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November 4, 2015

Submitted electronically to fergas@hq.doe.gov

Mr. John Anderson
U.S. Department of Energy
Office of Fossil Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, SW
Washington, D.C. 20585

**Re: Flint Hills Resources, LP
FE Docket No. 15 - _____ - LNG
Application for Long-Term, Multi-Contract Authorization to Export
Liquefied Natural Gas to Free Trade Agreement and Non-Free Trade
Agreement Countries**

Dear Mr. Anderson:

Flint Hills Resources, LP ("Flint Hills") hereby submits for filing with the U.S. Department of Energy, Office of Fossil Energy, its application for long-term authorization to export liquefied natural gas ("LNG") in an amount up to the equivalent of 3.62 billion cubic feet of natural gas for per year for a 20-year term (the "Application"). The requested authorization would permit Flint Hills to export LNG to any country with which the United States has, or in the future will have, a Free Trade Agreement requiring national treatment for trade in natural gas and any other country with which trade is not prohibited by U.S. law or policy.

Flint Hills is electronically transmitting a PDF of the application materials and, on the same day, is hand delivering the application materials provided electronically. The hand delivered submission will include a paper copy of the original Application, three additional paper copies of the Application, and a check in the amount of \$50.00 in payment of the applicable filing fee. A photocopy of the check is included with the electronic submission.

Please do not hesitate to contact the undersigned should you have any questions.

Respectfully submitted,

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Counsel to Flint Hills Resources, LP

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

Flint Hills Resources, LP

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Docket No. 15-____-LNG

**APPLICATION OF FLINT HILLS RESOURCES, LP
FOR LONG-TERM, MULTI-CONTRACT AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS TO FREE TRADE AGREEMENT AND
NON-FREE TRADE AGREEMENT COUNTRIES**

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

Flint Hills Resources, LP

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Docket No. 15-____-LNG

**APPLICATION OF FLINT HILLS RESOURCES, LP FOR LONG-TERM, MULTI-
CONTRACT AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS TO
FREE TRADE AGREEMENT AND NON-FREE TRADE AGREEMENT COUNTRIES**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended by Section 201 of the Energy Policy Act of 1992,¹ and Part 590 of the United States Department of Energy’s (“DOE”) regulations,² Flint Hills Resources, LP (“Flint Hills”) hereby submits this application (“Application”) to the Department of Energy Office of Fossil Energy (“DOE/FE”) for long-term, multi-contract authorization to export a maximum of 3.62 billion cubic feet (“Bcf”) per year of liquefied natural gas (“LNG”) (equivalent to approximately 120,000 gallons of LNG per day) for a 20-year term to commence on the earlier of the date of first commercial export or a date three months from the issuance of a final order granting the requested authorization.

Flint Hills seeks this authorization to export domestically produced LNG to (i) any country with which the United States has a Free Trade Agreement (“FTA”) requiring national treatment for trade in natural gas, and (ii) any other country with which trade is not prohibited by U.S. law or policy, in each case, that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier. Flint Hills requests this authorization both on its own behalf and as agent for other parties who will hold title to the LNG at the time of export.

¹ 15 U.S.C. § 717b.

² 10 C.F.R. Part 590.

Flint Hills has also filed a separate application with the DOE/FE for short-term, multi-contract authorization to export LNG to those countries with which the United States has an FTA requiring national treatment for trade in natural gas.

In support of this Application, Flint Hills respectfully states the following:

I. COMMUNICATIONS

All communications and correspondence regarding this Application should be directed to:³

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II. DESCRIPTION OF THE APPLICANT

The exact legal name of the applicant is Flint Hills Resources, LP. Flint Hills is a limited partnership organized and existing under the laws of the State of Delaware, with its principal place of business at 4111 East 37th Street North, Wichita, Kansas. Flint Hills is a wholly-owned, indirect subsidiary of Flint Hills Resources, LLC, a Delaware limited liability company with its principal place of business at 4111 East 37th Street North, Wichita, Kansas.

³ Flint Hills requests waiver of Section 590.202(a) of DOE’s regulations, 10 C.F.R. § 590.202(a), to the extent necessary to include each of the listed persons on the official service list in this proceeding.

