

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

In the matter of:

Alaska LNG Project LLC

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FE Docket No. 14-96-LNG

**MOTION TO INTERVENE AND
COMMENTS IN SUPPORT OF
THE AMERICAN PETROLEUM INSTITUTE**

On September 17, 2014, the Office of Fossil Energy of the Department of Energy (“DOE”) provided notice (“Notice”) of receipt of an application (“Application”) by Alaska LNG Project LLC (“Alaska LNG”) pursuant to Section 3(a) of the Natural Gas Act (“NGA”), 15 U.S.C. § 717b(a), requesting long-term, multi-contract authorization to export liquefied natural gas (“LNG”) produced from domestic Alaskan sources in a volume equivalent to approximately 929 billion cubic feet (“Bcf”) per year, or approximately 2.55 Bcf per day, from a proposed liquefaction facility to be located in the Nikiski area of the Kenai Peninsula in south central Alaska (“Liquefaction Project”).

The Notice provides that any person wishing to become a party to the Alaska LNG proceeding must file a motion to intervene or notice of intervention, as applicable. DOE requested that motions to intervene and comments on the Alaska LNG Application be submitted no later than November 17, 2014.

I. MOTION TO INTERVENE

Pursuant to 10 C.F.R. §§ 590.303-04, the American Petroleum Institute (“API”) hereby files this motion to intervene in the above-captioned proceeding. Communications regarding this pleading or this proceeding should be addressed to:

Ben Norris
Senior Counsel
American Petroleum Institute
1220 L Street, N.W.
Washington, D.C. 20005
Telephone: (202) 682-8000
Fax: (202) 682-8033
Email: NorrisB@api.org

API is a national trade association representing more than 600 member companies involved in all aspects of the oil and natural gas industry in the United States. API's members include owners and operators of LNG import and export facilities in the United States and around the world, as well as owners and operators of LNG vessels, global LNG traders, and manufacturers of essential technology and equipment used all along the LNG value chain. API's members also have extensive experience in producing America's natural gas resources in a safe and environmentally responsible way, including in Alaska.

Alaska LNG seeks authorization to export LNG by vessel from the Liquefaction Project 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") for a 30-year term. API and its members, many of which operate in Alaska, have a direct and substantial interest in this proceeding that cannot be adequately represented by any other party. API respectfully submits that good cause exists to grant its timely motion to intervene in this proceeding.

II. COMMENTS IN SUPPORT OF ALASKA LNG

API fully supports Alaska LNG's Application to export LNG to non-FTA countries and urges DOE to approve it without delay for the reasons set forth below.

A. Alaska LNG’s Proposed Exports are Consistent with the Public Interest

Section 3(a) of the NGA requires DOE to grant applications to export natural gas to non-FTA nations unless it has been demonstrated that the proposed export will be inconsistent with the public interest. As set forth below, Alaska LNG’s proposed exports not only are not inconsistent with the public interest, but would support and promote the public interest.

1. Multiple Studies Support DOE Approval of New LNG Exports from Alaska

In connection with its Application, Alaska LNG submitted a June 2014 report prepared by NERA Economic Consulting entitled “Socio-Economic Impact Analysis of Alaska LNG Project.”¹ The report finds that exports from the Liquefaction Project would lead to lower natural gas prices in Alaska and in the U.S. as a whole, eliminate Alaskan reliance on natural gas imports, and deliver “unequivocally positive” macroeconomic impacts for the State in the form of higher consumer welfare, gross state product, and consumption through 2058.² API agrees with the findings of this report and urges DOE to adopt them in its order authorizing exports from the Liquefaction Project.

In addition, several other studies confirm what NERA has shown regarding the positive economic impacts of increased LNG exports from Alaska. For example, in November 2013, API commissioned a study by ICF International titled “U.S. LNG Exports: State-Level Impacts on Energy Markets and the Economy” (“ICF State Study”). The ICF State Study demonstrates that the net effect on U.S. Gross Domestic Product and employment generated by LNG export

1 http://energy.gov/sites/prod/files/2014/07/f17/14_96_lng.pdf, at 123-212.

