[6450-01-P]

DEPARTMENT OF ENERGY

[FE Docket No. 14-96-LNG]

Alaska LNG Project LLC; Application for Long-Term Authorization to Export Liquefied Natural Gas Produced from Domestic Natural Gas Resources to Non-Free Trade Agreement Countries for a 30-Year Period

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of application.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt of an application (Application) filed on July 18, 2014, by Alaska LNG Project LLC (Alaska LNG), requesting long-term multi-contract authorization to export 20 million metric tons per annum (mtpa) of liquefied natural gas (LNG) produced from Alaskan sources in a volume equivalent to approximately 929 billion cubic feet per year (Bcf/yr) of natural gas, or approximately 2.55 Bcf per day (Bcf/d).[1] Alaska LNG seeks authorization to export the LNG by vessel from a proposed Liquefaction Facility to be constructed in the Nikiski area of the Kenai Peninsula in south central Alaska (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).[2] Alaska LNG requests this authorization for a 30-year term to commence on the earlier of the date of first export or 12

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[1] Alaska LNG states that the conversion factor of 46.467 Bcf per million metric ton is appropriate due to the relatively high heating content (Btu/cubic foot gas) and associated physical characteristics of LNG produced from Alaska sources. According to Alaska LNG, the conversion factors used in applications to export LNG from the lower 48 states of the United States are not applicable in this proceeding.

[2] In the Application, Alaska LNG also requests authorization to export LNG to any nation that currently has, or in the future may enter into, a FTA requiring national treatment for trade in natural gas (FTA countries). DOE/FE will review Alaska LNG's request for a FTA export authorization separately pursuant to NGA § 3(c), 15 U.S.C. § 717b(c). Alaska LNG notes that the total volume requested in the Application (20 mtpa) represents LNG in an aggregate amount for export to both non-FTA and FTA countries.

years from the date the requested authorization is granted. Alaska LNG seeks to export the LNG on its own behalf and as agent for other parties who hold title to the LNG at the time of export. The Application was filed under section 3 of the Natural Gas Act (NGA).

DATES: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures, and written comments are to be filed using procedures detailed in the **Public Comment Procedures** section no later than 4:30 p.m., Eastern time, [**INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

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SUPPLEMENTARY INFORMATION:

Background

Applicant. Alaska LNG is a Delaware Limited Liability Company with its principal place of business in Anchorage, Alaska. Alaska LNG states that its current members are ExxonMobil Alaska LNG LLC, ConocoPhillips Alaska LNG Company, and BP Alaska LNG LLC (collectively, the Members). According to Alaska LNG, affiliates of the Members currently hold oil and gas leasehold interests in Alaska, including in the Prudhoe Bay and Point Thomson Units.[3]

Liquefaction Project. Alaska LNG plans to construct one integrated, interdependent Project. According to Alaska LNG, the Project facilities will include four main components: (i) a Liquefaction Facility consisting of three LNG trains with a total maximum capacity of 20 mtpa, with storage and LNG delivery facilities for the marine loading of LNG;[4] (ii) an approximately 800-mile long, large-diameter gas pipeline from the liquefaction facility to the gas treatment plant, which will have multiple compressor stations and at least five off-take points for delivery of gas to Alaska; (iii) a gas treatment plant on the North Slope of Alaska consisting of three or more amine processing/treating train modules with compression, dehydration, and chilling, to be built in a

[3] Alaska LNG notes that, on May 8, 2014, Alaska Governor Sean Parnell signed Senate Bill 138 into law, enabling the State of Alaska to participate in the Alaska LNG Project. Alaska LNG notes that it may seek to amend the Application to add a State of Alaska designee. *See* Alaska LNG App. at 3.

[4] Alaska LNG states that, to date, it has secured more than 200 acres of land for the Project, nearly half of the total acreage of the proposed Liquefaction Facility site. A map of the Project and an affidavit concerning the land acquired for the Project is attached to the Application as Appendices C and D, respectively.

modular fashion and sealifted to its location; and (iv) transmission lines between the gas treatment plant and producing fields on the North Slope. Alaska LNG states it will be required to build each component of this greenfield Project.