III. AUTHORIZATION REQUESTED

Flint Hills requests long-term, multi-contract authorization to export a maximum of 3.62 Bcf per year of domestically produced LNG to (i) any country that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier and with which the United States has an FTA requiring national treatment for trade in natural gas, and (ii) any other country with which trade is not prohibited by U.S. law or policy and that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier. This authorization is requested for a 20-year term to commence on the earlier of the date of first commercial export or a date three months from the issuance of a final order granting the requested authorization in order to provide Flint Hills sufficient time to execute LNG sales agreements prior to export.

Flint Hills is currently negotiating with Stabilis LNG Eagle Ford, LLC (“Stabilis LNG”) for the purchase of LNG from Stabilis LNG’s liquefaction facility located in George West, Texas (the “Stabilis Facility”).⁴ The Stabilis Facility has a storage capacity of approximately 270,000 gallons of LNG. The Stabilis Facility has the capacity to produce 120,000 gallons of LNG per day, based on actual physical production data, and can accommodate both ISO container loadings and tanker truck loadings. Stabilis LNG has been producing LNG at the Stabilis Facility as a replacement fuel for domestic diesel used in transportation and exploration and production. Because the Stabilis Facility is operational and has the capability to load LNG onto trucks and ISO containers, no additional plant infrastructure will be required as a result of the proposed exports.

⁴ Stabilis LNG is owned by an affiliate of Flint Hills, FHR LNG, LLC (49%), Stabilis FHR Oilfield, LLC (2%), and Stabilis Oilfield Investco LLC (49%).

Flint Hills requests export authorization on its own behalf and as agent for others. To ensure all exports are permitted and lawful under United States laws and policies, Flint Hills will comply with all DOE/FE requirements for an exporter or agent. DOE/FE has previously determined that where an applicant proposes to export as an agent for others, the applicant must register the other entity with the DOE/FE.⁵ Consistent with the procedures and requirements described in DOE/FE Order No. 2913, Flint Hills will register with DOE/FE each LNG title holder for whom Flint Hills seeks to export LNG as agent. Flint Hills will also provide DOE/FE with a written statement by the title holder acknowledging and agreeing to (i) comply with all requirements in Flint Hills' long-term export authorization and (ii) include those requirements in any subsequent purchase or sale agreement entered into for the exported LNG by that title holder.⁶ Flint Hills will also file under seal with the DOE/FE any relevant long-term commercial agreements Flint Hills enters into with the LNG title holders on whose behalf the exports will be performed.

Flint Hills seeks to export LNG from the Gulf Coast and elsewhere in the southeastern United States, to any country that has, or in the future will have, the capacity to import LNG delivered in ISO LNG containers or in bulk via ocean-going carrier. The Stabilis Facility is designed so that LNG can be loaded into ISO containers or tanker trucks. In general, FHR intends to use ISO containers to export LNG. If ISO containers are used, the containers will be trucked to a port or dock located along the Gulf Coast where they will be loaded onto a barge or ship for delivery to non-FTA countries. Flint Hills may also use tanker trucks to truck LNG from the Stabilis Facility directly to a bulk transport barge, ship or floating storage for

⁵ *Freeport LNG Development, L.P.*, DOE/FE Order No. 2913 at 7-8 (Feb. 10, 2011).

⁶ *Id.*

distribution to customers in both FTA and non-FTA countries. Appendix A of this Application includes a non-exhaustive list of the ports from which Flint Hills may export LNG.

The DOE/FE regulations require export authorization applicants to submit information regarding the terms of transactions, including long-term supply agreements and long-term export agreements.⁷ The DOE/FE has previously found, however, that applicants need only supply such contract-specific information “when practicable,”⁸ permitting applicants to submit such information if and when such contracts are executed.⁹ Flint Hills requests that the DOE/FE make the same finding in this proceeding. Flint Hills has not yet entered into any long-term supply or long-term export agreements given that a long-term export authorization is necessary to finalize arrangements with prospective customers, but will file any such agreements with DOE/FE under seal following their execution.

