation, and (2) the specific LNG export and import locations used in the study represent an estimate for an entire region (e.g., New Orleans representing the U.S. Gulf Coast).\textsuperscript{174}

7. Results of the LCA GHG Report

NETL states that two primary conclusions may be drawn from the LCA GHG Report.\textsuperscript{175} First, use of U.S. LNG exports to produce electricity in European and Asian markets will not increase GHG emissions on a life cycle perspective, when compared to regional coal

\begin{footnotes}
\footnotetext{171}{See LCA GHG Report at 5.}
\footnotetext{172}{The methane leakage breakeven analysis is described in the LCA GHG Report at 14 and 15.}
\footnotetext{173}{See LCA GHG Report at 5. To ensure that the study results were robust, NETL conducted several side analyses and sensitivity calculations, as discussed in the LCA GHG Report.}
\footnotetext{174}{The study limitations are described in the LCA GHG Report at 18.}
\footnotetext{175}{NETL’s detailed study results, with corresponding figures, are set forth on pages 8 through 18 of the LCA GHG Report.}
\end{footnotes}
extraction and consumption for power production. As shown below in Figures 1 and 2, NETL’s analysis indicates that, for most scenarios in both the European and Asian regions, the generation of power from imported natural gas has lower life cycle GHG emissions than power generation from regional coal.\textsuperscript{176} (The use of imported coal in these countries will only increase coal’s GHG profile.) Given the uncertainty in the underlying model data, however, NETL states that it is not clear if there are significant differences between the corresponding European and Asian cases other than the LNG transport distance from the United States and the pipeline distance from Russia.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Life Cycle GHG Emissions for Natural Gas and Coal Power in Europe\textsuperscript{177}}
\end{figure}

\textsuperscript{176} Although these figures present an expected value for each of the four scenarios, NETL states that the figures should not be interpreted as the most likely values due to scenario variability and data uncertainty. Rather, the values allow an evaluation of trends only—specifically, how each of the major processes (e.g., extraction, transport, combustion) contribute to the total life cycle GHG emissions. See LCA GHG Report at 8-9.

\textsuperscript{177} LCA GHG Report at 9 (Figure 6-1).
Second, there is an overlap between the ranges in the life cycle GHG emissions of U.S. LNG, regional alternative sources of LNG, and natural gas from Russia delivered to the European or Asian markets. Any differences are considered indeterminate due to the underlying uncertainty in the modeling data. Therefore, the life cycle GHG emissions among these sources of natural gas are considered similar, and no significant increase or decrease in net climate impact is anticipated from any of these three scenarios.

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178 LCA GHG Report at 10 (Figure 6-2).
B. Comments on the LCA GHG Report and DOE/FE Analysis

As discussed above, the LCA GHG Report compares life cycle GHG emissions from U.S. LNG exports to regional coal and other imported natural gas for electric power generation in Europe and Asia. Following the close of the public comment period on the LCA GHG Report, DOE/FE identified 18 unique submissions received from the general public, interest groups, industry, and academia/research institutions, which DOE/FE categorized into seven distinct comments.179

DOE/FE identifies below: (i) the pertinent arguments by topic, with reference to representative comments, and (ii) DOE/FE’s basis for the conclusions that it drew in reviewing those comments. In so doing, DOE/FE will respond to the relevant, significant issues raised by the commenters.

1. Study Conclusions

a. Comments

Several commenters, including Citizens Against LNG and Oregon Wild, claim that the life cycle GHG emissions from natural gas are higher than those from coal.

b. DOE/FE Analysis

These comments assert that natural gas has higher GHGs than coal, but they do not cite data sources applicable to the comparison of U.S.-exported LNG to regional coal, nor do they acknowledge that the different end uses of coal and natural gas (i.e., heating, power, or transportation) affect their relative life cycle GHG performance. If the characteristics of each fuel (most critically, the carbon content per unit of the fuel’s energy) and power plant

179 In some instances, single letters were sent on behalf of a group of people. In one case, multiple copies of a form letter were received from 149 individuals, hereinafter referred to as “Concerned Citizens.” Most of the individuals in the Concerned Citizens group live in New York, but other states and countries are also represented.
efficiencies are considered, the lower per-MWh CO₂ emissions from natural gas power plants in comparison to coal power plants make natural gas lower than coal in the context of power plant operations by 61% (see Table 11 below, [(415 – 1,063)/1,063 x 100]). The life cycle of baseload electricity generation is a reasonable basis for comparing natural gas and coal because both types of fuels are currently used on a large scale by baseload power plants.

Table 11 shows the life cycle GHG emissions CO₂, methane (CH₄), nitrous oxide (N₂O), and sulfur hexafluoride (SF₆) from natural gas and coal systems and demonstrates the importance of power plant operations to total life cycle GHG emissions over 100- and 20-year GWP timeframes. This table is representative of European end-use scenarios, which consume natural gas exported from the United States and coal extracted in Europe. (This table is based on the same data as used by Figure 6-1 of the LCA GHG Report.)

<table>
<thead>
<tr>
<th>Life Cycle Process</th>
<th>100-yr GWP</th>
<th>20-yr GWP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Natural Gas: New Orleans to Rotterdam, Netherlands</td>
<td>Coal: European Regional</td>
</tr>
<tr>
<td>Natural Gas/Coal Extraction</td>
<td>33.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Natural Gas Processing</td>
<td>34.5</td>
<td>-</td>
</tr>
<tr>
<td>Domestic Pipeline Transport</td>
<td>32.3</td>
<td>-</td>
</tr>
<tr>
<td>Liquefaction</td>
<td>63.6</td>
<td>-</td>
</tr>
<tr>
<td>Tanker/Rail Transport</td>
<td>25.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Tanker Berthing &amp; Deberthing</td>
<td>1.5</td>
<td>-</td>
</tr>
<tr>
<td>LNG Regasification</td>
<td>20.0</td>
<td>-</td>
</tr>
<tr>
<td>Power Plant Operations</td>
<td>415</td>
<td>1,063</td>
</tr>
<tr>
<td>Electricity T&amp;D</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>629</strong></td>
<td><strong>1,089</strong></td>
</tr>
</tbody>
</table>
2. Boundaries of the LCA GHG Report

a. Comments

Sierra Club, Food & Water Watch, Americans Against Fracking et al., Susan Sakmar, and Concerned Citizens, among others, contend that the LCA GHG Report has flawed boundaries and scenarios. In particular, these commenters contend that the LCA GHG Report assumes that LNG will displace coal power without also accounting for the displacement of renewable energy.

b. DOE/FE Analysis

The boundaries of the LCA were developed with respect to questions about two fossil fuels, coal and natural gas, and where they come from. The scenarios in the LCA do not model displacement of any kind. These two scenarios are purely attributional, meaning that they focus on independent supply chains for each scenario and do not account for supply or demand shifts caused by the use of one fuel instead of another fuel.

3. Natural Gas Transport between Regasification and Power Plants

a. Comments

Sierra Club and Concerned Citizens, among others, assert that the LCA GHG Report does not account for natural gas transport between LNG regasification facilities and power plants in the importing countries.

b. DOE/FE Analysis

The choice to exclude transportation between regasification and the power plant was a modeling simplification. The sensitivity analysis of GHG emissions with changes to pipeline

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180 Sierra Club submitted comments on behalf of its members and supporters as well as Cascadia Wildlands, Otsego 2000, Inc., Columbia Riverkeeper, Stewards of the Lower Susquehanna, Inc., Friends of the Earth, Chesapeake Climate Action Network, Food and Water Watch, and EarthJustice.

181 Food & Water Watch submitted comments in the form of a letter signed by 85 individuals representing various national, state, and local public interest groups.
transport distance, as illustrated by Figures 4-7 and 4-8 of NETL’s Life Cycle Analysis of Natural Gas Extraction and Power Generation, shows that the doubling (i.e., a 100% increase) of natural gas pipeline transport distance increases the upstream GHG emissions from natural gas by 30%. When this upstream sensitivity is applied to the life cycle boundary of the LCA GHG Report, an additional 100 miles beyond the LNG import terminal increases the life cycle GHG emissions for the LNG export scenarios by 0.8%, and an additional 500 miles beyond the LNG import terminal increases the life cycle GHG emissions for the LNG export scenarios by 4% (using 100-year GWPs as specified by the IPCC Fifth Assessment Report). Although this parameter modification changes the results of the LCA slightly, it does not change the conclusions of the LCA GHG Report.

4. Data Quality for LNG Infrastructure, Natural Gas Extraction, and Coal Mining
   a. Comments

   Several commenters, including API, Concerned Citizens, and Sierra Club, commented on whether the data used in the LCA GHG Report is current and fully representative of the natural gas industry. In particular, API asserts that NETL’s model is representative of inefficient liquefaction technologies that overstate the GHG emissions from the LNG supply chain, coal data that understates the methane emissions from coal mines, and natural gas extraction data that mischaracterizes “liquids unloading” practices.182 API proposes the use of newer data for both

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182 For purposes of this term, we refer to EPA’s description of “liquids unloading” as follows: “In new gas wells, there is generally sufficient reservoir pressure to facilitate the flow of water and hydrocarbon liquids to the surface along with produced gas. In mature gas wells, the accumulation of liquids in the well can occur when the bottom well pressure approaches reservoir shut-in pressure. This accumulation of liquids can impede and sometimes halt gas production. When the accumulation of liquid results in the slowing or cessation of gas production (i.e., liquids loading), removal of fluids (i.e., liquids unloading) is required in order to maintain production. Emissions to the atmosphere during liquids unloading events are a potentially significant source of VOC and methane emissions.” U.S. Envtl. Prot. Agency, Office of Air Quality Planning & Standards, Oil & Natural Gas Sector Liquids Unloading Processes, Report for Oil & Gas Sector Liquids Unloading Processes Review Panel, at 2 (April 2014), http://www.epa.gov/airquality/oilandgas/pdfs/20140415liquids.pdf.
liquefaction terminals in the United States and methane emission factors from unconventional natural gas extraction and coal mining. Concerned Citizens argue that the LCA GHG Report does not clearly identify its source of data for estimates of loss related to LNG production, shipping, and regasification, as well as the basis for estimates of pipeline losses from Russia. Sierra Club points to inaccurate referencing of EPA’s Subpart W report, which was the basis for many of NETL’s emission factors for natural gas extraction.

b. DOE/FE Analysis

(1) Liquefaction Data

API points to newer data for liquefaction facilities that have higher efficiencies than the liquefaction process in the LCA GHG Report. API points to the GHG intensities of the liquefaction facilities proposed by Sabine Pass, Cameron LNG, and FLEX, each of which has been granted one or more non-FTA LNG export orders by DOE/FE (see infra § XII.D). According to API, these proposed facilities will produce 0.26, 0.29, and 0.12 tonnes of CO₂e per tonne of LNG, respectively. The majority of a liquefaction facility’s energy is generated by combusting incoming natural gas, so the GHG intensity of a liquefaction facility is directly related to its efficiency. As API correctly points out, the LCA model assumes a GHG intensity of 0.44 tonnes of CO₂e per tonne of LNG; this GHG intensity is representative of a facility that consumes 12% of incoming natural gas as plant fuel.183

The above GHG intensities and liquefaction efficiencies are not life cycle numbers, but represent only the gate-to-gate operations of liquefaction facilities, beginning with the receipt of processed natural gas from a transmission pipeline and ending with liquefied natural gas ready

for ocean transport. As illustrated by Figures 6-1 and 6-2 in the LCA GHG Report (reproduced as tables herein), liquefaction accounts for approximately 10% of the life cycle GHG emissions of U.S. LNG used for electric power generation in Europe and Asia. A doubling of liquefaction efficiency (thus achieving a GHG intensity comparable to the average of the Sabine Pass, Cameron, and Freeport facilities) would lead to a 6% reduction in the feed rate of natural gas to the liquefaction plant. This feed rate reduction would also reduce natural gas extraction, processing, and transmission emissions by 6%, but would not affect the processes downstream from liquefaction (ocean tankers, power plants, and electricity transmission networks). Applying the increased liquefaction efficiency and the 6% reduction in feed rate to the results of the LCA GHG Report would reduce the life cycle GHG emissions for LNG export scenarios by only 1.5% (using 100-year GWP as stated in the IPCC Fifth Assessment Report). Increasing liquefaction efficiency may significantly reduce the emissions from one point in the supply chain, but it does not change the conclusions of the LCA.

(2) Natural Gas Methane Data

API and Concerned Citizens criticize the quality of data that DOE/NETL uses for natural gas extraction. API’s concern is that NETL overstates the GHG emissions from unconventional well completion. API compares NETL’s emission factor for unconventional well completions (9,000 Mcf of natural gas/episode) to the emission factor that EPA states in its 2014 GHG inventory (approximately 2,500 Mcf of natural gas/episode). EPA revised its unconventional completion emission factor between its 2013 and 2014 inventory reports, after NETL’s model had been finalized and during the time that NETL was completing the LCA GHG Report. These

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184 See id.
factors are referred to as “potential emission factors” because they do not represent natural gas that is directly released to the atmosphere, but they represent the volume of natural gas that can be sent to flares and other environmental control equipment. NETL uses a potential emission factor of 9,000 Mcf of natural gas per each episode of shale gas hydraulic fracturing, and a potential emission factor of 3.6 Mcf of natural gas per each episode of liquids unloading (with 31 liquids unloading episodes per well-year). NETL’s model augments potential emission factors with flaring, thereby reducing the amount of methane that is released to the atmosphere. These emission factors are consistent with the findings of a survey jointly conducted by API and America’s Natural Gas Alliance and released in September 2012. They also match the factors used by EPA’s 2013 GHG inventory.

NETL’s current model accounts for liquids unloading emissions from conventional wells, but does not account for liquids unloading from unconventional wells. Applying liquids unloading to the unconventional wells in this analysis increases the life cycle GHGs by 0.6% for LNG export scenarios (using 100-year GWPs as stated in the IPCC Fifth Assessment Report). This 0.6% was estimated by assigning the liquid unloading emissions from onshore conventional natural gas to the upstream results for Marcellus Shale natural gas, followed by an expansion of the boundaries to a life cycle context. Simply put, liquids unloading accounts for 11% of the upstream GHG emissions from conventional onshore natural gas. When liquids unloading is added to unconventional natural gas in the LCA model, it is scaled according to the unique production rates and flaring practices of unconventional wells in addition to the subsequent flows

188 See NETL, Life Cycle Analysis of Natural Gas Extraction and Power Generation.
of natural gas processing, liquefaction, ocean transport, regasification, power plant operations, and electricity transmission. Thus, while liquids unloading may account for a significant share of upstream GHG emissions, none of the LCA GHG Report’s conclusions would change with the addition of liquids unloading to unconventional natural gas extraction.

The potential emissions from unconventional well completions are modeled as 9,000 Mcf of natural gas per episode. It is important to remember that this factor does not represent methane emissions directly released to the atmosphere, but the flow of natural gas prior to environmental controls. For unconventional natural gas, NETL’s model flares 15% of these potential emissions (flaring converts methane to CO₂, thus reducing the GWP of the gas) and apportions all completion emissions to a unit of natural gas by dividing them by lifetime well production (completion emissions occur as one-time episode that must be converted to a life cycle basis by amortizing them over total lifetime production of a well). Further, the life cycle GHG contributions from well completions are diluted when scaled to the subsequent flows of natural gas processing, liquefaction, ocean transport, regasification, power plant operations, and electricity transmission. However, in NETL’s model, life cycle completion emissions are directly affected by the estimated ultimate recovery (EUR) of a well because the total amount of natural gas produced by a well is used as a basis for apportioning completion and other one-time emissions to a unit of natural gas produced. From an engineering perspective, wells with high EURs are more likely to have a high initial reservoir pressure that increases the potential completion emissions. A reasonable uncertainty range around the potential emissions from unconventional completion emissions (9,000 Mcf/episode) is -30% to +50% (6,100 to 13,600 Mcf/episode). This uncertainty range matches the scale of uncertainty around the Marcellus Shale EUR used in the LCA GHG Report (see Table 5-4 of the LCA GHG Report). This -30%
to +50% uncertainty around potential emissions from unconventional completions causes a -2% to 3% uncertainty around life cycle GHG emissions for the export scenarios of this analysis.

The recently revised New Source Performance Standards (NSPS) rules for the oil and natural gas sector, which EPA amended in a final rule published on June 3, 2016, will achieve significant methane emission reductions primarily by requiring all new or modified wells to capture and control potential emissions of VOCs during natural gas well completion. In addition to well completion emissions, the NSPS rules target other point sources of VOC emissions from new and modified sources at natural gas extraction and processing sites, but they do not address liquids unloading. The LCA GHG Report does not account for the potential effects of the NSPS rules on natural gas emissions because the scope of the LCA accounts for GHG emissions from natural gas being produced today. EPA’s Regulatory Impact Analysis estimated that the final NSPS rule would reduce annual methane emissions in 2015 by 18 million metric tons, meaning that this rule will have the effect of reducing life cycle emissions from natural gas systems as new wells are developed and existing wells are modified. The likely effects of the NSPS rule therefore suggest that the conclusions of the LCA GHG Report are conservative with respect to the life cycle GHG emissions of natural gas produced in the United States.

Sierra Club contends that NETL’s documentation, including the 200-page supporting LCA document, does not clearly cite EPA’s Subpart W document. NETL’s Report has three references to Subpart W, cited as EPA 2011a, 2011b, and 2011c. These three references should


refer to the same document.  

Future versions of the Report will correct these duplicate citations. Sierra Club also calls out the citation for EPA, 2012c, although this is a correct reference that points to EPA’s documentation of New Source Performance Standards.

(3) Coal Methane Data

API and Concerned Citizens criticize the quality of data that DOE/NETL uses for coal extraction. In particular, API claims that coal mine methane emissions may be higher than the factors used by NETL. Concerned Citizens simply claim that NETL used a limited set of references to characterize coal mine emissions.