Alaska LNG states that the Project is unique due to its significant size, scope, costs, required upstream development, and project development timeline. Alaska LNG asserts that these factors distinguish the Project from any LNG export project in the lower 48 states. According to Alaska LNG, the Project would be the largest integrated gas and LNG project of its kind ever designed and constructed.

Current Application

Alaska LNG seeks long-term multi-contract authorization to export LNG produced from Alaska in a volume equivalent to 929 Bcf/yr (2.55 Bcf/d) of natural gas. Alaska LNG states that it plans to export the LNG from the Project to any non-FTA country with which trade is not prohibited by U.S. law or policy. Alaska LNG requests this authorization for a 30-year term commencing on the earlier of the date of first export or 12 years from the date the requested authorization is granted.

Business Model. Alaska LNG seeks to export the requested LNG on its own behalf and as agent for any or all of the following: (i) each of its Members; (ii) the respective affiliates of its Members; (iii) the State of Alaska or its nominee; and (iv) other third parties, under contracts to be executed in the future, as applicable. Alaska LNG maintains that the requested agency rights "would encompass any exports of any State of Alaska (or its nominee) share of LNG from the Project facilities."[5] Alaska LNG contemplates that the title holder at the point of export likely may be another party, such as the respective affiliates of its Members or other third parties, pursuant to a LNG sales and purchase contract.

[5] Alaska LNG App. at 10.

Alaska LNG further states that it will comply with all DOE/FE requirements for exporters and agents as set forth in recent DOE/FE orders, including registering each LNG title holder for whom Alaska LNG seeks to export as agent. Alaska LNG states that this registration will include a written statement by the title holder acknowledging and agreeing to comply with all applicable requirements included by DOE/FE in Alaska LNG's export authorization. Alaska LNG further states that it will include those requirements in a subsequent purchase or sale agreement entered into by that title holder. In addition, Alaska LNG states that it will file under seal with DOE/FE any relevant long-term commercial agreements between Alaska LNG and the LNG title holder, once those agreements have been executed.

Export Term and Commencement of Export Operations. Alaska LNG maintains that the requested 30-year export term and 12-year commencement term are required to support the size of this Project, as well as the continued development of natural gas resources on the North Slope. Alaska LNG emphasizes the massive size, scope, and cost of this "integrated mega-project."[6] Alaska LNG estimates that the Project will cost between $45 billion and $65 billion to construct, which it states is an unprecedented investment warranting a 30-year export term, as opposed to the 20-year term that DOE/FE typically authorizes for non-FTA LNG export projects in the lower 48 states.[7] Specifically, Alaska LNG notes that DOE/FE's reasoning for authorizing a 20-year export term for those projects does not apply to this unique Alaska Project.[8] Alaska LNG further asserts that a 30-year export term is supported by its natural gas reserves and resources estimates, is consistent with typical industry design standards for the Liquefaction Facility life, and will provide long-term access to market outlets needed to allow reasonable ability to recover investments.

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[6] *Id.* at 5, 40-41.

[7] *See id.* at 37-38 (citing DOE/FE final and conditional orders granted to LNG export projects in the lower 48 states); *see also id.* at 10.

[8] *See id.* at 38-39 (asserting that this Project is not subject to the same authorization constraints based on the 2012 LNG Export Study commissioned by DOE/FE, which focused on non-FTA export projects in the lower 48 states).

With respect to the requested 12-year period for the commencement of export operations, Alaska LNG notes that DOE/FE typically requires export operations in the lower 48 states to commence no later than seven years from the date the authorization is issued. It stresses, however, that construction of the Project will take place in unique Arctic construction conditions. In particular, Alaska LNG points to the challenges of moving equipment and a workforce over long distances in the extreme Arctic conditions, as well as the limitations in the construction timeline caused by the unpredictable Artic weather conditions. Alaska LNG maintains that, due to its complexity, the Project will require a Pre-Front End Engineering Design (FEED) phase of between one to three years, in addition to the typical FEED phase. Alaska LNG also highlights the expansive scope of the Project, which it anticipates, will lengthen the environmental review and permitting timelines under the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq*. In sum, Alaska LNG states that these Artic construction conditions, coupled with inherently longer upstream resource development periods and other factors, necessitate both a longer export term and start-up period.