2 *Id.* at 133-37.

approvals, including exports from Alaska, is projected to be positive.³ Specific to Alaska, the ICF State Study found that by 2035, increased LNG exports could create up to \$10 billion in additional state income and over 36,000 new jobs.⁴ Approval of the Alaska LNG Liquefaction Project will help to generate many of these Alaskan jobs, reducing unemployment and boosting state income, which will in turn benefit the national economy as a whole.

API is aware of at least three other recent studies demonstrating the economic benefits of increased LNG exports from Alaska. An April 2013 study by the Alaska Department of Natural Resources found that Alaskan LNG exports could be delivered to Asian customers at a cost of under \$10/MMBtu, a substantial cost advantage over Australian LNG projects projected to be in the \$10-\$12/MMBtu range. A May 2012 study by the Brookings Institution also concluded that Alaskan LNG exports would be competitive with other projects around the world. And a July 2011 study by Wood Mackenzie made similar findings on competitiveness, while also noting that state revenues from increased LNG exports could range from \$220 to \$419 billion over a 30-year period.⁵

The United States has exported LNG from Alaska since 1969, and the economic case for authorizing additional exports from Alaska LNG's Liquefaction Project could not be clearer. It will create jobs and generate billions of dollars of revenue in Alaska, while also resulting in substantial benefits to the public interest of the country as a whole. These are unambiguous conclusions built over three years by recognized economic analysts as well as state government authorities. There is no need to gather additional data or perform duplicative analyses, nor should these serve as a basis for delay in processing Alaska LNG's Application or other

3 ICF INT'L, *U.S. LNG Exports: State-Level Impacts on Energy Markets and the Economy*, (Nov. 2013), available at <http://www.api.org/~media/Files/Policy/LNG-Exports/API-State-Level-LNG-Export-Report-by-ICF.pdf>. Copies have previously been provided to DOE.

4 *Id.* at Table "2035 State Income and Employment Impacts for Top Ten States".

5 *See id.* at 37 and n.22-25.

applications to export LNG to non-FTA countries. API urges DOE to consider the above-cited studies and authorize exports from the Alaska LNG project without delay.

2. Additional Exports of Alaskan LNG Will Advance U.S. Foreign Policy, Trade, and Greenhouse Gas Emissions Reduction Goals

The United States is now the largest natural gas producer in the world. We are on the brink of becoming an energy superpower, capable of delivering critical supplies of energy to our allies overseas to calm unpredictable markets and stem the geopolitical influence of unstable suppliers. Moreover, as recognized by both DOE and growing numbers of members of Congress, expeditious approval of LNG exports to our overseas allies serves U.S. interests both at home and abroad. API fully agrees with DOE's recent statement in its Order conditionally authorizing non-FTA exports from the Jordan Cove facility on the West Coast:

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.⁶

Similarly, President Obama's National Export Initiative, proposed over four years ago, is seeking to double exports by 2015, by removing obstacles to new markets, including markets for our abundant and clean-burning natural gas.

Additionally, as detailed in the most recent National Climate Assessment, natural gas, when combusted for power generation, emits significantly fewer pollutants like carbon dioxide, black carbon, nitrogen oxides, sulfur dioxide, and mercury as compared to coal, and is directly

⁶ *Jordan Cove Energy Project, L.P.*, DOE/FE Order No. 3413, Order Conditionally Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Jordan Cove LNG Terminal in Coos Bay, Oregon to Non-Free Trade Agreement Nations, at 142 (Mar. 24, 2014).

responsible for declining carbon dioxide emissions in the U.S since 2008.⁷ DOE should seize the opportunity to inject more U.S. natural gas supplies into international markets and offer it up as a fuel of choice to satisfy rapidly growing demand in China, India, Japan, and elsewhere.

In sum, there is rare bipartisan and bicameral support for increasing LNG exports as a means of furthering our nation's foreign policy, trade, and emissions-reducing goals. Prompt approval of Alaska LNG's Application – indeed, of all pending applications to export LNG to non-FTA countries – is unequivocally in the public interest.