Methane emissions from coal mines are based on data collected by EPA’s Coalbed Methane Outreach Program and have been organized by coal type and geography. Due to data limitations, the LCA GHG Report used this data as a proxy for emissions from foreign coal. This limitation is noted in the LCA GHG Report and is accounted for by uncertainty. The bounds on coal methane uncertainty were informed by the variability in coal mine methane emissions between surface mines (subbituminous coal) and underground mines (bituminous coal) in the United States. The default parameters in NETL’s model represent subbituminous coal, which has lower coal mine methane emissions than bituminous coal (these parameters are specified in Table 5-3 of the LCA GHG Report). If coal mines in Europe and Asia emit methane at rates similar to the underground, bituminous coal mines in the United States, then the life cycle GHG emissions from coal power would increase. This increase in coal mine methane emissions would increase the life cycle GHG emissions of coal power by 8 percent (from 1,089 to 1,180 kg CO₂e/MWh, using 100-year GWP as stated in the IPCC Fifth Assessment Report).

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192 See, e.g., NETL, Life Cycle Analysis of Natural Gas Extraction and Power Generation.
This uncertainty is illustrated by Figure 6-16 in the LCA GHG Report. Again, even though changes to coal mine methane emissions change the GHG results of the LCA, they do not change the conclusions of the LCA.

5. **Methane Leakage Rate Used in the LCA GHG Report**

   **a. Comments**

   A number of commenters, including Sierra Club, Food & Water Watch, Americans Against Fracking et al., and Zimmerman and Associates, claim that the methane leakage rate used by NETL is too low. They assert that it does not match top-down (or aerial) measurements recently conducted in regions with natural gas activity, nor does it match the leakage rate in a recent analysis of wellhead casings in Pennsylvania.

   **b. DOE/FE Analysis**

   Recent studies lack consensus concerning the extent and rates of leakage from the upstream natural gas supply chain, with the leakage rates reported by these studies ranging from less than 1% to as high as 10%. One reason for this broad range of leakage rates is the fact that different analysts use different boundaries (e.g., extraction only, extraction through processing, extraction through transmission, and extraction through distribution). Further, top-down measurements are taken over narrow time frames and limited geographic scopes that represent only a snapshot of operations. They do not necessarily represent long-term operations over a broad area.

   Another reason for this range of leakage rates is confusion between leaks and losses. Natural gas leaks include emissions from pneumatically controlled devices, valves, compressor seals, acid gas removal units, dehydrators, and flanges. These leaks are a mix of methane and

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193 See NETL, *Life Cycle Analysis of Natural Gas Extraction and Power Generation* (Section 6.2.1) (identifying reports that include various leakage rates).
other hydrocarbons, and are a subset of total natural gas losses. Another type of loss includes flaring, which converts methane to CO₂ and thus reduces methane venting to the atmosphere. Similarly, the combustion of natural gas by reboilers in a natural gas processing plant or by compressors on a pipeline represents the loss of natural gas that is used to improve the purity of the gas itself and move it along the transmission network.

NETL’s expected cradle-through-transmission leakage rate is 1.2%. In other words, the extraction, processing, and transmission of 1 kg of natural gas releases 0.012 kg of CH₄ to the atmosphere. In contrast, NETL’s expected loss rate from the same boundary is approximately 8%: for the delivery of 1 kg of natural gas via a transmission pipeline, 0.012 kg of CH₄ is released to the atmosphere, and 0.068 kg is flared by environmental controls or combusted for processing and transmission energy.

Sierra Club compares NETL’s leakage rate to a 1.54% leakage rate derived from EPA’s 2013 GHG inventory. The two types of leakage rates (the 1.2% calculated by NETL’s life cycle model and the 1.54% implied by EPA’s 2013 inventory) are not directly comparable. LCAs and national inventories have different temporal boundaries. NETL’s leakage rate is a life cycle number based on a 30-year time frame; it levelizes the emissions from one-time well completion activities over a 30-year time frame of steady-state production. The leakage rate implied by EPA’s inventory represents 2011 industry activity; it captures the spike in completion emissions due to the atypically high number of wells that were completed that year. In other words, national inventories calculate all emissions that occur in a given year, while LCAs apportion all emissions that occur during a study period (e.g., 30 years) to a unit of production (e.g., 1 MWh of electricity generated). Both approaches are legitimate with respect to the unique goals of each type of analysis.
Sierra Club also compares NETL’s 1.2% leakage rate to the 2.01% leakage rate calculated by Burnham et al.\textsuperscript{194} Again, a boundary difference explains why the two leakage rates are not directly comparable. Burnham et al.’s leakage rate includes natural gas distribution, which is an additional transport step beyond transmission. Natural gas distribution moves natural gas from the “city gate” to small scale end users (commercial and residential consumers). NETL’s leakage rate ends after natural gas transmission, the point at which natural gas is available for large scale end users such as power plants. The natural gas distribution system is a highly-branched network that uses vent-controlled devices to regulate pressure. This boundary difference explains why Burnham et al.’s leakage rate is higher than NETL’s rate. Sierra Club also compares NETL’s leakage rate to a shale gas analysis conducted by Weber et al.\textsuperscript{195} We have reviewed Weber et al.’s work and do not see any mention of leakage rate.

It is also important to note that leakage rate is not an input to NETL’s life cycle model. Rather, it is calculated from the outputs of NETL’s life cycle model. NETL uses an approach that assembles all activities in the natural gas supply chain into a network of interconnected processes. The emissions from each process in this model are based on engineering relationships and emission factors from the EPA and other sources. This method is known as a “bottom-up” approach. Researchers are trying to discern why “top-down” studies such as Pétron’s measurements in northeast Colorado\textsuperscript{196} do not match the bottom-up calculations by NETL and other analysts. We believe that inconsistent boundaries (\textit{i.e.}, bottom-up models that account for long term emissions at the equipment level in comparison to top-down measurements that

\textsuperscript{194} Andrew Burnham, et al., \textit{Life-cycle greenhouse gas emissions of shale gas, natural gas, coal, and petroleum}, 46.2 Envtl Sci. & Tech., 619-627 (2011).
encompass an entire region with more than one type of industrial activity over a narrow time frame) partly explain the differences between bottom-up and top-down results. As research continues, however, we expect to learn more about the differences between bottom-up and top-down methods.

Zimmerman and Associates references a recent study by Ingraffea et al. that assessed failure rates of well casings for oil and gas wells in Pennsylvania. However, Ingraffea et al. do not calculate a methane leakage rate in their analysis; rather, they calculate the rate at which wells develop leaks. The rate at which leaks develop in well casings is a different phenomenon than the rate at which methane leaks from the natural gas supply chain. The former is a measurement of failure rates (the number of wells in a group that have leaks) and the latter is a measurement of the magnitude of total leakage (the amount of methane in extracted natural gas that is released to the atmosphere).

The breakeven analysis shown in Section 6 of the LCA GHG Report models hypothetical scenarios that increase the natural gas leakage rate to the point where the life cycle emissions from natural gas power are the same as those from coal power. The breakeven points between natural gas and coal systems are illustrated in Figures 6-8 and 6-9 of the Report. These results are based on the most conservative breakeven point, which occurs between the high natural gas cases (i.e., lowest power plant efficiency, longest transport distance, and highest methane leakage) with the low coal case (i.e., highest power plant efficiency and shortest transport distance). These graphs show that on a 100-year GWP basis, methane leakage would have to increase by a factor of 1.7 to 3.6, depending on the scenario, before the breakeven occurs. The

breakeven methane leakage is lower for the 20-year GWP basis and, for some scenarios, is lower than the modeled leakage rate.

6. The Uncertainty Bounds of the LCA GHG Report

a. Comments

Concerned Citizens claim that the LCA GHG Report has significant uncertainty, and contend that “poor modeling is not a reason to dismiss impacts.”

b. DOE/FE Analysis

The results of the LCA GHG Report are based on a flexible model with parameters for natural gas extraction, processing, and transport. Uncertainty bounds are assigned to three key parameters: well production rates, flaring rates, and transport distances. These uncertainty bars are not an indication of poor modeling. To the contrary, they are used to account for variability in natural gas systems. If the analysis did not account for uncertainty, the results would imply that the GHG emissions from natural gas systems are consistently a single, point value, which would be inaccurate. We therefore believe the chosen uncertainty bounds strengthen the LCA model, as opposed to indicating any weakness in modeling.

7. The LCA GHG Report and the NEPA Approval Process

a. Comments

Several commenters, including Citizens Against LNG, Dominion Cove Point LNG, Susan Sakmar, and Americans Against Fracking et al., note that the LCA GHG Report does not fulfill the requirements of an EIS as defined by NEPA. These commenters maintain that the LCA GHG Report should not be used as a basis for approving proposed LNG export terminals.

b. DOE/FE Analysis

We agree that the LCA GHG Report does not fulfill any NEPA requirements in this proceeding, nor has DOE/FE made any suggestion to that effect. The LCA GHG Report
addresses foreign GHG emissions and thus goes beyond the scope of what must be reviewed under NEPA.

X. **FERC PROCEEDING AND GRANT OF AUTHORIZATION**

A. **FERC’s Pre-Filing Procedures**

Authorizations issued by FERC permitting the siting, construction, and operation of LNG export terminals are reviewed under NGA section 3(a) and (e), 15 U.S.C. § 717b(a), (e). FERC’s approval process for such an application consists of a mandatory pre-filing process during which the environmental review required by NEPA commences, and a formal application process that starts no sooner than 180 days after issuance of a notice that the pre-filing process has commenced.

SLNG filed a request with FERC for use of the pre-filing procedures on December 5, 2012. On March 1, 2013, in Docket No. PF13-3-000, the Director of the Office of Energy Projects at FERC granted SLNG’s request to commence the pre-filing review process. On April 22, 2013, FERC issued a Notice of Intent to Prepare an Environmental Assessment (NOI) of the proposed Liquefaction Project.

DOE agreed to participate as a cooperating agency in FERC’s environmental review, as set forth in the NOI. Consistent with its practice, FERC published the NOI in the Federal Register and mailed it to federal, state, and local government representatives and agencies,

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201 40 C.F.R. §1501.6 (“In addition, any other Federal agency which has special expertise with respect to any environmental issue, which should be addressed in the statement may be a cooperating agency upon request of the lead agency.”); see also id. § 1501.6(b) (responsibilities of a cooperating agency).
202 See FERC NOI at 25,074.
elected officials, environmental and public interest groups, Native American Tribes, property owners in the vicinity of the proposed facilities, other interested parties, and local libraries and newspapers. As part of FERC’s public scoping process under NEPA, FERC held open houses and received comments from a variety of stakeholders, which served to identify issues for FERC staff to address in the EA.

B. FERC’s Environmental Review

On March 10, 2014, SLNG began the second part of FERC’s approval process by filing its formal application in FERC Docket No. CP14-103-000 for authorization to site, construct, and operate new natural gas liquefaction and export facilities at Southern LNG’s existing liquefied natural gas terminal. FERC issued the EA for the liquefaction Project on February 5, 2016, and placed the EA into the public record. FERC provided a 30-day public comment period on the EA. A total of 35 comment letters were received by the close of the comment period.

The EA addresses numerous environmental issues, including potential impacts on geology, groundwater, surface water and aquatic resources, wildlife, threatened and endangered species, land use, recreation, visual resources, cultural resources, air quality, noise, safety, socioeconomics, cumulative impacts, and alternatives. Based on its environmental analysis, FERC staff concluded that the Liquefaction Project “would not constitute a major federal action significantly affecting the quality of the human environment,” subject to recommended

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203 78 Fed. Reg. 25,074; and see FERC Order at P 24.
205 FERC Order at P 11.
206 See id. at 26.
207 See EA.
mitigation measures.\textsuperscript{208} FERC staff recommended 90 mitigating environmental conditions for the Export Project.\textsuperscript{209}

\textbf{C. FERC’s Order Granting Authorization}

\textbf{1. Overview}

On June 1, 2016, FERC issued its order granting SLNG’s requested authorization to site, construct, and operate the proposed Liquefaction Project, pursuant to NGA section 3(a). In granting this authorization, FERC observed that the Elba Liquefaction Project will be primarily located within areas previously evaluated and assessed in FERC’s earlier environmental reviews and approvals of the terminal. Further, FERC stated, the Elba Liquefaction Project will not involve the construction of any new LNG storage tanks, as the project will be able to use the existing tank infrastructure at the terminal. Finally, FERC noted that the Elba Liquefaction Project is not expected to result in an increase in the size and/or frequency of LNG carriers from that previously contemplated for the terminal.\textsuperscript{210} FERC thus determined that “the environmental impacts associated with the construction and operation of the Elba Liquefaction Project will be minimal.”\textsuperscript{211} As noted above, FERC denied rehearing of its Order on December 9, 2016.

\textbf{2. Air Quality/ Greenhouse Gas Emissions}

FERC addressed comments expressing concerns about impacts on air quality and associated health effects resulting from project-specific emissions. FERC noted that the EA summarizes the air toxics analysis submitted by the applicants in its proceeding to the Georgia Environmental Protection Division. The EA concluded that the operation of the facilities will be

\textsuperscript{208} EA at 4-1.  
\textsuperscript{209} See id. at 4-1 - 4-15.  
\textsuperscript{210} See FERC Order at P 11.  
\textsuperscript{211} Id.
in compliance with the National Ambient Air Quality Standards (NAAQS) and will not have a significant impact on air quality in the project area or region. FERC agrees with the EA’s conclusion.212

Further, FERC responded to commenters concerns about the direct impacts associated with the GHG emission of the Project facilities on the Savannah coastal community, which is already experiencing flooding due to rising seas. FERC noted that the EA also reviewed the Project’s cumulative impacts on climate change. FERC stated that the analysis documents the current assessments of climate change reported by the Intergovernmental Panel on Climate Change, and the U.S. Global Change Research Program, and concluded that there is currently no standard methodology to determine that the Project’s incremental contribution to GHGs will result in physical effects on the environment, either locally or globally. In light of this, FERC reasoned, any conclusions with respect to the Project’s impact on global climate change would be speculative.213

FERC also responded to Sierra Club’s assertion that the Commission failed to consider the long-term effects of climate change, the social costs of climate change, and whether the Project is justified in light of that cost. FERC responded by pointing to the EPA social cost of carbon tool. FERC determined that use of the tool here “would not be appropriate…because: (1) the EPA states that ‘no consensus exists on the appropriate [discount] rate to use for analyses spanning multiple generations’ and consequently, significant variation in output can result; (2) the tool does not measure the actual incremental impacts of a project on the environment; and (3)

212 Id. at 27.
213 Id. at 28.
there are no established criteria identifying the monetized values that are to be considered significant for NEPA purposes.”  

FERC next responded to some commenters who requested that an analysis of the Project’s GHG emissions include the upstream gas production, compression, storage, transmission activities, and combustion of natural gas to be exported. Though the commenters disagreed, FERC stated that it did not believe the potential increase of GHG emissions associated with the production, non-project transport, and non-project combustion of natural gas are causally related to the FERC action in approving this Project, nor are the potential environmental effects reasonably foreseeable, as contemplated by the Council on Environmental Quality’s (CEQ) regulations.  

Finally, FERC addressed Karen Grainey’s concerns that the emissions levels associated with the Project facilities will be significantly higher than the Prevention of Significant Deterioration (PDS) threshold. FERC stated that the PSD permitting process has already been completed, including a Best Available Control Technology analysis for carbon Monoxide and GHG as part of the permit modification. Thus, FERC agreed with the EA’s conclusion that the Project will not cause or contribute to an exceedance of the NAAQS.  

3. Cumulative Impacts  

FERC addressed comments by the Southern Environmental Law Center (SELC) that the EA’s cumulative impacts analysis failed to consider the Jasper Port facility, also known as the Jasper Ocean Terminal (JOT) Project. FERC stated that, as currently envisioned, the JOT project would be located directly across from Elba Island on a 1,500-acre site on the South

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214 Id. at 28.  
215 FERC Order at 30.  
216 Id. at 30-31.
Carolina side of the Savannah River in Jasper County, near the Tybee National Wildlife Refuge.\textsuperscript{217} According to FERC, SELC noted the JOT Project is undergoing an environmental review and may have cumulative impacts on the Savannah River, such as potential increased barge traffic and impacts on the security measures required for the LNG facilities and LNG vessels.\textsuperscript{218} FERC explained that the JOT Project is still in early stages of planning for development, and there is no potential for the JOT Project to overlap construction of the LNG Terminal facilities.\textsuperscript{219} Therefore, FERC determined that the planned project would not result in any cumulative impacts in terms of construction air emissions, barge traffic on the Savannah River, dredging, socioeconomics, or other construction-related impacts.

FERC stated that operation of the Project facilities may affect the design and operations of the JOT Project due to its location directly across the Savannah River from the LNG Terminal. FERC further noted that the operation of the JOT facility will likely add to congestion of the Savannah River where the LNG Carriers and other ships and watercraft are authorized, and will likely increase noise and air quality emissions, light pollution, and impacts on forest land, wetlands, essential fish habitat, sensitive species, wildlife habitat, water quality, land use, recreation, and various other resources in the area.\textsuperscript{220} FERC stated that the authorities considering approval of the planned JOT facility will need to consider and possibly modify the operational plans in order to avoid or minimize the impact on the authorized operations of the LNG Terminal, as the existing facility.\textsuperscript{221} The U.S. Army Corps of Engineers, FERC noted,

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\textsuperscript{217} Id., \textsuperscript{218} Id. at 44. \textsuperscript{219} Id. \textsuperscript{220} FERC Order at 45. \textsuperscript{221} Id. at 45.
\end{flushright}
would need to evaluate the cumulative impacts of the JOT facility on shipping in the Savannah River and whether any mitigative measures are warranted to reduce those impacts.