IV. EXPORT SOURCES

Flint Hills will be purchasing LNG from Stabilis LNG. The natural gas liquefied at the Stabilis Facility is sourced from the robust and abundant resources of natural gas currently available in South Texas. Gas is sourced from a local gas plant approximately two miles from the Stabilis Facility, and transported to the Stabilis Facility via an intrastate pipeline. A back up supply can be sourced from the Transcontinental Interstate Pipeline via a connecting line into the same intrastate pipeline between the primary supplier and the Stabilis Facility.

According to the Energy Information Administration (“EIA”), the total amount of dry natural gas production in Texas in 2014 was over 7.1 Bcf, or approximately 27% of the dry

⁷ 10 C.F.R. § 590.202(b)(4).

⁸ *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2833 (Sept. 7, 2010).

⁹ See, e.g., *Jordan Cove Energy Project, L.P.*, DOE/FE Order No. 3413 (Mar. 24, 2014); and *Cameron LNG, LLC*, DOE/FE Order No. 3391 (Feb. 11, 2014); see also *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 (May 20, 2011) (“Sabine Pass . . . will be directed as a condition of the instant authorization, to submit transaction specific information if and when such contracts are executed”).

natural gas produced in the United States during that year.¹⁰ The EIA further estimates that Texas has greater than 90 trillion cubic feet (“Tcf”) of dry natural gas reserves.¹¹ Accordingly, natural gas reserves in Texas represent an abundant source of supply for the proposed exports.

V. PUBLIC INTEREST ANALYSIS

A. Applicable Legal Standard

The DOE/FE has the authority to approve or deny applications to export natural gas pursuant to specific authorization in Section 3 of the NGA.¹² The general standard for review of applications to export natural gas, or LNG, is established by Section 3(a), which provides that:

[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] authorizing it to do so. The [Secretary] shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by its order grant such application, in whole or in part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate, and may from time to time, after opportunity for hearing, and for good cause shown, make such supplemental order in the premises as it may find necessary or appropriate.¹³

Flint Hills’ requested authorizations are not inconsistent with the public interest and should be granted by DOE/FE under the individual statutory provisions that apply separately to exporting LNG to FTA and non-FTA countries.

¹⁰ Energy Information Administration, *Natural Gas Gross Withdrawals and Production available at* http://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_FPD_mmcf_a.htm.

¹¹ Energy Information Administration, *Texas State Profile and Energy Estimates available at* <http://www.eia.gov/state/data.cfm?sid=TX#ReservesSupply>.

¹² 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redelegation Order No. 00.002.4D (Nov. 6, 2007).

¹³ 15 U.S.C. § 717b(a).

1. Exports to FTA Countries

Section 3(c) of the NGA deems exports of natural gas, including LNG, to nations with which there is in effect an FTA requiring national treatment for trade in natural gas “to be consistent with the public interest” and requires that applications for such exports be “granted without modification or delay.”¹⁴ The DOE/FE has repeatedly found that, in light of the statutory obligation to grant authorization applications to FTA countries, there is no need for DOE/FE to review factors affecting the public interest.¹⁵ The portion of this Application that seeks to export LNG to countries with which the United States currently has, or in the future may enter into, a FTA requiring national treatment for trade in natural gas clearly falls within the scope of Section 3(c) and therefore should be processed and approved in accordance with this standard.

2. Exports to Non-FTA Countries

The DOE/FE has consistently found that Section 3(a) creates a rebuttable presumption that proposed exports of natural gas are in the public interest.¹⁶ Accordingly, unless opponents of the application affirmatively demonstrate based on evidence in the record of the proceeding that the export would be inconsistent with the public interest, the DOE/FE must grant an application for exports to non-FTA countries.¹⁷

¹⁴ 15 U.S.C. § 717b(c).

¹⁵ See *Corpus Christi Liquefaction, LLC*, DOE/FE Order No. 3699 at 8 (Aug. 27, 2015); see also *Floridian Natural Gas Storage Company, LLC*, DOE/FE Order No. 3691 at 8 (July 31, 2015).

¹⁶ See e.g. *Cameron LNG, LLC*, DOE/FE Order No. 3391 (Feb. 11, 2014); see also *LNG Development Company, LLC (d/b/a Oregon LNG)*, DOE/FE Order No. 3465 (July 31, 2014); *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 3357-B (Nov. 14, 2014).