B. The Requirements of the Alaska Natural Gas Transportation Act Already Have Been Satisfied

In addition to meeting the requirements under the NGA, Alaska LNG's proposed exports are already authorized under the Alaska Natural Gas Transportation Act ("ANGTA"). As explained in the Application, Section 12 of the ANGTA requires a Presidential finding that Alaskan natural gas exports in excess of 1,000 Mcf/d "will not diminish the total quantity or quality nor increase the total price of energy available to the United States" before such exports may occur.⁸ In January 1988, President Reagan issued such a Presidential Finding explaining that "[t]here exist adequate, secure, reasonably priced supplies of natural gas to meet the demand of American consumers for the foreseeable future," and concluding that "exports of Alaska natural gas in quantities in excess of 1,000 Mcf per day will not diminish the total quantity or quality nor increase the total price of energy available to the United States."⁹

The Application correctly points out that the 1988 Presidential Finding is not specific to any particular project, nor is it time constrained. DOE itself has held that the Presidential

7 See U.S. Global Change Research Program, "Climate Change Impacts in the United States: The Third National Climate Assessment," available at <http://nca2014.globalchange.gov/downloads>, at 269, 652 (2014).

8 15 U.S.C. § 719j (2006).

9 Presidential Finding Concerning Alaska Natural Gas, 53 Fed. Reg. 999 (Jan. 15, 1988).

Finding is a “generic finding by the President.”¹⁰ Moreover, current estimates of domestic natural gas supplies demonstrate the abundance of this resource and further support the conclusion in the 1988 Presidential Finding that the exports proposed in the Application will neither diminish the total quantity or quality nor increase the total price of energy available to the United States.¹¹ API believes the Presidential Finding is valid and applicable to the Liquefaction Project and urges DOE to approve the Application without delay.

C. DOE Should Issue a Conditional Authorization to Alaska LNG, Consistent with Statements in its Recent Procedures for LNG Export Decisions

On August 15, 2014, DOE published final revised procedures governing its decisions on LNG export applications to non-FTA countries.¹² The revised procedures essentially eliminate DOE’s previous practice of issuing conditional authorizations to LNG export applicants, and require DOE to issue an order on an application only after a proposed LNG export facility has undergone review under the National Environmental Policy Act (“NEPA”) or received a categorical exclusion. However, DOE specifically noted that “[t]he revised procedures will apply only to exports from the lower-48 states,”¹³ as API had argued they should in its comments on the original proposal.¹⁴ DOE further stated that it “will consider whether to issue a conditional decision on [the Alaska LNG] application, or any future application to export from Alaska, in the context of those proceedings.”¹⁵

10 *Yukon Pacific Corp.*, ERA Dkt. No. 87-68-LNG, Order No. 350 at 27 (Nov. 16, 1989).

11 As DOE itself has explained, “EIA’s natural gas [] estimates have varied from below 2,000 Tcf in AEO 2010 to more than 2,500 Tcf in AEO 2011 and 2,266 Tcf in AEO 2014,” and proved reserves of natural gas “have increased from 9.2 years of production in 2000 to 13.7 years of production in 2010, the latest year statistics are available.” *LNG Development Co. LLC*, DOE/FE Order No. 3465 at 104-05 (2014).

12 Procedures for Liquefied Natural Gas Export Decisions, 79 Fed. Reg. 48,132.

13 *Id.* at 48,135 n.6.

14 Available at <http://energy.gov/fe/proposed-procedures-liquefied-natural-gas-export-decisions>.

15 79 Fed. Reg. 48,135 n.6.

As it did in its comments on the proposed procedure changes, API again strongly urges DOE to issue a conditional authorization to Alaska LNG, and not wait until the NEPA review process for the Liquefaction Project is complete. The principal reason for issuing a conditional authorization in this proceeding is the same one that API highlighted in its comments on DOE's original proposal: conditional orders are a potent signaling mechanism to markets (both for U.S. project financing and for natural gas commodities globally) and to our strategic allies. More specifically, the stakeholders seeking such a signal from a government agency that has so far granted only three final LNG export authorizations – while dozens of other applications languish – include project financiers (*e.g.*, oil and gas companies, banks, investors, shareholders, etc.); LNG buyers (*e.g.*, overseas utilities and their ultimate customers); and foreign governments (including but not limited to governments of countries dependent on Russian LNG and Russian natural gas transported via pipeline). This rationale was expressly endorsed by DOE when it finalized its procedural changes.¹⁶ While DOE declined to retain use of conditional authorizations in its revised procedures for non-FTA LNG export applications, as noted above, the revised procedures do not apply to exports from Alaska.