FERC also addressed comments from an individual who stated it was improper for the EA to determine that the proposed project, including the proposed dredge material disposal at the Dredge Materials Containment Areas and the Savannah Harbor Expansion Project (SHEP), are close enough to have overlapping construction-related air quality impacts. FERC responded that although the EA provides a conservative estimate, and that any overlapping impacts will depend on the actual timing and location of each project’s activities relative to each other, FERC agreed with the EA’s determination that these projects are sufficiently close to each other in terms of geography and potentially timing to consider that the air quality impacts could in fact be additive.222

FERC also addressed a concern that the EA should analyze the cumulative impacts of the project on public and private lands, such as increased deterioration of local and secondary roadways due to the repetitive high axle load truck traffic. FERC responded to those concerns by noting that the Companies propose to use existing truck routes that are designated by the state of Georgia and are presumably designed to tolerate the proposed truck traffic. Therefore, FERC anticipates no significant impact on existing roadways infrastructure.223

Next, FERC responded to a suggestion that the analysis of the SHEP should consider cumulative impacts associated with dredging, saltwater intrusion, water displacement, decreased dissolved oxygen, loss of wetlands, destruction of spawning habitat, and the introduction of invasive species through ballast of the larger post-Panamax ships. FERC noted that there is a substantial difference in scale of impacts between the two projects. According to FERC, the

222 Id.
223 Id. at 45-46.
SHEP dredging of approximately 40 miles of the Savannah River channel, and the associated impacts of that activity, “essentially dwarf any potential impacts from the proposed project’s activities.” Therefore FERC agreed with the EA conclusion that the proposed Project will not result in measureable or significant cumulative impacts.

4. Environmental Conclusions

Based on the analysis in the EA, FERC determined that, “subject to the conditions imposed in this Order, the Liquefaction Project is not inconsistent with the public interest.” FERC further concluded that, if the Liquefaction Project is constructed and operated in accordance with SLNG’s application, and in compliance with the environmental conditions set forth in the Order, “[FERC’s] approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.” In response to comments from community members and from SLNG, FERC modified, removed, and added to mitigation measures laid out in the EA before adopting the EA and its recommendations. FERC made the following modifications to the EA:

- Environmental Condition 12 was added to clarify that authorization will be required prior to introducing hazardous fluids into the Project facilities.

- Recommended Condition 17 was modified to clarify that only the LNG facilities proposed by ELC and Southern LNG at the existing Terminal site are subject to seismic review.

- Recommended Condition 18 was removed, as consultation under section 7 of the Endangered Species Act for the project is complete for the federally-listed species under FWS jurisdiction.

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224 Id. at 46.
225 FERC Order at 51.
226 Id.
227 Id. at 51.
228 See id. at 43.
229 Id. at 34.
• Recommended Condition 19 was modified to require that section 7 consultation under the Endangered Species Act only be completed with the NMFS prior to construction, as FWS had completed its consultation.\(^{230}\)

• Recommended Condition 21 was added to verify which truck route is adopted or whether the Companies will use barges for transporting the aggregate fill.\(^{231}\)

• Recommended Condition 20 was removed after FERC received certification that the condition had already been met.\(^{232}\)

• Environmental Condition 20 was added to provide additional information about potential contaminants present at the site, and to ensure that the assessment is completed prior to use of the off-site wareyard.\(^{233}\)

• Recommended Condition 37 was modified to ensure ELC and Southern LNG continue consultation and coordination with all incident response organizations or personnel responsible for emergency response-related actions at the site. FERC revised the condition to require that certain portions of the ERP be filed publicly, including public notification and evacuation, and to require that the updated ERP is submitted to FERC prior to initial site preparation.\(^{234}\)

• Recommended Condition 60 was modified to state that the emergency shutdown system valves are to be equipped with open and close position switches connected to the Distributed Control System and/or Safety Instrumented System.\(^{235}\)

• Environmental Condition 77 was added to clarify that authorization will be required prior to loading of the initial cargo of LNG during commissioning activities. The condition also requires ELC and SLNG to file weekly reports to document the commissioning process.

• Environmental Condition 92 was revised to accurately reflect all modes of transportation by which hazardous fluids will be transported for the proposed project.\(^{236}\)

XI. CURRENT PROCEEDING BEFORE DOE/FE

A. Overview

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\(^{230}\) FERC Order at 34
\(^{231}\) Id. at 37
\(^{232}\) Id. at 41.
\(^{233}\) Id. at 35.
\(^{234}\) See id. at 47.
\(^{235}\) FERC Order at 50.
\(^{236}\) Id. at 50-51.
In response to the Notice of Application published in the *Federal Register* on October 11, 2012, DOE/FE received two timely-filed motions to intervene in this proceeding filed by APGA and Sierra Club, both opposing the Application.\(^{237}\)

**B. APGA’s Motion to Intervene**

APGA filed a Motion for Leave to Intervene and Protest on December 17, 2012. APGA is a national non-profit association of publicly-owned natural gas distribution systems, with approximately 700 members in 36 states. APGA states that its membership covers 950 not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve, including municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities. APGA maintains that its members are active participants in the domestic market for natural gas where they secure the supplies of natural gas to serve their end users. APGA states that it has a direct and substantial interest in this proceeding that cannot be adequately represented by any other party.

In protesting the Application, APGA asserts that SLNG’s request for authority to export domestic LNG to non-FTA countries is inconsistent with the public interest and should be denied. APGA argues that the proposed exports will increase domestic natural gas prices, burdening households and jeopardizing potential growth in the U.S. manufacturing sector, as well as the nation’s transition away from more environmentally damaging fossil fuels.\(^{238}\)

APGA first argues that the EIA 2012 Study, conducted as part of DOE’s 2012 LNG Export Study, concluded that LNG exports will increase prices, with higher volumes causing more drastic increases. APGA points out that the NERA Study, also part of DOE’s 2012 LNG Export Study, found that exports would yield net economic benefits but would raise domestic

\(^{237}\) Motion to Intervene of the American Petroleum Institute, FE Docket No. 15-90-LNG (Oct. 5, 2015).

\(^{238}\) APGA Mot. at 3.
natural gas prices. According to APGA, these price increases would burden the U.S. consumers who can least afford the increase and disadvantage domestic manufacturing. APGA argues that DOE/FE must go beyond the EIA and NERA Studies to consider the tradeoffs entailed by exporting an increasingly valuable U.S. fuel, rather than supporting and enhancing the use of natural gas domestically.\textsuperscript{239}

APGA states that the total applied-for export capacity (to both FTA and non-FTA countries) would increase the daily demand for natural gas by roughly 43 percent.\textsuperscript{240} APGA contends that authorization of this large quantity for export will have an impact on natural gas demand, will increase domestic natural gas and electricity prices, will inhibit the United States’ ability to forge a path toward energy independence, and will undermine sustained economic growth in key manufacturing sectors.\textsuperscript{241}

APGA states that the current increased production of natural gas and resulting low prices of natural gas in the United States provides the nation with an unprecedented opportunity to pursue energy independence and sustained economic growth through a manufacturing renaissance grounded in plentiful, low cost natural gas. Price increases due to exports, APGA contends, will both (i) jeopardize the viability of natural gas as a “bridge-fuel” in the transition away from carbon-intensive and otherwise environmentally problematic coal-fired electric generation, and (ii) inhibit efforts to foster natural gas as a major transportation fuel. AGPA claims that these steps are necessary to wean the United States from its historic, high-risk dependence on foreign oil.\textsuperscript{242}

\textsuperscript{239} Id. at 3.
\textsuperscript{240} See id. at 5.
\textsuperscript{241} See id. at 6.
\textsuperscript{242} See id. at 4.
In particular, APGA contends that new environmental regulations will soon force coal retirements, and that future greenhouse gas regulations may cause additional retirements in the future. Sustained low prices for natural gas, according to APGA, will help to keep electricity prices from spiking higher during this transition. A spike in electricity prices, APGA adds, will have adverse rippling effects on the U.S. economy.243

At the same time, APGA contends that SLNG’s plan to export natural gas will not prove economically viable. APGA believes that economically recoverable domestic natural gas may prove less robust than projected, especially given associated environmental costs and concerns regarding the long-term productivity of shale gas wells.244 APGA states that foreign alternatives will soon remove the price arbitrage opportunity that SLNG (and others) seek to take advantage of, as natural gas reserves from shale formations and export capacity expand around the world. According to APGA, as other nations develop their resources and export capacity and as U.S. natural gas prices increase due to the proposed exports, international and domestic prices will converge. This, in turn, will “leav[e] the U.S. with the worst of all worlds, i.e., higher domestic prices that thwart energy independence and that undermine the competitiveness of the manufacturing sector that relies heavily on natural gas as a process fuel.”245

C. Sierra Club’s Motion to Intervene, Protest, and Comments

On December 17, 2012, Sierra Club filed a Motion to Intervene, Protest, and Comments opposing SLNG’s Application.246 Sierra Club states that its members live and work throughout the area that will be affected by SLNG’s Liquefaction Project, including in the domestic natural

243 APGA Mot. at 13.
244 See id. at 4.
245 Id. at 15.
246 Sierra Club Mot. at 2.
gas fields that likely will see increased production as a result of the exports. Specifically, Sierra Club states that, as of December 2012, it had 8,966 members in Georgia and 590,264 members overall. Sierra Club states that its members have vital economic, aesthetic, spiritual, personal, and professional interests in the proposed Liquefaction Project.

1. Alleged Environmental Impacts from the Requested Authorization

Sierra Club states that the Application is not in the public interest and is not supported by adequate environmental and economic analysis. Sierra Club maintains that DOE/FE cannot proceed with SLNG’s Application until the NEPA process—in particular, the EIS—is completed. Sierra Club asserts that the Application itself is silent as to important environmental impacts. Sierra Club argues that, contrary to SLNG’s contentions, the Project will cause the following three categories of significant environmental harm: (i) the construction and operation of the Terminal and related infrastructure will “directly impact” the local environment, such as water and air quality; (ii) the Liquefaction Project will induce additional natural gas production, primarily from unconventional natural gas sources such as hydraulic fracturing, with associated environmental harms; and (iii) the Project will result in increased natural gas prices and an increase in coal-fired electricity generation, thereby increasing emissions of greenhouse gases, as well as emissions of conventional and toxic air pollutants.

Sierra Club argues that the NGA and NEPA, as well as the Endangered Species Act and the National Historic Preservation Act, require DOE/FE to consider SLNG’s Application in the context in which the propped project will occur. Sierra Club contends that DOE/FE’s analysis

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247 See id. at 3.
248 See id. at 4.
249 See id. at 5.
250 Id. at 6.
251 See Sierra Club Mot. at 7-14.
must not be confined only to the local, direct effects of SLNG’s Application, but must also
consider the “broader constellation” of indirect and cumulative effects of both SLNG’s proposal,
and all other LNG export proposals currently pending before DOE/FE and FERC.252 Sierra Club
asserts that this broader backdrop must inform the NEPA alternatives analysis.

Sierra Club further asserts that DOE/FE can best conduct such an analysis by preparing a
programmatic EIS that considers the cumulative impacts of all potential future exports from the
Elba Island Terminal, plus all other natural gas export proposals currently approved and pending
before DOE/FE.253 Sierra Club argues that DOE/FE should conduct an EIS that is adequate to
inform this programmatic decision, rather than conducting piecemeal, application-by-application
analysis.254

First, Sierra Club points to the 2012 Export Study255 and argues that, to the extent
DOE/FE relies on the study in completing the NEPA analysis that underpins the agency’s
decision to grant SLNG’s application, DOE/FE is required to accept public comments on the
study pursuant to ordinary NEPA principles.256 Sierra Club also argues that DOE/FE may not
conditionally approve SLNG’s proposal prior to NEPA review.257

Next, Sierra Club argues that NEPA and the NGA require DOE/FE to consider a broad
range of alternatives to the Application, including but not limited to: whether DOE/FE should
allow LNG exports but on a smaller-scale and a slower time-table; whether the source of

252 Id. at 14.
253 See id. at 15.
254 See id.
255 Discussed infra section VI.A.
256 See Sierra Club Mot. at 15-16. DOE/FE published a Notice of availability of the 2012 LNG Export Study and
request for comments on December 11, 2013. See generally 77 Fed. Reg. 73,628 (Dec. 11, 2012). Initial comments
were received until January 24, 2013, and reply comments were received until February 25, 2013. See id.
257 See id. at 18. Since this Application was filed, DOE/FE has suspended its conditional approval process for non-
FTA LNG export applications. This point is considered by DOE/FE to be moot. See 79 Fed. Reg. 48,132 (Aug. 15,
2014).
exported natural gas should be restricted to certain plays, formations, or regions; whether to delay, deny, or condition exports based upon their effect on the U.S. utility market; and whether to deny export proposals altogether as contrary to the public interest.\textsuperscript{258}

Next, Sierra Club maintains that SLNG’s proposed exports are inconsistent with the public interest because they will produce significant environmental harm and negative economic consequences that outweigh the proposal’s benefits.\textsuperscript{259} With regard to economic consequences, Sierra Club contends that the SLNG Liquefaction Project will significantly increase domestic natural gas prices, harming domestic consumers and, increase coal-fired electricity generation.\textsuperscript{260}

Addressing potential environmental impacts, Sierra Club charges that both construction and operation of the new facilities will emit harmful quantities of carbon monoxide, nitrogen oxides, volatile organic chemicals, and GHGs, sulfur dioxides, particulate matter, and hydrogen sulfide pollution. Sierra Club asserts that each of these types of emissions will have injurious environmental and health impacts.\textsuperscript{261} According to Sierra Club, SLNG’s application does not address these economic and environmental costs.\textsuperscript{262}

In addition to air emissions, Sierra Club maintains that the proposed project will likely have deleterious environmental impacts on local water quality, fish and wildlife, and other environmental resources. The likely water impacts identified by Sierra Club include the effects of water withdrawals necessary for construction of the facilities. Terminal operations could result in additional stormwater runoff and discharge and suspension or re-suspension of sediment as a result of dredging and ship transits.\textsuperscript{263}

\textsuperscript{258} Sierra Club Mot., at 17.
\textsuperscript{259} See id. at 19.
\textsuperscript{260} See id. at 6.
\textsuperscript{261} See id. at 20-24.
\textsuperscript{262} Sierra Club Mot. at 19.
\textsuperscript{263} See id. at 24.
Sierra Club asserts that the project will impact project can be expected to impact wildlife and species habitat. Sierra Club further notes that FERC has previously identified eight endangered species as potentially present in the project area (West Indian manatees, wood storks, American alligators, eastern indigo snakes, flatwoods salamanders, Canby’s dropwort, pool sprite, and pondberry).264 Sierra club further notes that increased ship traffic at the project site could harm manatees, alligators, and other water-dependent species at the site. In addition, noise from construction and compressor operations may harass and displace species. Finally, water intake, which may be needed for numerous purposes, including ship operations, may disturb water dependent species and risks fish entrainment.265

Furthermore, Sierra Club argues that SLNG’s proposed exports will have environmental impacts greater than the local impacts because the planned exports will induce additional natural gas production in the United States.266 Sierra Club asserts that NEPA and the NGA require DOE/FE to consider the effects of this additional production. Sierra Club observes that, in fact, SLNG identifies this additional production, and “attempts to claim the alleged economic benefits of this induced production in arguing that its proposal is in the public interest.”267

Sierra Club maintains that available tools enable DOE/FE to predict where this increased natural gas production will occur, specifically citing the NEMS model employed by EIA in the 2009 EIA Study. Sierra Club asserts that much of the induced production will come from shale gas and other unconventional sources, citing the 2009 EIA Study’s projection that “about 60 to 70 percent” of the increased production will come from shale gas.268 Sierra Club suggests that

264 Id. at 24-25.
265 See id. at 25.
266 See id. at 25.
267 Sierra Club Mot. at 25.
268 See id. at 26 (citing 2009 EIA Study at 6).
models employed by Deloitte Marketpoint, called “North American Gas Model” and “World Gas Model” allow it to predict how gas production, infrastructure construction, and storage will respond to changing demand conditions, including those resulting from LNG export.269

Sierra Club further argues that NEPA regulations, applicable case law, and recent EPA scoping comments all call for DOE/FE to consider the environmental effects of induced production.270 Sierra Club notes that NEPA requires consideration of “indirect effects” of the proposed action, which include “growth inducing effects” and “reasonably foreseeable” effects “removed in distance” from the site of the proposed action. Sierra Club argues that induced production resulting from the Project is a “reasonably foreseeable” effect that must be included in the NEPA analysis.271 Sierra Club further argues that several courts have held that natural resource production and other analogous upstream impacts induced by new infrastructure development must be considered in the NEPA analysis. Sierra Club specifically cites the Ninth Circuit’s holding in N. Plains Resource Council v. Surface Transportation Board, where the Court pointed to the agency’s reliance on induced coal mine development “to justify the financial soundness of the proposal”272 Finally, Sierra Club states that EPA has also argued in scoping comments submitted regarding two other LNG export proposals, that induced production should be included in NEPA reviews.273

Sierra Club challenges DOE/FE’s adoption and acceptance of FERC’s determination that induced shale gas production is not a reasonably foreseeable effect of LNG exports for the

269 See id. at 28.
270 Id. at 28.
271 Id.
272 Sierra Club Mot. at 29 (quoting 668 F.3d 1067, 1081-82 (9th Cir. 2011).
273 Id. at 29 (citing EPA, Scoping Comments – Cove Point Liquefaction Project, FERC Dkt. No. PF12-16-000, at 14 (Nov. 15, 2012).
purposes of NEPA analysis in the *Sabine Pass* proceeding, and argues that DOE/FE should not follow Sabine Pass here. Sierra Club states that the *Sabine Pass* decision contains factual and legal errors and thus should not be the basis for future DOE/FE decisions.\(^{274}\) Sierra Club further argues that even if DOE/FE did conclude that NEPA only requires analysis of induced drilling impacts that can be predicted to occur in a particular location, DOE/FE has the tools to make that prediction. If such local impact predictions are not in the record, Sierra Club argues, NEPA regulations provide that DOE/FE “shall” obtain this information unless DOE/FE demonstrates that the costs of obtaining it are “exorbitant.”\(^{275}\)

Sierra Club states that natural gas production—from both conventional and unconventional sources—is a significant air pollution source, can disrupt ecosystems and watersheds, leads to industrialization of entire landscapes, and presents challenging waste disposal issues.\(^{276}\) Sierra Club claims that natural gas production operations emit methane (CH4), volatile organic compounds (VOCs), nitrogen oxides (NOx), sulfur dioxide (SO2), hydrogen sulfide (H2S), particulate matter (PM), and significant quantities of hazardous air pollutants (HAPs) that contribute to cancer risks and other acute public health problems.\(^{277}\) Sierra Club notes that these pollutants are emitted during all stages of natural gas development, including (1) oil and natural gas production, (2) natural gas processing, (3) natural gas transmission, and (4) natural gas distribution. Within these development stages, Sierra Club states, the major sources of air pollution include wells, compressors, pipelines, pneumatic devices, dehydrators, storage tanks, pits and ponds, natural gas processing plants, and trucks and

\(^{274}\) *Id.* at 29-30.
\(^{275}\) *Id.* at 30 (citing 40 C.F.R. § 150.22).
\(^{276}\) *Id.* at 31.
\(^{277}\) Sierra Club Mot. at 32.
construction equipment. Sierra Club further argues that there is strong evidence that emissions from natural gas production are higher than have been commonly understood.