¹⁷ *Phillips Alaska Natural Gas Corporation and Marathon Oil Company*, Order No. 1473 at 13 n.42 (citing *Panhandle Producers and Royalty Owners Ass'n v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987)); see also *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 (May 20, 2011).

In previous decisions, the DOE/FE has looked to the 1984 Policy Guidelines, which specify the criteria for evaluating applications for natural gas imports.¹⁸ While nominally applicable to natural gas import cases, the DOE/FE has found the 1984 Policy Guidelines to be applicable to applications for the export of natural gas as well.¹⁹ In efforts to minimize federal control and involvement in energy markets and promote a balanced and mixed energy resource system, the Policy Guidelines provide that:

The market, not government, should determine the price and other contract terms of imported [or exported] gas . . . The federal government's primary responsibility in authorizing imports [or exports] should 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.²⁰

Historically, the DOE/FE's review has also been guided by DOE Delegation Order No. 0204-111 ("Delegation Order"). According to the Delegation Order, exports of natural gas are to be regulated primarily "based on a consideration of the domestic need for the gas to be exported and such other matters [found] in the circumstances of a particular case to be appropriate."²¹ Although the Delegation Order is no longer in effect, the DOE/FE's review of export applications continues to focus on: (i) the domestic need for 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 the DOE/FE's policy of promoting market competition; and (iv) any other factors bearing on the public interest.²² The DOE/FE has

¹⁸ *Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas*, 49 Fed. Reg. 6684 (Feb. 22, 1984) (hereinafter "Policy Guidelines").

¹⁹ *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 1473 (April 2, 1999).

²⁰ *Policy Guidelines* at 6685.

²¹ *Department of Energy*, Delegation Order No. 0204-111 (Feb. 22, 1982).

²² *See Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961 (May 20, 2011); *Cameron LNG, LLC*, DOE/FE Order No. 3391-A (Sept. 10, 2014).

identified a number of factors considered in its evaluation of applications for export authorization, including: economic impacts, international impacts, security of natural gas supply, and environmental impacts.²³

As demonstrated below, the export of a relatively small volume of domestically produced LNG as proposed by Flint Hills satisfies each of these considerations and therefore, is not inconsistent with the public interest.

B. Domestic Need for Natural Gas to be Exported

Improvements in drilling productivity and extraction technology, amongst other factors, have resulted in domestic consumers currently having access to substantial quantities of natural gas in the United States. In particular, these advancements have enabled the extraction of natural gas supplies from previously undeveloped gas-bearing shale formations. The EIA estimates that U.S. dry gas production increased by 1,385 Bcf from just 2013 to 2014, and by approximately 4,402 Bcf from 2010 to 2014, an overall increase of approximately 21%.²⁴ This growth can largely be attributed to increases in the production of shale gas, which is also forecasted to increase through 2040.²⁵ For example, in its *Annual Energy Outlook 2015*, the EIA forecasts that shale gas and tight oil play production alone will increase from 11.3 Tcf to 19.6 Tcf from 2013 to 2040.²⁶ The EIA's estimates of technically recoverable natural gas reserves have also correspondingly increased. Specifically, estimates of recoverable natural gas resources have increased by 519 Tcf, or approximately 30%, between 2009 and 2014.²⁷

²³ *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 3357-B (Nov. 14, 2014).

²⁴ Energy Information Administration, U.S. Dry Natural Gas Production *available at* <http://www.eia.gov/dnav/ng/hist/n9070us2A.htm>.

²⁵ See Energy Information Administration, *Annual Energy Outlook 2015* (Apr. 2015) at 20.