Application Processing and Request for Conditional Authorization. Alaska LNG contends that, due to the unique nature of the proposed Project and the geographically separate supply base in Alaska, the Application should be processed differently than applications for LNG export projects proposed in the lower 48 states. Alaska LNG maintains that DOE/FE has consistently treated applications to export LNG from Alaska differently from lower 48 applications.[9]

Alaska LNG contends that the many unique features of the Project warrant exercise of DOE/FE's discretion to issue a conditional decision on the Application. Therefore, Alaska LNG

[9] Alaska LNG App. at 7 n.17 (citing DOE/FE orders, including *ConocoPhillips Alaska Natural Gas Corp.*, DOE/FE Order No. 3418, Order Granting Blanket Authorization to Export Liquefied Natural Gas by Vessel from the Kenai LNG Facility Near Kenai, Alaska to Non-Free Trade Agreement Nations, at 5 (Apr. 14, 2014)).

requests that the Application not be subject to any procedures recently proposed or adopted by DOE/FE regarding its processing of non-FTA LNG export applications.[10] In this regard, we note that DOE/FE's revised procedures for acting on non-FTA LNG export applications are now in effect, but they "apply only to exports from the lower-48 states."[11] In the notice finalizing the revised procedures, DOE/FE made clear 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."[12]

In asserting that the Project is unlike any export project in the lower 48 states and should be processed differently, Alaska LNG highlights the estimated cost and scope of the Project. It emphasizes that all components of the Project must be built, meaning that the Project cannot leverage an extensive existing gas grid. Lastly, Alaska LNG maintains that because Alaska and its supply of natural gas are geographically isolated from the lower 48 states, the Application stands on its own merits without regard to the cumulative impacts of LNG exports from the lower 48 states and should be processed as such.

Export Sources. Alaska LNG seeks authorization to export natural gas from Alaska, in particular from the North Slope Point Thomson Unit and Prudhoe Bay Unit production fields. According to Alaska LNG, affiliates of Members of Alaska LNG are leaseholders of natural gas resources in Alaska, thus providing the Project with access to natural gas. Alaska LNG expects that the natural gas developed and produced by the respective affiliates of its Members will be delivered to the Liquefaction Facility where LNG will be produced and made available for export.

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[10] *See id.* at 5 (discussing DOE/FE's proposed notice to revise the Order of Precedence for Processing Non-FTA Export Applications, 79 Fed. Reg. 32,261 (June 4, 2014)).
[11] Dep't of Energy, Procedures for Liquefied Natural Gas Export Decisions, 79 Fed. Reg. 48,132, 48,135 n.6 (Aug. 15, 2014) (stating that, for applications to export LNG from the lower 48 states to non-FTA countries, DOE/FE is suspending its practice of issuing conditional decisions prior to final authorization decisions).
[12] *Id.* at 48,135 n.6.

Public Interest Considerations

Alaska LNG contends that the Application fully addresses each of the public interest criteria considered by DOE/FE in the context of an Alaska-based project, and that the proposed export is not inconsistent with the public interest. In support of the Application, Alaska LNG addresses the following six criteria:

Domestic Need for the Natural Gas Proposed to be Exported – Regional. According to Alaska LNG, DOE/FE has recognized that Alaska is geographically isolated from the lower 48 states and, therefore, its natural gas reserves and resources should be analyzed separately. Alaska LNG asserts that the estimated recoverable natural gas reserves and resources in Alaska are abundant and more than sufficient to meet demand for both Alaska in-state consumption and Alaska LNG's proposed export over the 30-year export term. Based on the studies and analyses provided in the Application,[13] Alaska LNG contends that the proposed export authorization will not have a detrimental impact on the regional domestic supply of natural gas. Alaska LNG further asserts that the proposed exports will have positive market and macroeconomic impacts on Alaska and the United States as a whole.