Sierra Club asserts that methane is the dominant pollutant from the oil and gas sector, and that EPA has identified natural gas systems as the largest contributor to anthropogenic methane emissions in the United States. Sierra Club argues that methane is a potent greenhouse gas that substantially contributes to global climate change. According to Sierra Club, the oil and gas production industry is a significant emitter of this dangerous pollutant; its methane emissions amount to 5% of all carbon dioxide equivalent (CO2e) emissions in the country. Sierra Club states that the natural gas industry is also a major source of VOCs and NOx. Sierra Club asserts that, as a result of significant VOC and NOx emissions associated with oil and gas development, numerous areas of the country with heavy concentrations of drilling are now suffering from serious ozone problems. Sierra Club identifies the Dallas-Fort Worth area in Texas, the Wyoming Upper Green River Basin, and the Uintah Basin in Northeastern Utah in particular as ozone non-attainment areas where there are significant concentrations of oil and gas production activities. As another example, Sierra Club states that, in 2008, the Colorado Department of Public Health and Environment concluded that the smog-forming emissions from oil and gas operations exceeded vehicle emissions for the entire state. Sierra Club states that significant ozone pollution also damages plants and ecosystems. Sierra Club asserts that as oil and gas development moves into new areas, particularly as a result of the boom in shale resources, ozone problems are likely to follow.

278 Id. at 32.
279 Id. at 33 (citing G. Petron et al., Hydrocarbon emissions characterization in the Colorado Front Range: A pilot study, 117 J. of Geophysical Research 4304, DOI 10.1029/2011JD016360 (2012) (monitoring air quality around oil and gas fields, where researchers observed high levels of methane, propane, benzene, and other volatile organic compounds).
280 Id. at 34.
281 See id. at 35-38.
Sierra Club argues that oil and gas production also emits sulfur dioxide, primarily from natural gas processing plants, and that some natural gas in the United States contains hydrogen sulfide. Sierra Club reports that EPA has concluded that the potential for hydrogen sulfide emissions from the oil and gas industry is “significant.” According to Sierra Club, hydrogen sulfide can be emitted during all stages of development, including exploration, extraction, treatment and storage, transportation, and refining. Sierra Club asserts that hydrogen sulfide emissions from the oil and gas industry are concerning because the pollutant may be harmful even at low concentrations. Although direct monitoring of hydrogen sulfide around oil and gas sources is limited, Sierra Club states that there is evidence that these emissions may be substantial. Sierra Club states that long-term exposure to hydrogen sulfide is linked to respiratory infections, eye, nose, and throat irritation, breathlessness, nausea, dizziness, confusion, and headaches. Although hydrogen sulfide was originally included in the Clean Air Act’s list of hazardous air pollutants, Sierra Club acknowledges that it has since been removed from the list, but disputes that the removal was appropriate.

Sierra Club states that the oil and gas industry is also a major source of PM pollution, which is generated by heavy equipment used to move and level earth during well pad and road construction. According to Sierra Club, PM emissions from the oil and gas industry are leading to significant pollution problems. For example, according to Sierra Club, monitors in Uintah and Duchesne Counties in Utah have repeatedly measured wintertime PM concentrations above federal standards. Sierra Club maintains that these elevated levels of PM have been linked to oil and gas activities in the Uinta Basin.

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282 Sierra Club Mot.at 39 (citation omitted).
283 Id.
284 See id. at 40.
Sierra Club argues that although EPA’s finalized new source performance standards and standards for hazardous air pollutants will help reduce some pollution problems, they will not solve them. Sierra Club argues that the rules fail to address certain pollutants, do not control emissions from most transmission infrastructure, do not control existing sources of air pollution for any pollutant, and will not reduce emissions completely. Sierra Club notes as well that the rules will not address the emissions effects of LNG in particular.\textsuperscript{285}

In addition to the air pollution impacts of natural gas production, Sierra Club argues that increased natural gas production will transform the landscape of regions overlying shale gas plays, bringing industrialization to previously rural landscapes and significantly affecting ecosystems, plants, and animals. According to Sierra Club, land use disturbance associated with natural gas development impacts plants and animals through direct habitat loss (where land is cleared for natural gas uses) and indirect habitat loss (where adjacent land loses some of its important characteristics).\textsuperscript{286} Sierra Club states that these land disturbance effects will harm rural economies and decrease property values, as major gas infrastructure transforms and distorts the existing landscape. According to Sierra Club, they will also harm endangered species in regions where production would increase in response to Southern LNG’s exports. Sierra Club states that harm to these species and their habitat is inconsistent with the profound public interest in land and species conservation, as expressed in the Endangered Species Act and similar statutes.\textsuperscript{287}

Sierra Club argues that natural gas production also poses risks to ground and surface water. Sierra Club notes that most of the increased production will involve hydraulic fracturing,

\textsuperscript{285} See \textit{id.} at 40-41.
\textsuperscript{286} \textit{id.} at 41.
\textsuperscript{287} \textit{id.} at 43.
a process of injecting various chemicals into gas-bearing formations at high pressures to fracture rock and release natural gas. According to Sierra Club, each step of this process presents a risk to water resources. Sierra Club states that hydraulic fracturing requires large quantities of water and that the large water withdrawals could drastically impact aquatic ecosystems and human communities. Sierra Club also contends that hydraulic fracturing poses a serious risk of groundwater contamination from the chemicals added to the drilling mud and fracturing fluid and from naturally occurring chemicals in deeper formations mobilized during the hydraulic fracturing process. Sierra Club asserts that contamination can occur through several methods, including where the well casing fails or where the fractures created through drilling intersect an existing, poorly sealed well. Sierra Club asserts that hydraulic fracturing has resulted in groundwater contamination in at least five documented instances. According to Sierra Club, EPA has investigated groundwater contamination likely resulting from hydraulic fracturing in Pavillion, Wyoming, and Dimock, Pennsylvania, concluding that surface pits previously used for storage of drilling wastes and produced/flowback waters were a likely source of contamination for shallower waters, while hydraulic fracturing likely explained deeper contamination.288

Sierra Club states that natural gas production, particularly hydraulic fracturing, produces liquid and solid wastes, including drilling mud, drill cuttings, “flowback” (the fracturing fluid that returns to the surface after the hydraulic fracturing is completed), and produced water (a mixture of water naturally occurring in the shale formation and lingering fracturing fluid). Sierra Club argues that these wastes must be managed and disposed. Sierra Club states that drilling mud, drill cuttings, flowback, and produced water are often stored on site in open pits that can have harmful air emissions, can leach into shallow groundwater, and can fail and result in

288 Sierra Club Mot. at 45-49.
surface discharges. Sierra Club also notes that flowback and produced water must be disposed offsite, with a common method being underground injection wells. Sierra Club claims that underground injection of hydraulic fracturing wastewater appears to have induced earthquakes in several regions—a phenomenon known as induced seismicity.\textsuperscript{289}

Sierra Club states that, in addition to the above-described production-related impacts, SLNG’s export proposal will increase air pollution by increasing the amount of coal used for domestic electricity production. Citing the EIA Study, Sierra Club states that exports will cause natural gas prices to rise, leading to increased electricity generation from coal. Specifically, Sierra Club maintains that EIA projected that 72 percent of the decrease in natural gas-fired electricity production due to gas exports will be replaced by coal-fired production, which, according to Sierra Club, will increase emissions of both traditional air pollutants and greenhouse gases.\textsuperscript{290} Sierra Club argues that LNG exports interfere with national efforts to control global warming, endanger public health and welfare, and are not in the public interest.\textsuperscript{291}

Additionally, Sierra Club argues that LNG exports will increase greenhouse gas emissions not only domestically but also internationally. Sierra Club contends that a recent study by the International Energy Agency predicts that international trade in LNG will lead many countries to use natural gas in place of renewable energy (instead of displacing fossil fuels), and to increase their levels of energy consumption.\textsuperscript{292} Additionally, Sierra Club claims that the liquefaction, transportation, and regasification process is energy intensive and increases the lifecycle GHG emissions of LNG compared to methods of consumption where the natural gas

\textsuperscript{289} See id. at 49-51.
\textsuperscript{290} See id. at 56.
\textsuperscript{291} See id. at 58.
\textsuperscript{292} See id. at 59.
remains in a gaseous phase. Sierra Club argues that, for these reasons, LNG has little, if any, advantage over coal, and thus it is unlikely LNG exports would reduce global GHG emissions.\textsuperscript{293} Sierra Club contends that DOE/FE must thoroughly study the indirect and direct cumulative impacts of LNG exports before authorizing SLNG’s Application.\textsuperscript{294}

2. Alleged Economic Impacts from the Requested Authorization

Addressing economic consequences, Sierra Club broadly contends that LNG exports will increase domestic natural gas prices which, in turn, “reduce effective household income and lead to job losses in gas-dependent industries” and “will merely transfer wealth from wage-earners and middle-class households to shareholders in gas production companies, a regressive redistribution of wealth contrary to the public interest.”\textsuperscript{295}

Focusing on price and supply impacts, Sierra Club asserts that the both the NERA Study and the Navigant Study submitted by SLNG understate the extent to which prices for natural gas will increase in response to LNG exports and drastically overstate economic benefits. According to Sierra Club, the NERA Study and the Navigant study suffer from the following six flaws:

1. The Navigant study and the NERA study fail to acknowledge many of the drawbacks of exports, due to the studies’ flawed “input-output” methodologies.\textsuperscript{296} This type of modeling, Sierra Club argues, suffers from numerous well-documented limits that lead it to drastically overstate economic benefits.

2. The Navigant and NERA studies fail to consider counterfactual scenarios, which, Sierra Club contends is inherent in the “input-output” method of assessing economic consequences. For example, Sierra Club notes that the Navigant Study maps the consequences of particular expenditures, rather than asking how the economy might have grown had investors and regulators made different choices. It does not consider how the particular choice at issue might displace other economic activity.\textsuperscript{297}

\begin{footnotesize}
\textsuperscript{293} Sierra Club Mot. at 59-63.
\textsuperscript{294} See id. at 64.
\textsuperscript{295} Id. at 64.
\textsuperscript{296} Id. at 64.
\textsuperscript{297} See id. at 67.
\end{footnotesize}
3. The Navigant and NERA Studies do not reflect the quality or continuity of jobs, instead providing only a series of static snapshots. The studies measure “job-years” but not jobs held year to year. Sierra Club argues that this failing is particularly relevant here, because the manufacturing and other jobs exports will eliminate are typically high-quality, stable jobs, whereas the gas production jobs induced production will create typically do not provide sustainable, well-paying local employment.

4. The Navigant Study may not reflect actual spending patterns. For example, Sierra Club states, landowners given gas production leases may choose to save their money, rather than spend it. To the extent this occurs, it reduces the stimulus effect attributed to gas production.\(^{298}\)

5. The Navigant study ignores the distributional inequity that is caused by LNG exports. While NERA’s report acknowledges this problem, it gives short shrift to it. Sierra Club states that exports will cause many wage earners to lose their jobs or suffer decreased wage income as a result of increases in gas prices. Even employees whose jobs are not directly affected will suffer decreased “real wage growth” as gas prices and household gas expenditures increase relative to nominal wages.\(^{299}\)

6. Both the NERA and Navigant studies fail to account for the disruption of communities that will be caused by exports and induced gas production. Sierra Club argues that the boom-bust cycle inherent in gas extraction can leave some regions worse off if they are unable to convert the temporary boom into permanent growth.\(^{300}\)

   Sierra Club argues that these broader, more complex effects on communities are not captured by input-output models such as those used by Southern LNG and NERA. Input output models struggle, according to Sierra Club, to map these distributional effects, and are not designed to chart the long-term effects of such major dislocations.\(^{301}\)

   Sierra Club argues that the NGA’s “public interest” test requires DOE/FE to determine whether the country would be better off with SLNG’s proposal than without it. Input-output -based analyses cannot answer this question, Sierra Club states, but these are the only analyses SLNG offers. According to Sierra Club, SLNG’s application provides no basis for concluding

\(^{298}\) Sierra Club Mot. at 67.
\(^{299}\) Id. at 67-68.
\(^{300}\) See id. at 68.
\(^{301}\) See id. at 69.
that the country would be better off with exports than without them. Moreover, Sierra Club states, although NERA attempted to consider counterfactual scenarios in which exports did not occur and concluded that exports would produce a slight net economic benefit, NERA failed to consider all of the costs that exports will impose on the country.

In particular, Sierra Club argues that it has shown that gas and electricity price increases associated with exports will add billions of dollars in costs to consumers. According to Sierra Club, these costs will propagate through the economy, retarding growth. Furthermore, Sierra Club states, economic benefits, if any, associated with gas production increases may actually do long-term damage to the U.S. economy by plunging large regions of the country into a boom-and-bust extractive cycle. Sierra Club contends that it has shown that gas extraction and export have major environmental costs, which SLNG has failed to even acknowledge. 302

In sum, based on the preceding arguments and Sierra Club’s view that exports of LNG may cause a net decrease in GDP, Sierra Club asserts that DOE/FE cannot rationally approve the Application. If DOE/FE nonetheless approves the Application, Sierra Club argues that DOE/FE must impose rigorous monitoring conditions, to include monitoring of regional and national economic dislocations and disruptions caused by natural gas extraction, national increases in natural gas and electricity prices (and resulting shifts to more polluting fuels), and related environmental impacts. 303

D. SLNG’s Response to APGA and Sierra Club

On January 2, 2013, SLNG submitted an answer to APGA’s and Sierra Club’s Motions to Intervene.

1. SLNG’s Answer to APGA

302 Sierra Club Mot. at 70.
303 See id. at 70-71.
SLNG argued that APGA’s motion should be denied because it did not “‘set[] out clearly and concisely the facts upon which the petitioner’s claim of interest is based.’” SLNG argued that APGA is attempting to use the SLNG Export Project docket to oppose broadly any activity that might increase the price of natural gas. This advocacy, SLNG asserts, while ignoring fundamental supply and demand economics, could be construed as an effort to impose non-competitive restrictions in the U.S. energy markets. Further, SLNG argued, APGA had an opportunity to “raise its general concerns related to the formation of DOE’s LNG export policy in comments to be submitted to the agency on January 24, 2012.”

SLNG also responded to the issues raised in APGA’s protest. First, SLNG argues that APGA did not overcome the rebuttable presumption that the export authorization is in the public interest. SLNG maintains that APGA points to selective elements of the 2012 LNG Export Study as evidence of natural gas price increases, but neglects to mention that notwithstanding relatively minor price increases, the exportation of LNG is expected to have a net positive economic effect. SLNG further contends that APGA selectively culls data from the AEO2013 Early Release Overview.

Second, SLNG contends that APGA’s analysis of the Export Project’s commercial success is not relevant to the public interest determination. SLNG states that DOE’s policy promotes free and open trade by minimizing federal control and involvement in energy markets, and therefore, DOE/FE should not consider the commercial prospects of the Project in its deliberations.

2. **SLNG’s Answer to Sierra Club**

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304 SLNG Answer at 6 (citing 10 C.F.R. § 590.303(e)).
305 *Id.* at 7.
306 *Id.* at 8.
307 *Id.*
308 *Id.* at 9.
309 SLNG Answer at 9.
SLNG opposes Sierra Club’s motion to intervene on grounds that Sierra Club has not specified an interest in the SLNG Export Project sufficient to warrant status as an intervenor. Even if Sierra Club is granted intervenor status, SLNG contends that Sierra Club’s arguments fail to rebut the presumption that the export authority SLNG seeks in this case is in the public interest.  

First, SLNG argues that DOE/FE is not required to conduct a NEPA analysis at this time and FERC, acting as the lead agency, will conduct the environmental analysis required by law. Second, SLNG states that a programmatic EIS, which Sierra Club promotes, is not required. According to SLNG, DOE/FE is not required to prepare a programmatic EIS where no programmatic or regional action has been proposed. SLNG argues that preparing a programmatic EIS focused on discrete and independently proposed LNG export applications for projects that may or may not be constructed across the country would produce a speculative study of potential impacts. SLNG asserts that where DOE/FE lacks certain information that cannot be obtained, the agency is required only to acknowledge in the EIS that the information is unavailable.