²⁶ *Id.*

²⁷ Energy Information Administration, Natural Gas Reserves Summary as of December 31, 2014, *available at* http://www.eia.gov/dnav/ng/ng_enr_sum_a_EPG0_R11_BCF_a.htm; Energy Information Administration,

Though the demand for natural gas has increased simultaneous with the increase in domestic supply, growth in United States gas production is forecasted to outpace the growth in natural gas demand. The EIA estimates long-term annual growth of only 0.5% in consumption of natural gas in the United States while total dry gas production during the same period is projected to almost double, with an annual growth rate of 1.4%.²⁸

Based on the current projections in the growth of natural gas production, especially as compared to the relatively slower growth in natural gas consumption, the requested exports will have minimal effect on the domestic supply of natural gas. As compared to other requests for LNG export authorization, Flint Hills seeks to export relatively small volumes of LNG. For example, the volume of natural gas that Flint Hills seeks to export in any given year to non-FTA countries is over 210 times less than the export authority recently granted by DOE/FE to a single applicant.²⁹ Moreover, the requested export volume is only a very small fraction of overall U.S. natural gas production, approximately 0.01% of the average amount of dry natural gas projected to be produced in the United States in 2016.³⁰ Because exports of such small volumes of natural gas will not have a significant impact on the domestic supply of natural gas, the LNG exports requested in this Application are not inconsistent with the public interest.

C. Other Public Interest Considerations of the Proposed Exports

1. Economic Impacts of the Proposed Exports

Assumptions to the Annual Energy Outlook 2014, Table 9.2, available at <http://www.eia.gov/forecasts/aeo/assumptions/pdf/oilgas.pdf>; Energy Information Administration, Assumptions to the Annual Energy Outlook 2009, Table 9.2, available at [http://www.eia.gov/forecasts/archive/aeo09/assumption/pdf/0554\(2009\).pdf](http://www.eia.gov/forecasts/archive/aeo09/assumption/pdf/0554(2009).pdf).

²⁸ Energy Information Administration, *Annual Energy Outlook 2015* (Apr. 2015) at Table A13.

²⁹ *Cheniere Marketing, LLC and Corpus Christi Liquefaction, LLC*, DOE/FE Order No. 3638 (May 12, 2015) (authorizing the applicant to export domestically produced LNG up to the equivalent of 767 Bcf per year of natural gas).

³⁰ See Energy Information Administration, *Short Term Energy Outlook* available at <http://www.eia.gov/forecasts/steo/report/natgas.cfm> (estimating dry gas production in the United States to be 75.89 Bcf/d in 2016).

In order to analyze the economic impacts to U.S. consumers of the proposed exports of domestically produced natural gas, DOE/FE commissioned a two-part study of the cumulative impacts of proposed LNG exports (the “LNG Export Study”). Part 1 of the LNG Export Study, conducted by the EIA, evaluated how increased natural gas exports could affect domestic consumption, production, and prices.³¹ In the 2012 EIA Study, the EIA projected that natural gas prices would rise over time even without additional LNG exports.³² Part 2 of the LNG Export Study, conducted by NERA Economic Consulting, assessed the macroeconomic impacts of natural gas exports under a range of global natural gas supply and demand scenarios, which included scenarios with unlimited LNG exports.³³ Taking into account the results of the 2012 EIA Study and utilizing a variety of assumptions about levels of exports, global market conditions, and the cost of producing natural gas in the United States, the NERA Study found that across all scenarios, the United States was projected to gain net economic benefits from allowing LNG exports.³⁴ According to the NERA Study, scenarios with unlimited exports always had higher net economic benefits than those scenarios with more limited exports.³⁵ Though the NERA Study found that domestic natural gas prices increase as a result of greater LNG exports, the value of those exports also rises, so that there is a net gain for the U.S. economy measured by a metric of economic welfare, real household income, or real Gross Domestic Product.³⁶

³¹ Energy Information Administration, *Effect of Increased Natural Gas Exports on Domestic Energy Markets, as Requested by the Office of Fossil Energy* (Jan. 2012) (hereinafter “2012 EIA Study”).

³² *Id.* at 6.

³³ NERA Economic Consulting, *Macroeconomic Impacts of LNG Exports from the United States* (Dec. 3, 2012) (hereinafter “NERA Study”).

³⁴ *Id.* at 6.