Impact of the Proposed Exports on Natural Gas Market Prices. Citing the Socio-Economic Report prepared by NERA Economic Consulting in support of the Application, Alaska LNG states that the Project would lead to lower natural gas prices in Alaska. Alaska LNG points to NERA's determination that, by model year 2048, the Alaska market price of natural gas is

[13] *See, e.g.*, DeGolyer and MacNaughton, "Report on a Study of Alaska Gas Reserves and Resources for Certain Gas Supply Scenarios as of Dec. 31, 2012" (Apr. 2014) (Supply Report), attached to the Application as Appendix E; NERA Economic Consulting, "Socio-Economic Impact Analysis of Alaska LNG Project" (June 19, 2014) (Socio-Economic Report), attached to the Application as Appendix F.

$5.02/MMBtu lower in the Expected Demand scenario with LNG exports than in the Baseline with no LNG exports, a 39 percent price difference.[14]

Presidential Finding Concerning Alaska Natural Gas. Alaska LNG addresses Section 12 of the Alaska Natural Gas Transportation Act (ANGTA), which states that "before any Alaska natural gas in excess of 1,000 Mcf [thousand cubic feet] per day may be exported to any nation other that Canada or Mexico, the President must make and publish an express finding that such exports will not diminish the total quantity or quality nor increase the total price of energy available to the United States."[15] Alaska LNG states that President Ronald Reagan issued such a finding in 1988, 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.'"[16]

Alaska LNG contends that this 1988 Presidential Finding is not limited in scope to a particular project or time period. Rather, the Finding expressly "'remove[d] the [ANGTA] Section 12 regulatory impediment to Alaskan natural gas exports in a manner that allows any private party to develop this resource and sets up competition for this purpose.'"[17] According to the Presidential Finding, "removal of this impediment … will benefit our entire Nation."[18]

Alaska LNG notes that, although the Presidential Finding was issued in the context of earlier efforts to develop the vast natural gas resources on the North Slope (specifically, the Yukon Pacific project),[19] its broad language applies equally to Alaska LNG's Application to develop these same resources. According to Alaska LNG, the Yukon Pacific project bears remarkable similarities

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[14] NERA Economic Consulting, "Socio-Economic Impact Analysis of Alaska LNG Project" (Socio-Economic Report), June 19, 2014.
[15] 15 U.S.C. § 719j.
[16] Alaska LNG App. at 27 (quoting Presidential Finding Concerning Alaska Natural Gas, 53 Fed. Reg. 999 (Jan. 15, 1988)).
[17] *Id.* at 27-28 (quoting Presidential Finding, 53 Fed. Reg. 999).
[18] Presidential Finding, 53 Fed. Reg. 999.
[19] *See id.* at 28 (citing *Yukon Pacific Corp.*, ERA Docket No. 87-68-LNG, Order No. 350 (Nov. 16, 1989)).

to its proposed Project. Further, in the *Yukon Pacific* proceeding, DOE/FE concluded that the Presidential Finding "'removed the section 12 impediment to exports of North Slope natural gas,'" and is a "'generic finding'" that DOE/FE could apply to the facts of the case.[20]

Alaska LNG maintains that the facts of today's natural gas landscape support the continued validity of the Presidential Finding. Therefore, Alaska LNG asserts that the Presidential Finding is valid and applicable to this Project, and that the requirement of ANGTA Section 12 has been satisfied.

Economic Benefits. Alaska LNG maintains that the requested authorization will benefit local, regional, and national economies and is not inconsistent with the public interest. According to Alaska LNG, the proposed export would make natural gas, otherwise stranded on the North Slope, available to both the global LNG market and Alaska in-state markets. Alaska LNG also asserts that the Project will create new jobs and opportunities for American workers, is consistent with President Obama's National Export Initiative,[21] and will improve the U.S. balance of trade.

Benefits to National Energy Security. Alaska LNG maintains that the LNG exports associated with the requested authorization will support U.S. energy security. Alaska LNG points to DOE/FE's findings on national energy security in recent non-FTA LNG export proceedings and to the Socio-Economic Report, which analyzes the impact of natural gas exports on enhancing energy security using the metrics of supply assurance, price stability, and foreign policy.