Third, SLNG argues that an analysis of future gas production wells is not required since this argument relates to Sierra Club’s perceptions of the environmental harms of shale development generally, not concerns specifically related to the Export Project. SLNG states that while it does mention the increased production of natural gas, the location and type of any

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310 Id. at 10.  
311 As mentioned above, since this Application was filed, DOE/FE has suspended its conditional approval process for non-FTA LNG export applications. This point is considered by DOE/FE to be moot. See 79 Fed. Reg. 48,132 (Aug. 15, 2014).  
312 SLNG Answer at 15-16.  
313 Id. at 17.  
314 Id.  
315 Id. at 18.
such production is completely unknown.\textsuperscript{316} According to SLNG, if DOE/FE were to consider induced production, it would require DOE/FE to “‘foresee [ ] the unforeseeable.’”\textsuperscript{317}

Furthermore, according to SLNG, Sierra Club fails to articulate a proximate causal connection between those speculative environmental impacts associated with natural gas development and the specific approval that SLNG seeks here from DOE/FE.\textsuperscript{318} SLNG states that FERC, as the lead agency, will conduct an environmental review that is consistent with the scope required under the law, which, SLNG argues, does not encompass an evaluation of the environmental impacts from shale development.\textsuperscript{319}

SLNG also argues that FERC and DOE have no jurisdiction or regulatory authority over natural gas production; that authority rests with the states in which any future wells will be sited.\textsuperscript{320} SLNG contends that Sierra Club’s arguments accordingly are better suited to local permitting proceedings. In this regard, SLNG states that if DOE/FE’s NEPA analysis included a review of natural gas production, that analysis would not serve NEPA’s purposes of aiding decision-making or informing the public.\textsuperscript{321} Therefore, SLNG argues, because FERC and DOE lack the authority to regulate the effects of shale development, they need not consider the environmental impacts caused by natural gas production when reviewing SLNG’s application.\textsuperscript{322}

Fourth, SLNG argues that the alternatives that Sierra Club offers are not actually alternatives in the context of NEPA, but policy statements or extra conditions Sierra Club would like imposed on LNG projects. SLNG argues that NEPA requires instead an analysis of

\begin{enumerate}
\item \textsuperscript{316} \textit{Id.}
\item \textsuperscript{317} SLNG Answer at 18 (quoting \textit{City of Davis v. Coleman}, 521 F.2d 661, 676 (9th Cir. 1975)).
\item \textsuperscript{318} \textit{Id.} 18-19.
\item \textsuperscript{319} \textit{Id.} at 19.
\item \textsuperscript{320} \textit{Id.} at 20.
\item \textsuperscript{321} \textit{Id.} at 20 (citing \textit{Dept. of Transp. v. Pub. Citizen}, 541 U.S. 752, 768 (2004)).
\item \textsuperscript{322} SLNG Answer at 20.
\end{enumerate}
alternatives that are consistent with the project purpose and need. Here, SLNG argues, the purpose is to export supplies of natural gas to the extent that future production and foreign demand make it commercially reasonable to do so.\footnote{Id. at 20-21.} SLNG contends that the alternative discussion need not include every alternative possible, but reasonable alternatives in alignment with the goals of the project including “the preferences of the applicant and/or sponsor in the siting and design of the project.”\footnote{See id. at 21 (citing City of Grapevine v. Dept. of Transp., 17 F.3d 1502, 1506 (D.C. Cir. 1994)).}

Fifth, SLNG contends that its Project will provide a range of benefits that Sierra Club failed to rebut in its comments. First, SLNG notes, the Navigant Market Analysis Study concludes that any increase on domestic natural gas prices will be quite small. Upward pressure on prices, SLNG contends, will likely be offset by a reduction in domestic price volatility. Recent cut-backs in development of new wells, SLNG argues, will lead to a sharp rebound in natural gas prices. Furthermore, SLNG states, price fluctuations will be reduced by the operations of LNG export facilities. According to SLNG, allowing the market to allocate gas usage through expanded exports of natural gas when domestic gas prices rise will work to stabilize domestic natural gas prices, thus smoothing investment in natural gas production.\footnote{Id. at 22.}

SLNG notes that, just as the LNG exported from the project is not tied to any particular source of gas, the increased production and reserves are not irrevocably or unilaterally dedicated to foreign destinations. The export of LNG, SLNG argues, will be decided by competitive factors.\footnote{Id. at 23.}

Sixth, SLNG argues that the project will bring important benefits to the national, regional, and local economies. According to the Navigant Economic Impact Study, expenditures

\begin{itemize}
\item \footnote{Id. at 20-21.}
\item \footnote{See id. at 21 (citing City of Grapevine v. Dept. of Transp., 17 F.3d 1502, 1506 (D.C. Cir. 1994)).}
\item \footnote{Id. at 22.}
\item \footnote{Id. at 23.}
\end{itemize}
related to the development, support, and construction of the Project are estimated at between $1.4 and 2 billion. SLNG estimates that $187.5 million will be spent within the Savannah Metropolitan Statistical Area. According to SLNG, the operation and maintenance of the Project will result in $118.6 million in spending annually, while customers of the Project will spend an estimated $820.9 million annually on purchasing natural gas for the Project.\textsuperscript{327} According to SLNG, the Navigant Economic Impact Assessment Study projects that over the two and a half year construction timeframe, the Project will create 807 full-time equivalent jobs in Chatham County, earning $30 million each year on average. Similarly, SLNG states, for the Savannah Metropolitan Statistical Area the Project will create an additional 1,064 full-time equivalent jobs, earning $39.4 million each year. SLNG estimates that the project will create 421 new full-time equivalent jobs in Chatham County, with 563 more full-time equivalent jobs in the Savannah Metropolitan Statistical Area. SLNG also argues that the project will increase employee earnings and value added by $20.7 million and $73.2 million, respectively. Similarly, SLNG argues that across the country the project will create approximately 7,648 new jobs, $501.5 million more employee earnings, and $1,134 million more value added than would have been absent the project.\textsuperscript{328} SLNG also argues that the project will generate tax revenues and decrease the trade deficit.\textsuperscript{329}

SLNG contends that, considering these benefits, Sierra Club has failed to show that exports from the project are inconsistent with the public interest. SLNG contends that the Navigant Market Analysis Study is sound. SLNG states that Sierra Club fails to note that both the AEO2012 Overview and the AEO2013 Report show increasing natural gas production; the AEO2012 Overview continues to acknowledge increasing production, driven by shale development, and falling prices, along with the possibility of LNG exports. According to SLNG, these same findings are

\textsuperscript{327} SLNG Answer at 23.
\textsuperscript{328} Id. at 23-24.
\textsuperscript{329} Id. at 24.
echoed in the AEO2013 Report. Thus, SLNG argues, while the total estimated recoverable natural
gas reserves may fluctuate, the data demonstrates that production, which SLNG contends is the more
important indicator, will increase and prices will remain low. SLNG also argues that Sierra Club
fails to realize the relative size of the U.S. natural gas reserves in relation to demand. According to
SLNG, the relatively large natural gas reserves and responsive production provides a larger elasticity
of supply that enables supply to respond to demand without significant changes to the price of natural
gas.330

SLNG also rejects Sierra Club’s argument that anticipated exports from Sabine Pass,
Louisiana and Kitimat, British Columbia should not be included in the baseline scenario in the
Navigant Market Analysis Study. SLNG argues that the Kitimat terminal was the only LNG export
facility approved by the Canadian National Energy Board at the time of modeling and that Sabine
Pass was the only U.S. LNG export project to have received DOE/FE authorization to export LNG to
non-FTA countries. Therefore, SLNG states, it is reasonably likely that these two export projects
will be constructed and therefore should be included in the baseline scenario.331

SLNG further argues that the Navigant Market Analysis Study does not overstate domestic
supply, as Sierra Club alleges. SLNG states that Sierra Club confuses the inputs to Navigant’s model.
According to SLNG, the modeling is not based on estimated natural gas reserves, but is in fact based
on production estimates, which provide a conservative analysis. SLNG states that the revised natural
gas reserves estimates may impact the modeling only in much longer time frames, e.g., 50 to 100
years, which is well beyond the 20-year export authorization sought by SLNG.332

330 Id. at 25-26.
331 Id. at 26.
332 SLNG Answer at 26-27.
SLNG argues that Sierra Club’s reliance on the AEO2012 Overview in support of its position is misplaced. According to SLNG, that report and the AEO2013 Report are very supportive of LNG exports. SLNG states that, according to the AEO2013 Report, the time is ripe for LNG exports.333

Next, SLNG contends that the Navigant Economic Impact Assessment Study is sound. First, SLNG notes, Sierra Club claims that all input-output models fail to consider counterfactual scenarios, such as how the economy would be impacted if investors made different choices. However, SLNG contends that this criticism should be rejected. According to SLNG, the Navigant Economic Impact Assessment provides a project-specific analysis of the expected economic impacts. Moreover, SLNG argues, Sierra Club has offered no compelling studies or analyses that suggest the impacts of the Project would be inconsistent with the public interest.334

Second, SLNG addresses Sierra Club’s criticism of the Navigant Economic Impact Assessment for using the term “jobs supported” instead of “jobs created.” SLNG states that Sierra Club is including only part of the picture, and that the NERA study concluded that LNG exports would not likely affect overall employment levels in the U.S. While employment may not increase overall in the U.S., SLNG argues that it is not likely to decrease. SLNG maintains that Sierra Club must submit analysis or data, rather than conclusory assertions or non-material distinctions, to overcome the presumption that a proposed LNG export project is in the public interest.335

Third, SLNG addresses Sierra Club’s contention that increased gas production will harm tourism. As a preliminary matter, SLNG asserts that this claim is a broader complaint not specific to the Project. SLNG states that natural gas to be exported from the Project will be sourced nationally from the large network of integrated gas transmission pipelines, thus rendering the particular effect

333 Id. at 27.
334 Id. at 28.
335 Id. at 29.
on tourism, such as at the New York Southern Tier, too remote and speculative to merit consideration here.336

Fourth, SLNG addresses Sierra Club’s argument that SLNG did not account for the disruption to communities that may be caused by induced gas production. SLNG notes that these claims are insufficient to rebut the presumption that the Project is in the public interest. SLNG maintains that these considerations do not relate specifically to the Project, but are instead general and theoretical in nature. To rebut a public interest presumption, SLNG argues, Sierra Club must provide analysis or data to rebut the previously identified project-specific benefits, a showing that is much greater than a narrow focus on a remote geographic region.337

Overall, SLNG argues that Sierra Club’s list of grievances does not relate to the project and the challenges to SLNG’s studies or the NERA Study do not rebut the presumption that the Project is in the public interest. Moreover, SLNG states that many of Sierra Club’s concerns are related to the production of natural gas from unconventional resources, which are better raised at the local level where permits for such production are issued. SLNG also states that Sierra Club’s claims regarding job creation and economic benefits are contrary to government policies.338 SLNG argues also that approval of the project will have minimal impact on domestic natural gas prices and that increases to the price of natural gas do not necessarily mean the Project is inconsistent with the public interest. SLNG contends that DOE/FE concluded that the export authorization of Sabine Pass would not be inconsistent with the public interest even though it would result in a modest increase in domestic gas prices.339 According to SLNG, prices of natural gas in 2010 averaged $4.52 per Mcf, nearly 38% lower than the 5-year average from 2005 through 2010 of $7.77 per MMBtu, and just over half of the average price for 2008 of $8.86 per MMBtu. Further, SLNG argues that prices have continued to

336 Id.
337 SLNG Answer at 29-30.
338 Id. at 30.
339 Id. at 32.
drop and are expected to stay low. SLNG notes that the AEO2013 Report found that the Henry Hub spot price will remain below $4 per MMBtu through 2018, and reaching $5.40 per MMBtu by 2030 and $7.83 per MMBtu in 2040 (in 2011 dollars). Importantly, SLNG states, the AEO2013 projection includes LNG exports starting in 2016.340

Moreover, SLNG states that the Navigant Market Analysis Study submitted with SLNG’s export application analyzed the impact of the Project on certain natural gas prices and concluded that the Project would result in a $0.14 per MMBtu increase in Henry Hub prices, a 2.7% difference. When considering that number as a percentage of the overall residential rate, SLNG contends that $0.14 represents an even smaller percentage because of the additional costs to consumers from the distribution utility for pipeline, storage, and distribution system costs, as well as the utility rate of return.341

Next, SLNG states that the NERA Study concluded that market forces will install a cap on domestic natural gas prices. Although Sierra Club asserts that the Navigant Study should include the export capacity of all the pending LNG export applications, SLNG states that this inclusion would be inaccurate, as not all the export terminals would be permitted, financed, and constructed because market forces would serve to limit the significant investment in such a facility. SLNG maintains that the cumulative effects on multiple LNG export projects on domestic natural gas prices, while positive, are not substantial. According to SLNG, the NERA Study found that, under the NERA reference case, the wellhead price of natural gas will equal $6.30 per MMBtu in 2035 (2010 dollars).342 Thus, SLNG concludes, the price effects projected by the Navigant Market Analysis Study are properly viewed as modest and well below the threshold to overcome the presumption that LNG exports are in the public interest.343

340 Id.
341 Id. at 32-33.
342 SLNG Answer at 33.
343 Id. at 33.
SLNG states that Sierra Club’s views are not representative of the public interest. SLNG contends that the shale gas revolution has dramatically lowered natural gas prices, resulting in savings to the American consumer and providing a needed economic stimulus in the face of uncertain economic times. Exporting LNG, SLNG states, may have some effect on natural gas prices, but those effects will be relatively minor and are surpassed by the fact that natural gas prices will remain historically low due to increased production. According to SLNG, LNG exports will stimulate demand, helping to provide continuity of development of gas production and a reduction of volatility in pricing and production. However, SLNG states, any increase in domestic natural gas prices will dampen the incentive to export LNG. SLNG contends that this natural, market-driven feedback mechanism helps show that the Navigant Market Analysis Study and the NERA Study were correct in assuming that LNG exports will not reach to the total of volumes proposed for export authorizations in pending LNG export applications.344

SLNG maintains that Sierra Club is not opposing a particular LNG export project, but is more generally opposing the use and production of fossil fuels, like natural gas. According to SLNG, Sierra Club’s argument that LNG exports will cause a shift in employment sectors from manufacturing to natural gas-related jobs contradicts previous statements, and therefore DOE/FE should reject Sierra Club’s arguments.345

SLNG argues that it has submitted information and project-specific studies demonstrating the numerous economic, trade, and geopolitical benefits that would flow from the Project, whereas Sierra Club has raised generic complaints associated with natural gas production. SLNG maintains that Sierra Club’s challenges to SLNG’s studies do not affirmatively rebut the presumption that the Project is in the public interest. SLNG argues as well that the NERA study confirms that exporting

344 Id. at 34.
345 Id. at 35.
LNG will provide a net economic benefit to the country. Therefore, SLNG argues, the administrative record is adequate and DOE/FE should reject Sierra Club’s protest.346

E. Sierra Club’s Renewed Motion to Intervene

Sierra Club filed a Renewed Motion to Reply and Reply Comments on January 17, 2013.347 First, in its renewed motion, Sierra Club states that DOE/FE regulations require Sierra Club to intervene in this proceeding at this stage in order to protect its interests. Sierra Club argues that, contrary to SLNG’s assertion, neither participation in a FERC proceeding or commenting on the NERA macroeconomic study provides an acceptable substitute for intervention in this proceeding. Sierra Club also contends it will be better able to preserve its right to seek judicial review of DOE/FE’s decisions by intervening here.

Second, Sierra Club addresses SLNG’s assertion that DOE/FE should issue a conditional authorization now, pending NEPA review.348 DOE/FE considers this topic to be moot because DOE/FE is not issuing a conditional authorization in this proceeding, and therefore further consideration of Sierra Club’s arguments on the topic is unnecessary.

Third, Sierra Club addresses the scope of the NEPA analysis. Sierra Club maintains that a programmatic EIS provides the most sensible way to evaluate the environmental impacts of authorizing LNG exports. Sierra Club contends that regardless of whether a programmatic EIS is prepared, however, the cumulative impacts of all pending export proposals must be considered. Sierra Club argues that DOE/FE “must reject Southern LNG’s passing suggestion that some of these export proposals are too speculative to fall within the scope of cumulative impacts that must be considered.”349

346 Id. at 36.
347 See Sierra Club Renewed Mot.
348 Id. at 3.
349 Sierra Club Renewed Mot. at 4.
Fourth, Sierra Club states that DOE/FE must reject SLNG’s assertion that consideration of the impacts of induced production is not necessary. Sierra Club argues that DOE/FE can reasonably and usefully assess the likelihood and impacts of induced production even if the precise location and type of production is unknown. Sierra Club also states that DOE has precisely the tools necessary to identify this production. According to Sierra Club, SLNG has not acknowledged or responded to these arguments.\textsuperscript{350}

In this regard, Sierra Club asserts that it has shown that the available evidence indicates that the amount of natural gas development will increase if Southern LNG’s Terminal is approved. The Navigant report itself, Sierra Club argues, quantifies the increase in production specifically attributable to Southern LNG’s proposal as 0.2 Bcf/d, with two thirds of this production coming from shale. According to Sierra Club, these predictions underlie SLNG’s entire discussion of economic benefit.\textsuperscript{351}

Sierra Club argues that this case is factually distinct from the FERC pipeline cases SLNG referenced in its answer. Sierra Club states that those cases turned on the absence of the kind of factual showing regarding the inducement of production that EIA provided in its 2012 Export Study and that EIA’s NEMS model can provide. According to Sierra Club, FERC determined that the proposed pipeline would not directly increase shale development, because the same gas could be sold in the same markets regardless of whether the pipeline was constructed. While Sierra Club believes these cases were wrongly decided, it asserts that the cases are inapplicable here because they turn on FERC’s and the Court’s determination that the pipelines had not been shown to cause gas development. Sierra Club argues that these pipeline cases are factually

\textsuperscript{350} Id. at 4.
\textsuperscript{351} Id. at 4-5.
distinct from this case because the 2012 EIA Export Study, the NEMS modeling tool, and the
Navigant Market Analysis Study all show that the proposed project will induce production.\footnote{Id. at 5 (citing \textit{Central New York Oil and Gas Co., LLC, 137 FERC ¶ 61,121 at ¶ 91-92 (Nov. 14, 2011)).}}

Sierra Club claims that this proceeding is distinguishable from \textit{Dept. of Transp. v. Pub. Citizen}.\footnote{541 U.S. 751, 770 (2004).} According to Sierra Club, \textit{Public Citizen} held that “where an agency has \textit{no ability to prevent} a certain effect due to its limited statutory authority over the relevant actions, the agency cannot be considered a legally relevant ‘cause’ of the effect.”\footnote{Sierra Club Renewed Mot. at 5. (quoting 541 U.S. 751, 770 (2004)).} Sierra Club notes that in that case, the agency had no discretion, whereas here DOE/FE unquestionably has the authority to deny export authorization on the basis of environmental impacts.\footnote{Id. at 5.} Sierra Club further contends that the fact that states can also affect gas production’s impacts does not remove induced production from the ambit of DOE/FE’s NGA and NEPA review.\footnote{Id. at 6.}

Sierra Club next argues that SLNG has not demonstrated that the proposed project will have economic or other benefits capable of outweighing the harms that it has identified. Indeed, Sierra Club argues, even putting environmental effects aside, the proposed project’s harmful effects on jobs in energy intensive industries and imposition of costs on wage earners demonstrate that the project is contrary to the public interest.\footnote{Id.} Sierra Club further states that SLNG underestimates the magnitude of the price increase that increased exports will cause.