Although API believes that the certainty sought by this diverse group of stakeholders would support the use of conditional orders in all LNG export proceedings before DOE, the arguments in favor of issuing conditional orders apply with particular force to Alaska LNG's Liquefaction Project for a number of reasons. First, Alaska LNG's requested authorization for up to 2.55 Bcf/day of exports puts it on par with the largest export projects proposed for the lower-48 states. LNG export projects of this size are highly capital intensive.

¹⁶ *Id.* at 48,134 (“DOE acknowledges that conditional decisions may hold value for some applicants and may supply useful information to third parties.”).

Second, the Liquefaction Project will require unprecedented amounts of capital investment for an LNG export facility because it will require the construction of significant new natural gas pipeline infrastructure through challenging frontier terrain that simply offers no comparison to any of the lower-48 projects proposed to date, which are generally able to leverage existing natural gas infrastructure. Together, as noted in the Application, these features make the Liquefaction Project “the largest integrated gas/LNG project of its kind ever designed and constructed, with an estimated cost of \$45 billion to \$65 billion”¹⁷ – well in excess of the estimated costs cited for any other proposed U.S. project.

Third, the Application represents the first time that DOE will consider substantial LNG export volumes from Alaska. Given that DOE has already carved Alaskan LNG exports out from its most recent procedural changes, there is uncertainty regarding the agency’s ultimate approach to Alaska LNG’s Application.

All of these reasons, in isolation and taken together, counsel in favor of the use of a conditional authorization because the Liquefaction Project will necessarily entail higher capital investment costs, greater opportunities to sell LNG abroad, and offers the potential for other unique considerations not seen in any other LNG export project to date. Without the use of an initial signaling mechanism to the various stakeholders described above, DOE may unfairly prejudice the development of the Liquefaction Project, which will require the investment of tens of billions of dollars over many years. API strongly encourages DOE to issue a conditional order authorizing exports from the Liquefaction Project as soon as practicable, with a final order to follow at the conclusion of the NEPA review process.

17 Application, at 3.

III. CONCLUSION

API respectfully requests that DOE grant this timely motion to intervene and that API be accorded full party status in any proceedings held by DOE in this docket. For the reasons stated above, DOE should expeditiously approve Alaska LNG's Application, which advances both U.S. domestic and global interests and brings needed jobs and revenue to Alaska.

Respectfully submitted,

/s/ Benjamin Norris

Ben Norris
American Petroleum Institute
1220 L Street, N.W.
Washington, D.C. 20005
Telephone: (202) 682-8000
Email: NorrisB@api.org

Dated: November 17, 2014

VERIFICATION

The undersigned, Benjamin Norris, hereby deposes and states that:

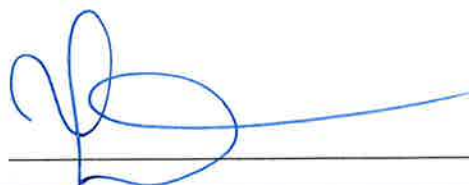
1. I am Senior Counsel with the American Petroleum Institute (“API”) and I am authorized to make this filing and verification on behalf of API.
2. The facts set forth in the foregoing Motion to Intervene and Comments in Support as they pertain to API are true and correct to the best of my knowledge or information and belief.

Date: 11/17/14

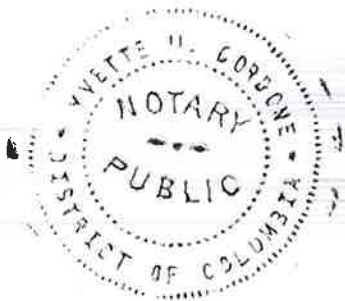


Benjamin Norris, American Petroleum Institute

Sworn to or affirmed before me and subscribed in my presence the 17th day of November,
2014, in the state of District of Columbia and county of District of Columbia.



SIGNATURE OF NOTARY PUBLIC



CERTIFICATE OF SERVICE

I certify that I have this 17th day of November, 2014, served copies of the foregoing document filed with the DOE/FE on the designated representatives of all of the parties to this proceeding, in accordance with 10 C.F.R. § 590.107(a).

/s/ Benjamin Norris

American Petroleum Institute