ORDER GRANTING LONG-TERM, MULTI-CONTRACT AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS BY VESSEL FROM THE SABINE PASS LNG TERMINAL TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3384

JANUARY 22, 2014
I. DESCRIPTION OF REQUEST

On September 10, 2013, Sabine Pass Liquefaction, LLC (SPL) filed an application (Application) with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA) for long-term, multi-contract authorization to export liquefied natural gas (LNG) produced from domestic sources in a volume equivalent to approximately 314 billion standard cubic feet per year of natural gas (Bcf/yr). SPL seeks authorization to export the LNG by vessel from the existing Sabine Pass LNG Terminal in Cameron Parish, Louisiana, for a 20-year term commencing on the earlier of the date of first export or 8 years from the date the authorization is issued (January 22, 2022). SPL seeks to export this LNG to: (1) any nation that currently has, or in the future develops, the capacity to import LNG and with which the United States currently has, or in the future enters into, a free trade agreement (FTA) requiring national treatment for trade in natural gas (FTA countries); and (2) any other country with which trade is not prohibited by U.S. law or policy, that has, or in the future develops, the capacity to import LNG (non-FTA countries).¹

The portion of SPL's Application that seeks authorization to export domestically produced LNG to FTA countries will be reviewed pursuant to NGA section 3(c), 15 U.S.C. § 717b(c), and approved in this Order. The portion of the Application that seeks authorization to export domestically produced LNG to non-FTA countries will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and addressed in a separate order.

¹The 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.
II. BACKGROUND

SPL, a limited liability company with its principal place of business in Houston, Texas, is an indirect subsidiary of Cheniere Energy Partners, L.P. (Cheniere Partners). Cheniere Partners is a Delaware limited partnership owned by Cheniere Energy, Inc. (Cheniere Energy), with its primary place of business in Houston, Texas. Cheniere Energy is a Delaware corporation with its primary place of business in Houston, Texas. Cheniere Energy is developing the Sabine Pass LNG Terminal in Louisiana, as well as other LNG terminals and natural gas pipelines on the Gulf Coast. SPL is authorized to do business in the States of Texas and Louisiana.

SPL and its affiliate, Sabine Pass LNG, L.P. (Sabine Pass LNG), are currently developing a liquefaction project consisting of four LNG production trains located at the Sabine Pass LNG Terminal (Liquefaction Project) and, as discussed below, recently announced plans to construct two additional LNG production trains, for a total of six trains.

Procedural History. On September 7, 2010, DOE/FE issued DOE/FE Order No. 2833, in which it authorized SPL to export LNG from the Sabine Pass LNG Terminal to FTA nations in a volume totaling 803 Bcf/yr of natural gas (2.2 Bcf per day (Bcf/d)).

Subsequently, on April 16, 2012, the Federal Energy Regulatory Commission (FERC) authorized the construction and operation of the Liquefaction Project. SPL notes that Trains 1 through 4 are currently under construction.

On August 7, 2012, in DOE/FE Order No. 2961-A, DOE/FE granted final authorization to SPL to export LNG from the Sabine Pass LNG Terminal to non-FTA countries in a volume

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1 SPL states that the Sabine Pass LNG Terminal is currently being used for the import, storage, and vaporization of LNG.
2 Sabine Pass Liquefaction, LLC, DOE/FE Order No. 2833, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Sabine Pass LNG Terminal to Free Trade Nations (Sept. 7, 2010).
equivalent to approximately 803 Bcf/yr of natural gas (2.2 Bcf/d). Therefore, the total, non-additive volume of LNG authorized in both DOE/FE Order No. 2833 (FTA) and No. 2961-A (non-FTA) is equivalent to 803 Bcf/yr of natural gas.