Sierra Club reasserts that DOE/FE must consider the potential impact of all pending export proposals, because doubling the volume of exports more than doubles the magnitude of price impacts. According to Sierra Club, every single export applicant argues that its exports should be authorized and will indeed go forward, but that DOE/FE should assume that most of
the other proposed facilities will not enter operation. According to Sierra Club, DOE/FE cannot authorize all of these applications on the assumption that only a minority of them will actually take effect. Alternatively, Sierra Club suggests DOE/FE consider an alternative that would cap the total volume of exports, and if this alternative is selected, then it may be possible to limit the cumulative impacts analysis to only the effects of this limited volume of exports. But, Sierra Club argues, DOE/FE cannot “let the cat out of the bag by granting all of the pending export applications on the assumption that only a subset of them will enter operation.”358

Sierra Club states that SLNG’s arguments concerning jobs are unpersuasive. According to Sierra Club, the NERA study discussed these impacts and concluded that effects on other industries cancel out any job creation benefits of exports. Moreover, Sierra Club asserts, NERA and Navigant ignore effects on job quality rather than quantity. Sierra Club maintains that even if NERA’s job numbers are accepted, they merely show an absence of employment effects one way or another, and thereby fail to identify a public benefit capable of outweighing the harm to the public interest resulting from environmental impacts.359 Sierra Club asserts that the “economic benefit” discussed by NERA ignores environmental and public health effects, job continuity, and the fact that exports will impose costs on wage-earners in general while delivering benefits only to shareholders in export and production companies.360

In conclusion, Sierra Club states that the most important issue it raises is DOE/FE’s obligation to consider the impacts of induced production. Sierra Club contends that SLNG’s answer does not acknowledge or engage Sierra Club’s evidence regarding DOE/FE’s ability to predict where this production will occur. Sierra Club argues that NEPA requires disclosure of

358 Id.
359 Id. at 7.
360 Sierra Club Renewed Mot. at 7.
such impacts, and the NGA requires DOE/FE to weigh them. Sierra Club contends that the impacts demonstrate that SLNG’s proposal is not in the public interest.

XII. DISCUSSION AND CONCLUSIONS

In reviewing SLNG’s Application to export LNG, DOE/FE has considered both its obligations under NEPA and its obligation under NGA section 3(a) to ensure that the proposed LNG exports are not inconsistent with the public interest. To accomplish these purposes, DOE/FE has examined a wide range of information addressing environmental and non-environmental factors, including:

- SLNG’s Application, the comments filed in support of the Application, APGA’s and Sierra Club’s motions to intervene and protests, SLNG’s answer, and Sierra Club’s renewed motion to reply and reply comments;
- FERC’s EA and the FERC Order, including the 92 environmental conditions adopted in that Order;
- The Draft Addendum, comments received in response to the Draft Addendum, and the final Addendum;
- The LCA GHG Report (and the supporting NETL document), including comments submitted in response to those documents; and
- The 2014 and 2015 LNG Export Studies, including comments received in response to those Studies.

To avoid repetition, the following discussion focuses on arguments and evidence presented by SLNG, Sierra Club, and APGA to the extent that DOE/FE has not already addressed the same or substantially similar arguments and evidence in its responses to comments on the Addendum, the LCA GHG Report, and/or the 2014 and 2015 Studies.

A. Procedural Issues

APGA and Sierra Club timely filed motions to intervene in this proceeding. SLNG filed a response to APGA and Sierra Club’s motions. Sierra Club filed a renewed Motion to Reply and Reply Comments.
We find good cause to grant the motions to intervene submitted by APGA and Sierra Club. SLNG filed an answer opposing the intervention of APGA and Sierra Club on grounds that the movants did not set out facts demonstrating that they have an interest in the outcome of the proceeding and they were accorded an opportunity to indicate their opposition to DOE’s LNG export policy in comments on the 2012 LNG Export Study. We find, however, that the evidence presented in this proceeding, as well as in the 2014 and 2015 LNG Export Studies, indicate that the economic consequences of granting the Application could be far-reaching and could affect the interests of Sierra Club, APGA, and their members. This fact alone is good cause to permit their intervention. In addition, Sierra Club and APGA each raised a number of issues that are relevant to the public interest and addressed herein. SLNG was afforded an opportunity to respond to Sierra Club and APGA’s arguments pursuant to 10 C.F.R. § 590.304(f), and did so. Accordingly, we will grant the motions to intervene. See infra § XV (Ordering Para. T).

B. Change in Control

As discussed in § IV.C, supra, SLNG notified DOE/FE on March 7, 2016 of a change in control due to its acquisition by Kinder Morgan. DOE/FE’s Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas (CIC Procedures) state that applicants may amend pending non-FTA export applications to reflect a change in control, but must serve notice of the change in control on other parties to the proceeding, as

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361 DOE/FE construes a change in control to mean a change, directly or indirectly, of the power to direct the management or policies of an entity 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. A rebuttable presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10% or more of the voting securities of such entity. See, e.g., 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, 65,542 (Nov. 5, 2014) (applying 10 C.F.R. § 590.405) [hereinafter CIC Procedures].
provided in 10 C.F.R. § 590.107. Under the CIC Procedures, DOE will give immediate effect to the amendment and will address any issues raised in the answers from other parties in its final order on the application. As noted above, SLNG appears to have complied with the service requirements of the CIC Procedures in relation to the amendment of the pending application. The amendment has thus taken effect. Moreover, since no parties to this proceeding responded to the Statement, no further action is required in relation to the amendment.

C. Non-Environmental Issues

In considering non-environmental issues in this proceeding, we have reviewed the Application, including the Navigant Market Analysis Study and Economic Impact Assessment Study; the motions to intervene and protests; SLNG’s answer; and the 2014 and 2015 LNG Export Studies and comments thereto. We also take administrative notice of EIA’s more recent authoritative supply data and projections, set forth in AEO 2015 and AEO 2016, discussed below.

1. Southern LNG’s Application

Upon review, we find that several factors identified in the Application support a grant of the authorization to export LNG in an amount equivalent to 130 Bcf/yr of natural gas.

First, as further discussed below, the record demonstrates that there are ample supplies of natural gas available to support the exports contemplated in the Application without affecting the availability of natural gas to meet domestic demand. SLNG introduced a number of studies that substantiate the adequacy of supply. These include AEO 2012, the Navigant Market Analysis Study, the Brookings Energy Security Initiative study, the MIT Report, and natural gas supply estimates from the Potential Gas Committee. SLNG draws as well on AEO 2012 to emphasize that, while domestic natural gas supplies have significantly increased in recent years, domestic natural gas consumption has declined. Additionally, SLNG reasonably argues that the additional
demand for natural gas represented by LNG exports likely will incentivize increases in natural gas supplies. Moreover, EIA’s most recent projections in AEO 2016 provide independent support for the proposition that domestic supplies will be adequate both to meet domestic needs and to supply SLNG’s exports and other non-FTA LNG exports previously authorized by DOE/FE. See supra § VIII.A. Accordingly, we find that the evidence shows that the market will be capable of sustaining the level of exports proposed in the Application over the term of the requested authorization. Second, the record also demonstrates that domestic natural gas can be liquefied and exported to foreign markets in the volumes proposed in the Application with only a nominal effect on U.S. natural gas prices. The Navigant Market Analysis Study in particular shows minimal domestic price impacts under each of the scenarios studied. Also, as SLNG indicates, it is likely that any upward pressure on prices due to increased demand for exports would be offset at least in part by a reduction in price volatility. Additional analysis regarding the price impacts of the proposed LNG exports is presented infra. Third, we agree with SLNG that substantial local, regional, and national economic and public benefits, including reductions to the U.S. trade deficit and the generation of significant tax revenues for federal, state, and local governmental entities, will follow from a grant of the Application. In particular, SLNG has provided substantial evidence showing that the proposed exports will benefit the local and regional economy in the Southeast surrounding the Project location at Elba Island, GA (particularly Chatham, Bryan, and Effingham Counties in Georgia), as well as the national economy. This evidence has not been refuted by Sierra Club or APGA and, in fact, is bolstered by the 2014 and 2015 LNG Export Studies.
For these reasons, as further discussed below, we find that APGA and Sierra Club have not overcome the statutory presumption that the requested exports are consistent with the public interest.

2. Regional Impacts

As described above, SLNG asserts that the proposed exports will stimulate local, regional, and national economies through direct and indirect job creation, increased economic activity, and tax revenues. Sierra Club and APGA attempt to counter these claims. They argue that the proposed exports would not yield economic benefits but, in fact, would increase natural gas prices significantly and result in other deleterious economic and societal impacts.

APGA in particular contends that the NERA Study, conducted as part of the 2012 LNG Export Study, shows that natural gas price increases resulting from LNG exports will hurt consumers of natural gas and electricity. APGA is also concerned that exports of LNG will undercut a manufacturing renaissance in the United States and impede job creation. APGA believes that LNG exports especially will disadvantage the petrochemical industry for which natural gas is a significant cost component. APGA maintains that the United States should pursue policies that allow industry to invest in manufacturing industries rather than LNG export facilities because manufacturing provides a value-added benefit to the economy that multiplies the value of every dollar spent on natural gas. APGA argues as well that the higher natural gas prices will retard the transition to a lower carbon, reduced coal usage future.

Sierra Club makes several of the same arguments raised by APGA—specifically, it asserts that exports of LNG will result in higher natural gas prices, job losses, and economic harm.\footnote{Sierra Club Mot. at 64.} It contends that exports of LNG have the potential to induce the production of
additional U.S. natural gas supply and challenges the sustainability of economic benefits in regions tied to resource extraction industries, focusing principally on the durability of economic benefits in producing regions in Pennsylvania and New York where Marcellus Shale drilling has occurred. Sierra Club asserts that any “boom” in economic activity will be followed by a bust, and that the prospect of such an event demonstrates that a grant of the requested authorization is inconsistent with the public interest.

We note that certain commenters on the 2014 and 2015 LNG Export Studies make several of the same arguments raised by APGA and Sierra Club, challenging the sustainability of economic benefits in regions tied to resource extraction industries. In particular, these commenters contend that DOE/FE must consider a full range of counterfactual scenarios by evaluating whether the nation would be better off without LNG exports, or with lower export volumes. They likewise challenge claimed regional economic benefits and assert that any “boom” in economic activity will result in a “bust” to the detriment of the public interest.

On review, we do not agree with APGA and Sierra Club that SLNG’s proposed exports will not yield net economic benefits or that the proposed exports will produce deleterious economic and societal impacts. The 2014 and 2015 LNG Export Studies, as well as EIA’s supply data and projections in AEO 2015 and AEO 2016, show that the proposed exports are likely to generate net economic benefits for the United States. Further, we note that, in responding to the Notice of Application, neither APGA nor Sierra Club offered detailed analyses specific to the local and regional economic impacts of SLNG’s proposal to contradict this evidence.

To the extent that Sierra Club, APGA, or other commenters are claiming that the exports proposed by SLNG will physically exhaust existing resources (i.e., resulting in a “bust”), we
refer to the section above in which we conclude that record evidence indicates that there will be substantial supply into the foreseeable future. To the extent they allege that “bust” cycles will be brought on by price declines that render existing natural gas resources uneconomic to produce, we do not see compelling evidence that the exports will exacerbate this risk. If anything, it seems more likely that SLNG’s ability to export to non-FTA countries will deepen and diversify the market for U.S.-produced natural gas, making the potential for a precipitous price-driven downturn in production activities less likely, not more likely.

Finally, we reject the claims that exports will have a negative impact on employment. Sierra Club points to a study conducted by Weinstein and Partridge (the Weinstein study) to support its position. However, we have considered the analysis contained in the Weinstein study in several LNG export orders, and found that the Weinstein Study showed only a statistically insignificant decline in employment in the regions studied in the years before a drilling boom (2001 to 2005), compared to the years during the drilling boom (2005 to 2009). This small decline could have been the result of other factors, particularly since the years of the drilling boom coincided with a national economic recession. On the other hand, comparing the same time periods, we found that the Weinstein study showed substantial gains in economic growth rates in counties with drilling operations as opposed to those without. For the same reasons provided in those orders, we reject Sierra Club’s arguments here.

363 Sierra Club Mot. at 64-65 (discussing Weinstein and Partridge, *The Economic Value of Shale Natural Gas in Ohio*, Ohio State University, Swank Program in Rural-Urban Policy Summary & Report (Dec. 2010)).


365 See id.
3. Price Impacts

As discussed above, the 2014 and 2015 LNG Export Studies projected the economic impacts of LNG exports in a range of scenarios, including scenarios that exceeded the current amount of LNG exports authorized in the final non-FTA export authorizations to date (equivalent to a total of 16.65 Bcf/d of natural gas with the issuance of this Order). The 2015 Study concluded that LNG exports at these levels (12 to 20 Bcf/d of natural gas) would result in higher U.S. natural gas prices, but that these price changes would remain in a relatively narrow range across the scenarios studied. However, even with these estimated price increases, the 2015 Study found that the United States would experience net economic benefits from increased LNG exports in all cases studied.

We have also reviewed EIA’s AEO 2016, published in June 2016. The Reference case of this projection includes the effects of the Clean Power Plan (CPP), discussed supra, which is intended to reduce carbon emissions from the power sector. DOE/FE assessed the AEO 2016 to evaluate any differences from AEO 2014, which formed the basis for the 2014 Study.

Comparing key results from 2040 (the end of the projection period in Reference case projections from AEO 2014 and AEO 2016) shows that the latest Outlook foresees market conditions that would be even more supportive of LNG exports, including higher production and demand coupled with lower prices. Results from EIA’s AEO 2016 no-CPP case, which is the same as the Reference case but does not include the CPP, are also more supportive of LNG exports on the same basis of higher production and demand with lower prices relative to AEO 2014.

366 See infra § XII.D.
367 See 2015 Study at 8, 82.
For the year 2040, the AEO 2016 Reference case anticipates 15 percent more natural gas production in the lower-48 than AEO 2014. It also projects an average Henry Hub natural gas price that is lower than AEO 2014 by nearly 40 percent. With regard to exports, the 2016 projection’s 2040 net pipeline exports of 2.4 Bcf/d and total LNG exports of 18.4 Bcf/d (over 90 percent higher than total LNG exports in AEO 2014) illustrate the Outlook’s view of a market environment supportive of exports.

In the AEO 2016 no-CPP case, for the year 2040, lower-48 production is almost 14 percent higher than in AEO 2014, with the Henry Hub price over 42 percent lower. Net pipeline exports of 2.8 Bcf/d and total LNG exports of 18.6 Bcf/d again indicate a market supportive of exports. These differences are depicted in the table below:
Table 12: Year 2040 Reference Case Comparisons in AEO 2014 and AEO 2016

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<tr>
<td>Lower-48 Dry Natural Gas Production (Bcf/d)</td>
<td>99.7</td>
<td>114.6</td>
<td>113.5</td>
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<tr>
<td>Total Natural Gas Consumption (Bcf/d)</td>
<td>86.7</td>
<td>94.3</td>
<td>92.6</td>
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<tr>
<td>Electric Power Sector Consumption (Bcf/d)</td>
<td>30.8</td>
<td>32.8</td>
<td>30.6</td>
</tr>
<tr>
<td>Net Exports by Pipeline (Bcf/d)</td>
<td>6.7</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Net LNG Exports (Bcf/d)</td>
<td>9.2</td>
<td>18.2</td>
<td>18.4</td>
</tr>
<tr>
<td>LNG Exports – Total (Bcf/d)</td>
<td>9.6</td>
<td>18.4</td>
<td>18.6</td>
</tr>
<tr>
<td>Lower-48</td>
<td>7.4</td>
<td>18.4</td>
<td>18.6</td>
</tr>
<tr>
<td>Alaska</td>
<td>2.2</td>
<td>0.0</td>
<td>0.0</td>
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<td></td>
<td>$7.65 (2012$)</td>
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Note 1: Prices adjusted to 2015$ with the GDP implicit deflator for AEO 2014.

2. Significance of the 2014 and 2015 LNG Export Studies

For the reasons discussed above, DOE/FE commissioned the 2014 EIA LNG Export Study and the 2015 LNG Export Study, and invited the submission of responsive comments on both Studies. DOE/FE has analyzed this material and determined that these two Studies provide
substantial support for granting SLNG’s Application. Specifically, the conclusion of the 2015 Study is that the United States will experience net economic benefits from issuance of authorizations to export domestically produced LNG.

We have evaluated the public comments submitted in response to the 2014 and 2015 LNG Export Studies. Certain commenters have criticized aspects of the models, assumptions, and design of the Studies. As discussed above, however, EIA’s projections in AEO 2016 continue to show market conditions that will accommodate increased exports of natural gas. When compared to the AEO 2014 Reference case, the AEO 2016 Reference case projects increases in domestic natural gas production—well in excess of what is required to meet projected increases in domestic consumption. Accordingly, we find that the 2014 and 2015 LNG Export Studies are fundamentally sound and support the proposition that the proposed authorization will not be inconsistent with the public interest.

3. Benefits of International Trade

We have not limited our review to the contents of the 2014 and 2015 LNG Export Studies and the data from AEO 2015 and AEO 2016, but have considered a wide range of other information. For example, the National Export Initiative, established by Executive Order, sets an Administration goal to “improve conditions that directly affect the private sector’s ability to export” and to “enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports.”368

We have also considered the international consequences of our decision. We review applications to export LNG to non-FTA nations under section 3(a) of the NGA. The United States’ commitment to free trade is one factor bearing on that review. An efficient, transparent

international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies. Indeed, increased production of domestic natural gas has significantly reduced the need for the United States to import LNG. In global trade, LNG shipments that would have been destined to U.S. markets have been redirected to Europe and Asia, improving energy security for many of our key trading partners. To the extent U.S. exports can diversify global LNG supplies, and increase the volumes of LNG available globally, it will improve energy security for many U.S. allies and trading partners. As such, authorizing U.S. exports may advance the public interest for reasons that are distinct from and additional to the economic benefits identified in the 2014 and 2015 Studies.

D. Environmental Issues

In reviewing the potential environmental impacts of SLNG’s proposal to export LNG, DOE/FE has considered both its obligations under NEPA and its obligation under NGA section 3(a) to ensure that the proposal is not inconsistent with the public interest.