³⁵ *Id.*

³⁶ *Id.*

In 2014, in response to a request from the DOE/FE for an update of the 2012 EIA Study, the EIA published an analysis of the effects of increased levels of LNG exports on domestic energy markets (“2014 EIA Study”). Using updated data from the EIA’s *Annual Energy Outlook 2014*, and looking at export scenarios ranging from 12 Bcf/d to 20 Bcf/d, the 2014 EIA Study found that although projected average natural gas prices in the Lower 48 states increased from 2015 to 2040, natural gas markets in the United States balance in response to increased LNG exports predominantly due to increases in natural gas production.³⁷ The 2014 EIA Study ultimately concludes that because increased energy production spurs investment, added LNG exports from the United States result in “higher economic output, as measured by real gross domestic product.”³⁸

In a 2014 report sponsored by Cheniere Energy, Inc. (“2014 NERA Study”), NERA relied on assumptions provided by the EIA’s *Annual Energy Outlook 2013* to similarly conclude that the U.S. would experience net economic benefits from increased LNG exports in all scenarios it analyzed.³⁹ Even with unlimited LNG exports, the 2014 NERA Study found that the United States would experience net economic benefits.⁴⁰ Further, the 2014 NERA Study found that U.S. economic welfare consistently increases with an increase in the volume of natural gas exported.⁴¹ The 2014 NERA Study even predicts that exports of natural gas will, both in the short-term and the long-term, positively impact Gross Domestic Product as a result of

³⁷ Energy Information Administration, *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets* (Oct. 29, 2014) available at <http://www.eia.gov/analysis/requests/fe/pdf/lng.pdf>.

³⁸ *Id.* at 24.

³⁹ NERA Economic Consulting, *Updated Macroeconomic Impacts of LNG Exports from the United States* (Feb. 20, 2014) available at <http://www.nera.com/publications/archive/2014/updated-macroeconomic-impacts-of-lng-exports-from-the-united-sta.html>.

⁴⁰ *Id.* at 6.

⁴¹ *Id.* at 7.

higher resource income.⁴² Though the 2014 NERA study found that U.S. natural gas prices will increase with an increase in natural gas exports, the study indicated that the market will limit the rise in U.S. natural gas prices resulting from LNG exports because “importers will not purchase U.S. exports if the U.S. wellhead price rises above the cost of competing global supplies.”⁴³

The quantity of natural gas requested to be exported by Flint Hills is so minimal — approximately .01 Bcf per day — as to have no practical impact on natural gas prices in the U.S.⁴⁴ In another proceeding involving small export quantities, DOE/FE concluded that 0.04 Bcf per day of exports, or more than 4 times that proposed by Flint Hills, was “unlikely to have a significant impact on domestic natural gas markets or on the domestic economy generally.”⁴⁵ Flint Hills’ proposed exports will similarly have no significant impact on domestic natural gas markets.

2. International Impacts of the Proposed Exports

LNG exports over the requested 20-year export term will favorably influence the balance of trade that the United States has with its international trading partners. In 2014, the United States trade deficit increased to \$505 billion, reflecting \$2.3 trillion in exports and \$2.9 trillion in imports.⁴⁶ The United States imported over \$289 billion in crude oil and petroleum products in 2014, a significant contributing factor to the United States total trade deficit during that year. The value of the proposed exports would help reduce this trade deficit.

⁴² *Id.* at 86.

⁴³ *Id.* at 6.

⁴⁴ See Energy Information Administration, *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets* (Oct. 29, 2014) at 34, available at <http://www.eia.gov/analysis/requests/fe/pdf/lng.pdf> at 12 (finding that an increase in export volumes by 4 Bcf, or from 12 Bcf to 16 Bcf, results in an increase of only 1.3% in the annual average natural gas end-use price for residential customers in the U.S.).

⁴⁵ *Carib Energy (USA)*, DOE/FE Order No. 3487 at 14 (Sep. 10, 2014).

⁴⁶ U.S. Department of Commerce Bureau of Economic Analysis, *U.S. International Trade in Goods and Services* (Dec. 2014) available at <http://www.bea.gov/newsreleases/international/trade/2015/trad1214.htm>.