On February 27, 2013, SPL and its affiliates (Sabine Pass LNG and Sabine Pass Liquefaction Expansion, LLC) sought authorization from FERC to initiate the pre-filing review process for a proposed expansion of the Liquefaction Project that would consist of siting, constructing, and operating two additional liquefaction trains—Trains 5 and 6 (Liquefaction Expansion Project). SPL states that the peak combined LNG production capacity of Trains 5 and 6 is estimated to be 503 Bcf/yr of natural gas, or 251.5 Bcf/yr for each train.

Most recently, DOE/FE granted SPL two additional long-term export authorizations to FTA countries. First, on July 11, 2013, in DOE/FE Order No. 3306, DOE/FE authorized SPL to export LNG in a volume equivalent to 101 Bcf/yr of natural gas, pursuant to a LNG Sale and Purchase Agreement (SPA) with Total Gas & Power North America, Inc. (TGPNA). Second, on July 12, 2013, in DOE/FE Order No. 3307, DOE/FE issued a similar authorization in a volume equivalent to 88.3 Bcf/yr of natural gas, pursuant to a SPA with Centrica plc (Centrica).

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6 SPL received FERC approval to commence the mandatory pre-filing review process under the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321, et seq., for the planned Liquefaction Expansion Project on March 8, 2013, in Docket No. PF13-8-000. On June 7, 2013, FERC published a Notice of Intent to Prepare an Environmental Assessment for SPL’s planned expansion. SPL submitted its formal application to FERC on September 30, 2013, in FERC Docket No. CP13-552. SPL’s application includes a request by an affiliated interstate pipeline company, Cheniere Creole Trail Pipeline, L.P., for a proposed extension and expansion of the existing Cheniere Creole Trail Pipeline system to deliver feed-gas to the Liquefaction Expansion Project.


8 Sabine Pass Liquefaction, LLC, DOE/FE Order No. 3307, Order Granting Authorization to Export Liquefied...
SPL now requests long-term authorization to export any surplus LNG to FTA countries—specifically, any volume of natural gas produced from Trains 5 and 6 that is not already committed for export under its SPAs with TGPNA and Centrica, in an amount not to exceed the equivalent of 314 Bcf/yr of natural gas for the requested 20-year term. As discussed below, DOE/FE is granting that request in this Order. With this current Order, SPL now holds four FTA export authorizations in a volume of LNG not to exceed 1,306.3 Bcf/yr of natural gas (summarized in Table 1 below), as well as its non-additive non-FTA authorization in DOE/FE Order No. 2961-A.

### Table 1: Orders Issued by DOE/FE to SPL for the Export of Domestic LNG to FTA Countries from the Sabine Pass LNG Terminal

<table>
<thead>
<tr>
<th>Docket No.</th>
<th>Order No.</th>
<th>Date Issued</th>
<th>Trains</th>
<th>Volume (Bcf/yr)</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-85-LNG</td>
<td>2833</td>
<td>September 7, 2010</td>
<td>1-4</td>
<td>803.0</td>
<td>20 years multi-contract</td>
</tr>
<tr>
<td>13-30-LNG</td>
<td>3306</td>
<td>July 11, 2013</td>
<td>5-6</td>
<td>101.0</td>
<td>20 years TGPNA SPA</td>
</tr>
<tr>
<td>13-42-LNG</td>
<td>3307</td>
<td>July 12, 2013</td>
<td>5-6</td>
<td>88.3</td>
<td>20 years Centrica SPA</td>
</tr>
<tr>
<td>13-121-LNG</td>
<td>3384</td>
<td>January 22, 2014</td>
<td>5-6</td>
<td>314.0</td>
<td>20 years multi-contract</td>
</tr>
<tr>
<td><strong>Total Volume</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,306.3</strong></td>
<td></td>
</tr>
</tbody>
</table>

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9 SPL’s applications for non-FTA export authorization under the terms of its SPAs with TGPNA and Centrica are pending in DOE/FE Docket Nos. 13-30-LNG and 13-42-LNG, respectively.