1. Adoption of FERC’s EA

As a cooperating agency in FERC’s environmental review, DOE/FE is responsible for conducting an independent review of the results of FERC’s efforts and determining whether the record needs to be supplemented in order for DOE/FE to meet its statutory responsibilities under section 3 of the NGA and under NEPA. DOE/FE has reviewed the administrative record compiled at FERC, including the EA and the FERC Order. Based on that review, DOE/FE has concluded that supplementation of the record is not warranted or necessary in order for DOE/FE to take final agency action herein. Accordingly, DOE/FE adopts the EA in the FONSI (see supra § I), and the findings contained in the FERC Order, and hereby incorporates FERC’s reasoning and findings in this Order.
2. Environmental Impacts Associated with Induced Production of Natural Gas

The current rapid development of natural gas resources in the United States likely will continue, with or without the export of natural gas to non-FTA nations. Nevertheless, a decision by DOE/FE to authorize exports to non-FTA nations could accelerate that development by some increment. For this reason, DOE/FE prepared and received public comment on the Addendum and made the Addendum and the comments part of the record in this proceeding. As discussed above, the Addendum reviewed the academic and technical literature covering the most significant issues associated with unconventional gas production, including impacts to water resources, air quality, greenhouse gas emissions, induced seismicity, and land use.

The Addendum shows that there are potential environmental issues associated with unconventional natural gas production that need to be carefully managed, especially with respect to emissions of VOCs and methane, and the potential for groundwater contamination. These environmental concerns do not lead us to conclude, however, that exports of natural gas to non-FTA nations should be prohibited. Rather, we believe the public interest is better served by addressing these environmental concerns directly—through federal, state, or local regulation, or through self-imposed industry guidelines where appropriate—rather than by prohibiting exports of natural gas. Unlike DOE, environmental regulators have the legal authority to impose requirements on natural gas production that appropriately balance benefits and burdens, and to update these regulations from time to time as technological practices and scientific understanding evolve. For example, in 2012, using its authority under the Clean Air Act, EPA promulgated regulations for hydraulically fractured wells that are expected to yield significant emissions

369 Addendum at 2.
reductions. In 2013, EPA updated those regulations to include storage tanks, and in 2014 EPA issued a series of technical white papers exploring the potential need for additional measures to address methane emissions from the oil and gas sector. In January 2015, EPA announced a strategy for “address[ing] methane and smog-forming VOC emissions from the oil and gas industry in order to ensure continued, safe and responsible growth in U.S. oil and natural gas production.” Specifically, as part of the Administration’s efforts to address climate change, EPA has initiated a rulemaking to set standards for methane and VOC emissions from new and modified oil and gas production sources, and natural gas processing and transmission sources. EPA issued the proposed rule in September 2015, and the final rule on June 3, 2016.

Section 3(a) of the NGA is too blunt an instrument to address these environmental concerns efficiently. A decision to prohibit exports of natural gas would cause the United States to forego entirely the economic and international benefits discussed herein, but would have little more than a modest, incremental impact on the environmental issues identified by intervenors. For these reasons, we conclude that the environmental concerns associated with natural gas

374 The White House, Office of the Press Secretary, Fact Sheet: Administration Takes Steps Forward on Climate Action Plan by Announcing Actions to Cut Methane Emissions (Jan. 14, 2015), https://www.whitehouse.gov/the-press-office/2015/01/14/fact-sheet-administration-takes-steps-forward-climate-action-plan-anno-1 (stating that, in developing the proposed and final standards, EPA “will focus on in-use technologies, current industry practices, [and] emerging innovations … to ensure that emissions reductions can be achieved as oil and gas production and operations continue to grow.”).
376 See supra note 177.
production do not establish that exports of natural gas to non-FTA nations are inconsistent with the public interest.


Certain commenters on the LCA GHG Report, the Addendum, and the 2014 and 2015 LNG Export Studies have expressed concern that exports of domestic natural gas to non-FTA nations may impact the balance of global GHG emissions through their impact domestically on the price and availability of natural gas for electric generation and other uses. They also have objected that exports of natural gas could have a negative effect on the GHG intensity and total amount of energy consumed in foreign nations.

a. Domestic Environmental Impacts Associated with Increased Natural Gas Prices

To the extent exports of natural gas to non-FTA nations increase domestic natural gas prices, those higher prices would be expected, all else equal, to reduce the use of natural gas in the United States as compared to a future case in which exports to non-FTA exports were prohibited. Within the U.S. electric generation sector, reduced demand for natural gas caused by higher prices would be balanced by some combination of reduced electric generation overall (aided by conservation and efficiency measures), increased generation from other resources (such as coal, renewables, and nuclear), and more efficient use of natural gas (i.e., shifting of generation to natural gas-fired generators with superior heat rates).

Although EIA’s 2012 Study found that additional natural gas production would supply most of the natural gas needed to support added LNG exports, EIA modeled the effects of higher natural gas prices on energy consumption in the United States in the years 2015 through 2035, and found several additional results. In particular, EIA found that “under Reference case conditions, decreased natural gas consumption as a result of added exports are countered
proportionately by increased coal consumption (72 percent), increased liquid fuel consumption (8 percent), other increased consumption, such as from renewable generation sources (9 percent), and decreases in total consumption (11 percent).” Further, EIA determined that, in the earlier years of the 2015 to 2035 period, “the amount of natural gas to coal switching is greater,” with “coal play[ing] a more dominant role in replacing the decreased levels of natural gas consumption, which also tend to be greater in the earlier years.” Likewise, “[s]witching from natural gas to coal is less significant in later years, partially as a result of a greater proportion of switching into renewable generation.” EIA ultimately projected that, for LNG export levels from 6 to 12 Bcf/d of natural gas and under Reference case conditions, aggregate carbon dioxide emissions would increase above a base case with no exports between 643 and 1,227 million metric tons (0.5 to 1.0 percent) over the period from 2015 to 2035. It is worth noting, however, that a substantial portion of these projected emissions came from consumption of natural gas in the liquefaction process, rather than from increased use of coal. The liquefaction of natural gas is captured in the LCA GHG Report’s estimate of the life cycle GHG emissions of U.S.-exported LNG, discussed above.

We further note that EIA’s 2014 Study assumed the regulations in effect at the time the AEO 2014 was prepared. Therefore, EIA’s analysis included the impacts that EPA’s Mercury and Air Toxics Standard but not EPA’s Transport Rule as it had been vacated at the time.

377 2012 EIA Study at 18.
378 Id.
379 Id.
380 Id. at 19.
381 See supra § VI.B.
EIA’s analysis in 2014 also captured the Clean Air Interstate Rule, which sets limits on regional sulphur dioxide and mono-nitrogen oxides (SO₂ and NOₓ). There are, however, other rules that were not final at the time of AEO 2014, including two then-proposed rules from EPA to reduce the extent to which the increased use of coal would compensate for reduced use of natural gas. These rules, finalized in the fall of 2015, impose limits on GHG emissions from both new and existing coal-fired power plants. In particular, these rules have the potential to mitigate significantly any increased emissions from the U.S. electric power sector that would otherwise result from increased use of coal, and perhaps to negate those increased emissions entirely.

The AEO 2016 incorporated the Clean Power Plan final rule in the Reference case and assumes that all states choose to meet a mass-based standard to cover both existing and new sources of carbon dioxide emissions. In the Reference case—which includes 18.4 Bcf/d of LNG exports from the United States in 2040—electric power sector carbon dioxide emissions are projected to be 35 percent below 2005 levels in 2030 due to the implementation of the CPP. Natural gas generation increases by 44 percent in the Reference case from 2015 to 2040, and coal generation declines by 32 percent from 2015 to 2040.

Therefore, on the record before us, we cannot conclude that exports of natural gas would be likely to cause a significant increase in U.S. GHG emissions through their effect on natural gas prices and the use of coal for electric generation.

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b. International Impacts Associated with Energy Consumption in Foreign Nations

The LCA GHG Report estimated the life cycle GHG emissions of U.S. LNG exports to Europe and Asia, compared with certain other fuels used to produce electric power in those importing countries. The key findings for U.S. LNG exports to Europe and Asia are summarized in Figures 3 and 4 below, which are also presented above in Section IX.A (Figures 1 and 2):

![Figure 3: Life Cycle GHG Emissions for Natural Gas and Coal Power in Europe](image)

Figure 3: Life Cycle GHG Emissions for Natural Gas and Coal Power in Europe

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385 LCA GHG Report at 9 (Figure 6-1).
While acknowledging substantial uncertainty, the LCA GHG Report shows that to the extent U.S. LNG exports are preferred over coal in LNG-importing nations, U.S. LNG exports are likely to reduce global GHG emissions. Further, to the extent U.S. LNG exports are preferred over other forms of imported natural gas, they are likely to have only a small impact on global GHG emissions.\footnote{LCA GHG Report at 10 (Figure 6-2).}

The LCA GHG Report does not answer the ultimate question whether authorizing exports of natural gas to non-FTA nations will increase or decrease global GHG emissions, because regional coal and imported natural gas are not the \textit{only} fuels with which U.S.-exported LNG would compete. U.S. LNG exports may also compete with renewable energy, nuclear energy, petroleum-based liquid fuels, coal imported from outside East Asia or Western Europe, indigenous natural gas, synthetic natural gas derived from coal, and other resources, as well as

\footnote{\textit{Id.} at 9, 18.}
efficiency and conservation measures. To model the effect that U.S. LNG exports would have on net global GHG emissions would require projections of how each of these fuel sources would be affected in each LNG-importing nation. Such an analysis would not only have to consider market dynamics in each of these countries over the coming decades, but also the interventions of numerous foreign governments in those markets.

For example, Sierra Club and other commenters have observed that renewable energy has experienced significant growth in key LNG-importing countries such as India and China. These commenters do not, however, place the growth of renewable energy in the context of the aggregate use of fossil energy projects in those countries. Nor do they explain the extent to which growth in renewable energy has been driven by public policies in those countries and how the availability of U.S. LNG exports would or would not impact the continuation of those policies.

The uncertainty associated with estimating each of these factors would likely render such an analysis too speculative to inform the public interest determination in this or other non-FTA LNG export proceedings. Accordingly, DOE/FE elected to focus on the discrete question of how U.S. LNG compares on a life cycle basis to regional coal and other sources of imported natural gas in key LNG-importing countries. This is a useful comparison because coal and imported natural gas are prevalent fuel sources for electric generation in non-FTA LNG-importing nations. For example, EIA notes that installed electric generation capacity in China was 63 percent coal and 4 percent natural gas in 2013.\textsuperscript{388} For India, installed electric generation capacity in 2014 is 62 percent coal and 8 percent natural gas.\textsuperscript{389} In both China and India, electric generation

\textsuperscript{388} U.S. Energy Information Administration, China Analysis Brief (last updated May 14, 2015), available at: http://www.eia.gov/beta/international/analysis.cfm?iso=CHN.

\textsuperscript{389} U.S. Energy Information Administration, India Analysis Brief (last updated June 14, 2016), available at http://www.eia.gov/beta/international/analysis.cfm?iso=IND
capacity is expected to increase substantially in coming years. For Japan, the largest importer of
LNG in the world, electric generation from fossil fuels was 74 percent of total generation in 2011
and 86 percent in 2013 after the Fukushima disaster.\textsuperscript{390} In Europe, use of fossil fuels is slightly
less than in the Asian nations noted above but still significant, comprising 62 percent of electric
generation in the United Kingdom and around half for Spain for 2014, respectively.\textsuperscript{391}

The conclusions of the LCA GHG Report, combined with the observation that many
LNG-importing nations rely heavily on fossil fuels for electric generation, suggests that exports
of U.S. LNG may decrease global GHG emissions, although there is substantial uncertainty on
this point as indicated above. In any event, the record does not support the conclusion that U.S.
LNG exports will increase global GHG emissions in a material or predictable way. Therefore,
while we share the commenters’ strong concern about GHG emissions as a general matter, based
on the current record evidence, we do not see a reason to conclude that U.S. LNG exports will
significantly exacerbate global GHG emissions.

4. Other Considerations

Our decision is not premised on an uncritical acceptance of the general conclusion of the
2014 and 2015 LNG Export Studies of net economic benefits from LNG exports. Both of those
Studies and many public comments identify significant uncertainties and even potential negative
impacts from LNG exports. The economic impacts of higher natural gas prices and potential
increases in natural gas price volatility are two of the factors that we view most seriously. Yet
we also have taken into account factors that could mitigate such impacts, such as the current

\textsuperscript{390} U.S. Energy Information Administration, Japan Analysis Brief (last updated Jan. 30, 2015), available at:
http://www.eia.gov/beta/international/analysis.cfm?iso=JPN.
\textsuperscript{391} EIA, International Energy Statistics, available at:
http://www.eia.gov/beta/international/. To evaluate the effect that U.S. LNG exports may have on the mix of fuels
used for electric generation in Western Europe also requires consideration of the role of the European Trading
System (ETS). The ETS places a cap on GHG emissions. Therefore, where the cap is a binding constraint, the ETS
ultimately may ensure that the availability of U.S.-exported LNG will not affect aggregate emissions.
oversupply situation and data indicating that the natural gas industry would increase natural gas supply in response to increasing exports. Further, we note that it is far from certain that all or even most of the proposed LNG export projects will ever be realized because of the time, difficulty, and expense of commercializing, financing, and constructing LNG export terminals, as well as the uncertainties inherent in the global market demand for LNG. On balance, we find that the potential negative impacts of SLNG’s proposed exports are outweighed by the likely net economic benefits and by other non-economic or indirect benefits.

More generally, DOE/FE continues to subscribe to the principle set forth in our 1984 Policy Guidelines\(^\text{392}\) that, under most circumstances, the market is the most efficient means of allocating natural gas supplies. However, agency intervention may be necessary to protect the public in the event there is insufficient domestic natural gas for domestic use. There may be other circumstances as well that cannot be foreseen that would require agency action.\(^\text{393}\) Given these possibilities, DOE/FE recognizes the need to monitor market developments closely as the impact of successive authorizations of LNG exports unfolds.

E. Conclusion

We have reviewed the evidence in the record and relevant precedent in earlier non-FTA export decisions and have not found an adequate basis to conclude that SLNG’s proposed exports of LNG to non-FTA countries will be inconsistent with the public interest. For that


\(^{393}\) Some commenters previously asked DOE to clarify the circumstances under which the agency would exercise its authority to revoke (in whole or in part) previously issued LNG export authorizations. We cannot precisely identify all the circumstances under which such action would be taken. We reiterate our observation in \textit{Sabine Pass} that: “In the event of any unforeseen developments of such significant consequence as to put the public interest at risk, DOE/FE is fully authorized to take action as necessary to protect the public interest. Specifically, DOE/FE is authorized by section 3(a) of the Natural Gas Act … to make a supplemental order as necessary or appropriate to protect the public interest. Additionally, DOE is authorized by section 16 of the Natural Gas Act ‘to perform any and all acts and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate’ to carry out its responsibilities.” \textit{Sabine Pass}, DOE/FE Order No. 2961, at 33 n.45 (quoting 15 U.S.C. § 717o).
reason, we are authorizing SLNG’s proposed exports to non-FTA countries subject to the
limitations and conditions described in this Order.

In deciding whether to grant a final non-FTA export authorization, we consider in our
decision-making the cumulative impacts of the total volume of all final non-FTA export
authorizations. With the issuance of this Order, DOE/FE has now issued final non-FTA
authorizations in a cumulative volume of exports totaling 16.65 Bcf/d of natural gas, or 6.08
Tcf/yr, for the 23 final authorizations issued to date—Sabine Pass Liquefaction, LLC (2.2
Bcf/d),\textsuperscript{394} Carib Energy (USA) LLC (0.04 Bcf/d),\textsuperscript{395} Cameron LNG, LLC (1.7 Bcf/d),\textsuperscript{396} FLEX I
(1.4 Bcf/d),\textsuperscript{397} FLEX II (0.4 Bcf/d),\textsuperscript{398} Dominion Cove Point LNG, LP (0.77 Bcf/d),\textsuperscript{399} Cheniere
Marketing, LLC and Corpus Christi Liquefaction, LLC (2.1 Bcf/d),\textsuperscript{400} Sabine Pass Liquefaction,

\textsuperscript{394} \textit{Sabine Pass Liquefaction, LLC}, DOE/FE Order No. 2961-A, FE Docket No. 10-111-LNG, Final Opinion and
Order Granting Long-Term Authorization to Export Liquefied Natural Gas From Sabine Pass LNG Terminal to
\textsuperscript{395} \textit{Carib Energy (USA) LLC}, DOE/FE Order No. 3487, FE Docket No. 11-141-LNG, Final Order Granting Long-
Term, Multi-Contract Authorization to Export Liquefied Natural Gas in ISO Containers by Vessel to Non-Free
Trade Agreement Nations in Central America, South America, or the Caribbean (Sept. 10, 2014).
\textsuperscript{396} \textit{Cameron LNG, LLC}, DOE/FE Order No. 3391-A, FE Docket No. 11-162-LNG, Final Opinion and Order
Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Cameron
LNG Terminal in Cameron Parish, Louisiana, to Non-Free Trade Agreement Nations (Sept. 10, 2014).
\textsuperscript{397} \textit{Freeport LNG Expansion, L.P., et al.}, DOE/FE Order No. 3282-C, FE Docket No. 10-161-LNG, Final Opinion
and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the
Freeport LNG Terminal on Quintana Island, Texas, to Non-Free Trade Agreement Nations (Nov. 14, 2014) (FLEX I
Final Order).
\textsuperscript{398} \textit{Freeport LNG Expansion, L.P., et al.}, DOE/FE Order No. 3357-B, FE Docket No. 11-161-LNG, Final Opinion
and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the
Freeport LNG Terminal on Quintana Island, Texas, to Non-Free Trade Agreement Nations (Nov. 14, 2014) (FLEX
II Final Order).
\textsuperscript{399} \textit{Dominion Cove Point LNG, LP}, DOE/FE Order No. 3331-A, FE Docket No. 11-128-LNG, Final Opinion and
Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas from the Cove Point
LNG Terminal in Calvert County, Maryland, to Non-Free Trade Agreement Nations (May 7, 2015).
\textsuperscript{400} \textit{Cheniere Marketing, LLC and Corpus Christi Liquefaction, LLC}, DOE/FE Order No. 3638, FE Docket No. 12-
97-LNG, Final Order and Opinion Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural
Gas by Vessel from the Proposed Corpus Christi Liquefaction Project to Be Located in Corpus Christi, Texas, to
Non-Free Trade Agreement Nations (May 12, 2015).
LLC Expansion Project (1.38 Bcf/d),<sup>401</sup> American Marketing LLC (0.008 Bcf/d),<sup>402</sup> Emera CNG, LLC (0.008 Bcf/d),<sup>403</sup> Floridian Natural Gas Storage Company, LLC,<sup>404</sup> Air Flow North American Corp. (0.002 Bcf/d),<sup>405</sup> Bear Head LNG Corporation and Bear Head LNG (USA), LLC (0.81 Bcf/d),<sup>406</sup> Pieridae Energy (USA) Ltd.,<sup>407</sup> Sabine Pass Liquefaction, LLC Design Increase (0.56 Bcf/d),<sup>408</sup> Cameron LNG, LLC Design Increase (0.42 Bcf/d),<sup>409</sup> Flint Hills Resources, LP (0.01 Bcf/d),<sup>410</sup> Cameron LNG, LLC Expansion Project (1.41 Bcf/d),<sup>411</sup> Lake


406 Bear Head LNG Corporation and Bear Head LNG (USA), DOE/FE Order No. 3770, FE Docket No. 15-33-LNG, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export U.S.-Sourced Natural Gas by Pipeline to Canada for Liquefaction and Re-Export in the Form of Liquefied Natural Gas to Non-Free Trade Agreement Countries (Feb. 5, 2016).