Environmental Benefits. Alaska LNG maintains that LNG exports significantly benefit the environment because natural gas is cleaner burning than other fossil fuels. According to Alaska LNG, an increased supply of natural gas made possible through LNG exports can help countries reduce their reliance on less environmentally friendly fuels. To the extent its proposed exports are

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[20] Alaska LNG App. at 29-30 (quoting *Yukon Pacific Corp.*, Order No. 350, at 7, 27).
[21] Exec. Order 13534, 75 Fed. Reg. 12,433 (Mar. 11, 2010).

used by foreign countries as a substitute for coal and fuel oil, Alaska LNG maintains that its exports would reduce emissions significantly over the 30-year export term.

Based on these factors, Alaska LNG maintains that the proposed exports are not inconsistent with the public interest. Additional details can be found in Alaska LNG's Application, which is posted on the DOE/FE website at:

http://energy.gov/fe/downloads/alaska-lng-project-llc-14-96-lng

Environmental Impact

Alaska LNG requests that DOE/FE grant its request to export LNG to non-FTA countries conditioned on FERC's completion of the NEPA review and approval of Project construction. Alaska LNG notes that it has been standard practice for DOE/FE to complete its NEPA review as a cooperating agency in FERC's review of proposed export facilities. Alaska LNG further states that it will seek any necessary permits from other federal, state, and local agencies, as well as conduct any necessary consultations. Alaska LNG notes that it expects to commence FERC's pre-filing process in 2014.

DOE/FE Evaluation

The Application will be reviewed pursuant to section 3(a) of the NGA, 15 U.S.C. § 717b(a). In reviewing this LNG export Application, DOE will consider issues required by law or policy. To the extent determined to be relevant or appropriate, DOE/FE's review will include the impact of LNG exports associated with this Application on Alaskan regional domestic need for the natural gas proposed for export, adequacy of domestic natural gas supply in Alaska, and other issues, including whether the arrangement is consistent with DOE's policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose the Application should address these issues in their comments and/or protests, as well as other issues deemed relevant to the Application.

Interested persons will be provided 60 days from the date of publication of this Notice in which to submit comments, protests, motions to intervene, notices of intervention, or motions for additional procedures.

Public Comment Procedures

In response to this Notice, any person may file a protest, comments, or a motion to intervene or notice of intervention, as applicable. Any person wishing to become a party to the proceeding must file a motion to intervene or notice of intervention, as applicable. The filing of comments or a protest with respect to the Application will not serve to make the commenter or protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the Application. All protests, comments, motions to intervene, or notices of intervention must meet the requirements specified by the regulations in 10 C.F.R. Part 590.

Filings may be submitted using one of the following methods: (1) e-mailing the filing to fergas@hq.doe.gov with FE Docket No. 14-96-LNG in the title line; (2) mailing an original and three paper copies of the filing to the Office of Oil and Gas Global Security and Supply at the address listed in ADDRESSES; or (3) hand delivering an original and three paper copies of the filing to the Office of Oil and Gas Global Security and Supply at the address listed in ADDRESSES before 4:30 p.m. EST. All filings must include a reference to FE Docket No. 14-96-LNG. PLEASE NOTE: If submitting a filing via email, please include all related documents and attachments (e.g., exhibits) in the original email correspondence. Please do not include any active hyperlinks or password protection in any of the documents or attachments related to the filing. All electronic filings submitted to DOE must follow these guidelines to ensure that all documents are

filed in a timely manner. Any hardcopy filing submitted greater in length than 50 pages must also include, at the time of the filing, a digital copy on disk of the entire submission.

A decisional record on the Application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision, and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final Opinion and Order may be issued based on the official record, including the Application and responses filed by parties pursuant to this notice, in accordance with 10 C.F.R. § 590.316.

The Application is available for inspection and copying in the Division of Natural Gas Regulatory Activities docket room, Room 3E-042, 1000 Independence Avenue, S.W., Washington, DC 20585. The docket room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays. The Application and any filed protests, motions to

intervene or notice of interventions, and comments will also be available electronically by going to the following DOE/FE Web address: http://www.fe.doe.gov/programs/gasregulation/index.html.

Issued in Washington, D.C., on September 11, 2014.

Lisa C. Tracy

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