Flint Hills anticipates that the LNG it seeks to export will be used primarily in countries in Central America and the Caribbean as a replacement fuel for power generation, boiler fuel and transportation. Currently, countries in the Caribbean are heavily reliant on fuel oil and diesel for power generation. According to a recent Inter-American Development Bank feasibility study, fuel oil and diesel account for 90-100 percent of electricity generation on many Caribbean islands.⁴⁷ Exports of LNG to the Caribbean would support a transition towards the use of a less expensive, more environmentally friendly fuel than diesel or heavy fuel oil.

Securing cleaner energy sources for the Caribbean is a priority for the Administration. After launching the Caribbean Energy Security Initiative in June 2014, the Vice President, Secretary of Energy Moniz, other senior Administration officials, Caribbean Heads of Government, multilateral development banks, and other international partners participated in the Caribbean Energy Security Summit on January 26, 2015, in Washington, D.C., to work together in support of Caribbean energy security.⁴⁸ The participants discussed how the U.S. can better support the Caribbean in pursuit of alternative sources of energy⁴⁹ and noted the role of natural gas as a bridge and baseload fuel.⁵⁰ Bahamian Prime Minister and Caribbean Community (“CARICOM”) Chair Perry Christie was reported to have ended his speech at the Summit calling for faster access by Caribbean nations to U.S. natural gas.⁵¹

⁴⁷ Inter-American Development Bank, *Natural Gas in the Caribbean – Feasibility Studies Final Report* at 16 (Oct. 1, 2014).

⁴⁸ Press Release, Office of the Press Secretary, Fact Sheet: Fostering a Cleaner and More Sustainable Energy Future in the Caribbean (Jan. 26, 2015) *available at* <https://www.whitehouse.gov/the-press-office/2015/01/26/fact-sheet-fostering-cleaner-and-more-sustainable-energy-future-caribbea>.

⁴⁹ *Id.*

⁵⁰ David Goldwyn, *Three Elephants in the Room: The Unfinished Agenda for the Caribbean Energy Security Initiative*, Atlantic Council Blog (Feb. 2, 2015), *available at* <http://www.atlanticcouncil.org/blogs/new-atlanticist/three-elephants-in-the-room-the-unfinished-agenda-for-the-caribbean-energy-security-initiative>.

⁵¹ *Id.*

The LNG exports proposed by Flint Hills are well-suited to meet the objectives of the Caribbean Energy Security Initiative. According to the Administration's Quadrennial Energy Review, Caribbean demand has been too small to justify the expense of the necessary infrastructure for LNG.⁵² However, the export of smaller volumes of LNG has become both economically and technologically feasible as a result of the abundance in domestic resources in the U.S., as well as the existence of containers and other smaller-scale transportation that allow for the safe and effective transport of smaller volumes of LNG. Through its access to LNG from the existing Stabilis Facility and its ability to move LNG by ISO containers or smaller ocean-going carriers, Flint Hills can quickly and cost-effectively move LNG to the Caribbean and help meet the demand for diversified fuel supply.

3. Environmental Impacts of the Proposed Exports

Exports of LNG, and the resultant dispersion of natural gas as a fuel source, can have significant environmental benefits. Flint Hills' proposed exports will allow energy consumers to replace the use of heavy fuel oil, diesel and coal with natural gas. According to the EIA, natural gas, when burned, emits lower quantities of greenhouse gases and pollutants per unit of energy produced than do other fossil fuels. Diesel fuel and heating oil burned at electric utility power plants produce over 38% more carbon dioxide for every unit of energy created than natural gas.⁵³ Natural gas fired generation also produces half as much carbon dioxide, less than

⁵² See Quadrennial Energy Review: Energy Transmission, Storage, and Distribution Infrastructure (Apr. 2015) at 6-17 available at <http://energy.gov/epsa/quadrennial-energy-review-qer>.

⁵³ Energy Information Administration, *Frequently Asked Questions*, available at <http://www.eia.gov/tools/faqs/faq.cfm?id=73&t=11>.

one third as much nitrogen oxides, and one percent as much sulfur oxides when used in place of coal for electric generation.⁵⁴

Additionally, the increase in the supply of natural gas internationally, and the resultant displacement in the current and prospective consumption of heavy fuel oil, diesel and coal, will support the United States' climate change initiatives and bolster the United States' global position with regards to climate change. The proposed LNG exports can also help achieve the cleaner energy objectives of the Caribbean Energy Security Initiative.