410 Flint Hills Resources, LP, DOE/FE Order No. 3829, supra note 16.

411 Cameron LNG, LLC, DOE/FE Order No. 3846, FE Docket No. 15-90-LNG, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from Trains 4 and 5 of the Cameron LNG Terminal Located in Cameron and Calcasieu Parishes, Louisiana, to Non-Free Trade Agreement Nations (July 15, 2016).
Charles Exports, LLC (2.0 Bcf/d),\textsuperscript{412} Lake Charles LNG Export Company, LLC,\textsuperscript{413} Carib Energy (USA) LLC (0.004 Bcf/d),\textsuperscript{414} Magnolia LNG, LLC (1.08 Bcf/d),\textsuperscript{415} and this Order (0.36 Bcf/d).

We note that the volumes authorized for export in the \textit{Carib} and \textit{Floridian} orders are both 14.6 Bcf/yr of natural gas (0.04 Bcf/d), yet are not additive to one another because the source of LNG approved under both orders is from the Floridian Facility.\textsuperscript{416} Likewise, the volumes authorized for export in the Bear Head and Pieridae US orders are not additive; together, they are limited to a maximum of 0.81 Bcf/d to reflect the current capacity of the Maritimes Northeast Pipeline at the U.S.-Canadian border.\textsuperscript{417} In sum, the total export volume is within the range of scenarios analyzed in the 2014 and 2015 LNG Export Studies. The 2015 Study found that in all such scenarios—assuming LNG export volumes totaling 12 Bcf/d up to 20 Bcf/d of natural gas—the United States would experience net economic benefits.

DOE/FE will continue taking a measured approach in reviewing the other pending applications to export domestically produced LNG. Specifically, DOE/FE will continue to assess the cumulative impacts of each succeeding request for export authorization on the public

\begin{itemize}
\item \textsuperscript{412} \textit{Lake Charles Exports, LLC}, DOE/FE Order No. 3324-A, FE Docket No. 11-59-LNG, Final Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Lake Charles Terminal in Calcasieu Parish, Louisiana, to Non-Free Trade Agreement Nations (July 29, 2016).
\item \textsuperscript{413} \textit{Lake Charles LNG Export Co., LLC}, DOE/FE Order No. 3868, FE Docket No. 13-04-LNG, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Lake Charles Terminal in Calcasieu Parish, Louisiana to Non-Free Trade Agreement Nations (July 29, 2016).
\item \textsuperscript{414} \textit{Carib Energy (USA) LLC}, DOE/FE Order No. 3937, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas in ISO Containers Loaded at Designated Pivotal LNG, Inc. Facilities and Exported by Vessel to Non-Free Trade Agreement Nations in Central America, South America, or the Caribbean (Nov. 28, 2016).
\item \textsuperscript{415} \textit{Magnolia LNG, LLC}, DOE/FE Order No. 3909, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From the Proposed Magnolia LNG Terminal to be Constructed in Lake Charles, Louisiana, to Non-Free Trade Agreement Nations (Nov. 30, 2016).
\item \textsuperscript{416} \textit{See Floridian Natural Gas Storage Co., LLC}, DOE/FE Order No. 3744, at 22 (stating that the quantity of LNG authorized for export by Floridian in DOE/FE Order No. 3744 “will be reduced by the portion of the total approved volume of 14.6 Bcf/yr that is under firm contract directly or indirectly to Carib Energy (USA), LLC”); see also \textit{id.} at 21 (Floridian “may not treat the volumes authorized for export in the [\textit{Carib} and \textit{Floridian}] proceedings as additive to one another”).
\item \textsuperscript{417} \textit{See Bear Head LNG Corporation and Bear Head LNG (USA)}, DOE/FE Order No. 3770, at 178-79 (stating that the quantity of LNG authorized for export by Bear Head LNG and Pieridae US “are not additive; together, they are limited to a maximum of 0.81 Bcf/d to reflect the current capacity of the M&N US Pipeline”).
\end{itemize}
interest with due regard to the effect on domestic natural gas supply and demand fundamentals.

In keeping with the performance of its statutory responsibilities, DOE/FE will attach appropriate and necessary terms and conditions to authorizations to ensure that the authorizations are utilized in a timely manner and that authorizations are not issued except where the applicant can show that there are or will be facilities capable of handling the proposed export volumes and existing and forecast supplies that support that action. Other conditions will be applied as necessary.

The reasons in support of proceeding cautiously are several: (1) the 2014 and 2015 LNG Export Studies, like any studies based on assumptions and economic projections, are inherently limited in their predictive accuracy; (2) applications to export significant quantities of domestically produced LNG are a new phenomena with uncertain impacts; and (3) the market for natural gas has experienced rapid reversals in the past and is again changing rapidly due to economic, technological, and regulatory developments. The market of the future very likely will not resemble the market of today. In recognition of these factors, DOE/FE intends to monitor developments that could tend to undermine the public interest in grants of successive applications for exports of domestically produced LNG and, as previously stated, to attach terms and conditions to the authorization in this proceeding and to succeeding LNG export authorizations as are necessary for protection of the public interest.

XIII. TERMS AND CONDITIONS

To ensure that the authorization issued by this Order is not inconsistent with the public interest, DOE/FE has attached the following Terms and Conditions to the authorization. The reasons for each term or condition are explained below. SLNG must abide by each Term and Condition or may face rescission of the authorization or other appropriate sanction.
A. Term of the Authorization

SLNG requests a 20-year term for the authorization commencing from the date export operations begin. This term is consistent with our practice in the non-FTA export authorizations issued to date, including SLNG’s FTA authorizations in DOE/FE Order No. 3106. In imposing this condition, we are mindful that LNG export facilities are capital intensive and that, to obtain financing for such projects, there must be a reasonable expectation that the authorization will continue for a term sufficient to support repayment. We find that a 20-year term is likely sufficient to achieve this result. Accordingly, the 20-year term will begin on the data when SLNG commences commercial export of domestically sourced LNG.

B. Commencement of Operations Within Seven Years

SLNG requested this authorization to commence on the earlier of the date of first export or ten years from the date of the issuance of this Order. However, consistent with our prior non-FTA authorizations issued to date, DOE/FE will add as a condition of the authorization that SLNG must commence commercial LNG export operations from the Elba Island Terminal Export Project no later than seven years from the date of issuance of this Order. The purpose of this condition is to ensure that other entities that may seek similar authorizations are not frustrated in their efforts to obtain those authorizations by authorization holders that are not engaged in actual export operations.

C. Commissioning Volumes

SLNG will be permitted to apply for short-term export authorizations to export Commissioning Volumes prior to the commencement of the first commercial exports of domestically sourced LNG from the Liquefaction Project. “Commissioning Volumes” are defined as the volume of LNG produced and exported under a short-term authorization during the initial start-up of each LNG train, before each LNG train has reached its full steady-state
capacity and begun its commercial exports pursuant to SLNG’s long-term contracts.\textsuperscript{418} The Commissioning Volumes will not be counted against the maximum level of volumes previously authorized in any of SLNG’s blanket short-term or long-term FTA and non-FTA authorizations, including this Order.

D. Make-Up Period

SLNG will be permitted to continue exporting for a total of three years following the end of the 20-year term established in this Order, solely to export any Make-Up Volume that it was unable to export during the original export period. The three-year term during which the Make-Up Volume may be exported shall be known as the “Make-Up Period.”

The Make-Up Period does not affect or modify the total volume of LNG previously authorized in any of SLNG’s FTA and non-FTA orders, including this Order. Insofar as SLNG may seek to export additional volumes not previously authorized for export, it will be required to obtain appropriate authorization from DOE/FE.

E. Transfer, Assignment, or Change in Control

DOE/FE’s natural gas import/export regulations prohibit authorization holders from transferring or assigning authorizations to import or export natural gas without specific authorization by the Assistant Secretary for Fossil Energy.\textsuperscript{419} As a condition of the similar authorization issued to Sabine Pass in DOE/FE Order No. 2961, DOE/FE found that the requirement for prior approval by the Assistant Secretary under its regulations applies to any change of effective control of the authorization holder either through asset sale or stock transfer or by other means. This condition was deemed necessary to ensure that, prior to any transfer or


\textsuperscript{419} 10 C.F.R. § 590.405.
change in control, DOE/FE will be given an adequate opportunity to assess the public interest impacts of such a transfer or change.

DOE/FE construes a change in control to mean a change, directly or indirectly, of the power to direct the management or policies of an entity 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. A rebuttable presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10 percent or more of the voting securities of such entity.  

F. Agency Rights

SLNG requested authorization to export LNG from the Elba Island Terminal Export Project on its own behalf and as agent for other entities that hold title to the LNG at the time of export, pursuant to long-term sales and purchase agreements with SLNG. DOE/FE previously addressed the issue of Agency Rights in Order No. 2913, which granted Freeport LNG Expansion, L.P., et al. (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 Dow Chemical, which established that the title for all

420 For information on DOE/FE’s procedures governing a change in control, 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) [hereinafter Procedures for Changes in Control].

LNG authorized for export must be held by the authorization holder at the point of export.422 We find that the same policy considerations that supported DOE/FE’s acceptance of the alternative registration proposal in Order No. 2913 apply here as well. DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.423 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 contract information of the Registrant as if the Registrant had filed an application to export LNG on its own behalf.424

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

**G. Contract Provisions for the Sale or Transfer of LNG to be Exported**

DOE/FE’s regulations require applicants to supply transaction-specific factual information “to the extent practicable.”425 Additionally, DOE/FE regulations 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


424 See id. at 7-8.

425 10 C.F.R. § 590.202(b).
public disclosure, and DOE/FE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.\textsuperscript{426}

DOE/FE will require that SLNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements, including liquefaction tolling agreements, pursuant to which SLNG exports LNG as agent for a Registrant.

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, an agreement to provide gas processing or liquefaction services at the Elba Island Terminal, a long-term sales contract involving natural gas or LNG stored or liquefied at the Terminal, or an agreement to provide export services from the Terminal.

In addition, DOE/FE finds that section 590.202(c) of DOE/FE’s regulations\textsuperscript{427} requires that SLNG file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Elba Island Terminal, whether signed by SLNG or the Registrant, within 30 days of their execution.

DOE/FE recognizes that some information in SLNG’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 Elba Island Terminal, may be commercially sensitive. DOE/FE therefore will provide SLNG the option to file or cause to be filed either unredacted contracts, or in the alternative (A) SLNG 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

\textsuperscript{426} Id. § 590.202(c).
\textsuperscript{427} Id. § 590.202(c).
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 this 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 this Order shall include an acknowledgement of these requirements.

H. Export Quantity

We are not granting the Application in the full export quantity originally requested by SLNG, and instead are granting the requested authorization only to the extent of the authorized liquefaction capacity of the Export Project. As stated above, SLNG sought authorization in this proceeding to export up to 4 mtpa, of LNG, which SLNG stated is equal to approximately 182.5 Bcf/yr of natural gas (0.5 Bcf/d). However, the maximum liquefaction capacity of the Export Project as approved by FERC is 2.5 mtpa. DOE/FE estimates that 2.5 mtpa of LNG is equivalent to 130 Bcf/yr (0.36 Bcf/d) of natural gas. In making this estimate DOE/FE used conversion factors of 1.022 million Btu per thousand cubic feet of dry natural gas and 51.75 Bcf per million metric tons of dry natural gas. This estimate is based on a mixture of methane and ethane with an energy content of 1.022 Btu per cubic foot of natural gas, indicative of natural gas quality in the U.S. pipeline system. As set forth herein, this Order authorizes the export of LNG up to the equivalent of 130 Bcf/yr of natural gas.
I. Combined FTA and Non-FTA Export Authorization Volumes

SLNG is currently authorized in DOE/FE Order No. 3680 to export domestically produced LNG to FTA countries in a volume equivalent to approximately 182.5 Bcf/yr of natural gas. The volume authorized for export to non-FTA countries in this Order is equivalent to 130 Bcf/yr of natural gas. SLNG may not treat the volumes authorized for export in the two proceedings as additive to one another.

XIV. FINDINGS

On the basis of the findings and conclusions set forth above, we find that it has not been shown that a grant of the requested authorization will be inconsistent with the public interest, and we further find that SLNG’s Application should be granted subject to the Terms and Conditions set forth herein. The following Ordering Paragraphs reflect current DOE/FE practice.

XV. ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Southern LNG, LLC is authorized to export domestically produced LNG by vessel from the Elba Island Terminal (Liquefaction Project), located in Chatham County, Georgia, in a volume equivalent to 130 Bcf/yr of natural gas. SLNG is authorized to export this LNG on its own behalf and as agent for other entities that hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

B. The 20-year authorization period will commence when SLNG commences commercial export of domestically sourced LNG from the Elba Island Terminal, but not before. SLNG may export Commissioning Volumes prior to the commencement of the terms of this Order, pursuant to a separate short-term export authorization. The Commissioning Volumes will
not be counted against the maximum level of volumes previously authorized in any of SLNG’s FTA and non-FTA orders, including this Order.

C. SLNG may continue exporting for a total of three years following the end of the 20-year export term, solely to export any Make-Up Volume that it was unable to export during the original export period. The three-year Make-Up Period allowing the export of Make-Up Volumes does not affect or modify the total volume of LNG authorized for export in any of SLNG’s existing FTA and non-FTA orders, including this Order. Insofar as SLNG may seek to export additional volumes not previously authorized for export, it will be required to obtain appropriate authorization from DOE/FE.

D. SLNG must commence export operations using the planned liquefaction facilities no later than seven years from the date of issuance of this Order.

E. The LNG export quantity authorized in this Order is equivalent to 130 Bcf/yr of natural gas. This quantity is not additive to the export volume in SLNG’s FTA Order for the Elba Island Terminal Export Project (DOE/FE Order No. 3106).

F. This LNG may be exported to any country with which the United States does not have a FTA requiring the national treatment for trade in natural gas, which currently has or in the future develops the capacity to import LNG, and with which trade is not prohibited by United States law or policy.

G. SLNG shall ensure that all transactions authorized by this Order are permitted and lawful under United States 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 and FERC. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.
H. SLNG shall ensure compliance with all terms and conditions established by FERC in the EA, including the 92 environmental conditions adopted in the FERC Order. Additionally, this authorization is conditioned on SLNG’s on-going compliance with any other preventative and mitigative measures at the Elba Island Terminal imposed by federal or state agencies.

I. (i) SLNG shall file, or cause others to file, with the Office of Regulation and International Engagement a non-redacted copy of all executed long-term contracts associated with the long-term export of LNG as agent for other entities from the Elba Island Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SLNG 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, SLNG shall also file, or cause others to file, for public posting either: (a) a redacted version of the contracts described in the preceding sentence, or (b) major provisions of the contracts. In these filings, SLNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) SLNG shall file, or cause others to file, with the Office of Regulation and International Engagement a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Elba Island Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SLNG 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, SLNG 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, SLNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.
J. SLNG, or others for whom SLNG acts as agent, shall include the following provision in any agreement or other contract for the sale or transfer of LNG exported pursuant to this Order and any other applicable DOE/FE authorization:

Customer or purchaser acknowledges and agrees that it will resell or transfer U.S.-sourced natural gas in the form of LNG purchased hereunder for delivery only to countries identified in Ordering Paragraph F of DOE/FE Order No. 3956, issued December 16, 2016, in FE Docket No. 12-100-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 Southern LNG Company, LLC that identifies the country of destination (or countries) into which the exported LNG or natural gas was actually delivered and/or received for end use, and to include in any resale contract for such LNG the necessary conditions to insure that Southern LNG Company, LLC is made aware of all such actual destination countries.

K. SLNG is permitted to use its authorization in order to export LNG as agent for other entities, after registering such entities with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply SLNG with all information necessary to permit SLNG 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/FE’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; and (4) within 30 days of execution, a copy of any long-term contracts not previously filed with DOE/FE, described in Ordering Paragraph I of this Order.

L. 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).

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

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

O. SLNG shall file with the Office of Regulation and International Engagement, on a semi-annual basis, written reports describing the progress of the Elba Island Terminal. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the date the Export Project 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.

P. With respect to any change in control of the authorization holder, SLNG must comply with DOE/FE’s Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas.428 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 SLNG, 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.429

428 See Procedures for Changes in Control at 65,541-42.
429 See id. at 65,542.
Q. Monthly Reports: With respect to the LNG exports authorized by this Order, SLNG shall file with the Office of Regulation and International Engagement, 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) into which the exported LNG or natural gas is actually delivered and/or received for end use; (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; and (10) the name(s) of the purchaser(s).

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

R. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Regulation and International Engagement, 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.

S. APGA’s and Sierra Club’s motions to intervene in this proceeding are both granted.

Issued in Washington, D.C., on December 16, 2016.

[Signature]

Christopher A. Smith
Assistant Secretary
Office of Fossil Energy