VI. ENVIRONMENTAL REVIEW

The Application is subject to a categorical exclusion from the requirements of the National Environmental Policy Act ("NEPA")⁵⁵ pursuant to exclusion B5.7 at 10 C.F.R. Part 1021, Subpart D, Appendix B of DOE/FE's regulations. Item B5.7 provides a categorical exclusion from the requirements of NEPA where approvals or disapprovals of authorizations to import or export natural gas under NGA section 3 involve minor operational changes, but not new construction.⁵⁶ No new construction at the Stabilis Facility is proposed or would be required in order for Flint Hills to export LNG. The Stabilis Facility is an existing, operational facility currently producing LNG for exploration and production markets and other industrial fuel applications. None of the operations at the Stabilis Facility will be changed due to DOE/FE's action on this Application.⁵⁷ Accordingly, approval of this Application falls within the scope of Categorical Exclusion B5.7 and no NEPA analysis is necessary.

⁵⁴ United States Environmental Protection Agency, *Electricity from Natural Gas*, available at <http://www.epa.gov/cleanenergy/energy-and-you/affect/natural-gas.html#footnotes>.

⁵⁵ 42 U.S.C. § 4231, et. seq.

⁵⁶ Categorical Exclusion B5.7, 10 C.F.R. Part 1021, Subpart D, Appendix B.

⁵⁷ See *American LNG Marketing LLC*, DOE/FE Order No. 3690 at 125 (Aug. 7, 2015) (finding applicant's proposed exports fall within the scope of B5.7 categorical exclusion because the construction and operation of its liquefaction facility would not be changed due to DOE/FE's action).

VII. APPENDICES

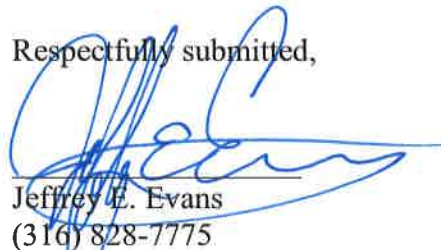
The following appendices are included with this Application:

- Appendix A List of Ports
- Appendix B Opinion of Counsel
- Appendix C Verification

VIII. CONCLUSION

For the reasons set forth above, Flint Hills respectfully requests that the DOE/FE issue an order granting Flint Hills long-term authorization to export up to 3.62 Bcf of natural gas per year for a term of 20 years to countries (i) that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier and with which the United States has a Free Trade Agreement (“FTA”) requiring national treatment for trade in natural gas, and (ii) any other country with which trade is not prohibited by U.S. law or policy and that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier.

Respectfully submitted,



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Counsel to Flint Hills Resources, LP

Appendix A

Ports of Export

- Port of Brownsville
- Port of Corpus Christi
- Port of Houston

Appendix B

OPINION OF COUNSEL

November 4, 2015

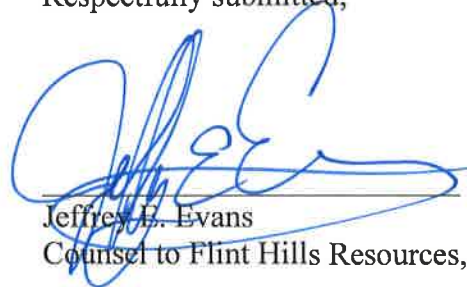
Mr. John Anderson
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

RE: Flint Hills Resources, LP Application for Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement Countries

Dear Mr. Anderson:

This opinion of counsel is submitted pursuant to Section 590.202(c) of the regulations of the United States Department of Energy, 10 C.F.R. § 590.202(c) (2014). I am counsel to Flint Hills Resources, LP (“Flint Hills”). I have reviewed the organizational and internal governance documents of Flint Hills and it is my opinion that the proposed export of natural gas as described in the application filed by Flint Hills, to which this Opinion of Counsel is attached as Appendix B, is within the company powers of Flint Hills.

Respectfully submitted,



Jeffrey E. Evans
Counsel to Flint Hills Resources, LP

Appendix C