10 SPL states that its obligation to deliver LNG under the two SPAs will arise when the fifth LNG train becomes commercially operable. SPL also states, however, that its delivery obligations under its SPAs are not tied to individual LNG trains.
**Application.** SPL is requesting this authorization to export LNG on its own behalf and as agent for other parties who will hold title to the LNG at the time of export. SPL states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements articulated in recent DOE/FE orders.

SPL states that it intends to purchase natural gas to be used as fuel and feedstock for LNG production from the interstate and intrastate grid at points of interconnection with other pipelines and with points of liquidity, both upstream and downstream of the Cheniere Creole Trail Pipeline system and other systems that interconnect with the Liquefaction Expansion Project. SPL anticipates that the Liquefaction Expansion Project will have access to multiple interstate and intrastate pipeline systems, enabling it to purchase natural gas from conventional and unconventional basins across the Gulf Coast region and throughout the United States. SPL notes that this supply of natural gas can be sourced in large volumes in the spot market or pursued under long-term arrangements. SPL states that, to date, it has not entered into any purchase agreements for the purpose of supplying natural gas feedstock for the proposed exports.

Additionally, SPL states that it has not yet entered into any long-term gas supply or export contracts in connection with the proposed exports. According to SPL, it is not submitting transaction-specific information at this time, but states that it will file, or cause to be filed, the transaction-specific information requested in Section 590.202(b) of DOE/FE’s regulations (10 C.F.R. § 590.202(b)), consistent with DOE/FE precedent.\(^\text{11}\)

SPL states that the potential environmental impact of the Liquefaction Expansion Project will be reviewed by FERC, in accordance with the Energy Policy Act of 2005 and the National

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\(^{11}\) App. at 8-9 (citing See Lake Charles Exports, LLC, DOE/FE Order No. 3324, Order Conditionally Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From the Lake Charles Terminal to Non-Free Trade Agreement Nations (Aug. 7, 2013)).
Environmental Policy Act. SPL anticipates that DOE/FE will participate as a cooperating agency in FERC's environmental review of the Liquefaction Expansion Project, consistent with governing federal regulations.

For these reasons, SPL requests that DOE/FE grant the Application in relevant part, and issue the requested long-term export authorization to FTA nations without modification or delay, pursuant to NGA § 3(c).

III. FINDINGS

(1) Section 3(c) of the NGA was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that applications authorize: (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA requiring national treatment for trade in natural gas, and (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. The FTA portion of the instant Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested FTA authorization without modification or delay.¹²

(2) In light of DOE's statutory obligation to grant the FTA portion of the Application without modification or delay, there is no need for DOE to review other arguments asserted by SPL in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments or its request for non-FTA authorization.

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

¹² DOE further finds that the requirements governing public notice of applications and other procedures set forth in 10 C.F.R. Part 590 apply only to applications seeking to export natural gas, including LNG, to non-FTA countries, and therefore do not apply here.
Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore.

(4) As described above, SPL requests authorization to export LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. DOE/FE previously addressed the issue of agency rights in DOE/FE Order No. 2913,\textsuperscript{13} which granted Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) authority to export LNG to FTA countries. In that order, DOE/FE approved a proposal by FLEX to register each LNG title holder for whom FLEX sought to export LNG as agent. DOE/FE found that this proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in The Dow Chemical Company,\textsuperscript{14} which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. We find that the same policy considerations that supported DOE/FE’s acceptance of the alternative registration proposal in Order 2913 apply here as well.

DOE/FE reiterated its policy on Agency Rights procedures in Gulf Coast LNG Export, LLC.\textsuperscript{15} 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.

\textsuperscript{13} Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC, DOE/FE Order No. 2913, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).

\textsuperscript{14} The Dow Chemical Company, DOE/FE Order No. 2859, Order Granting Blanket Authorization to Export Liquefied Natural Gas (Oct. 5, 2010), at 7-8, discussed in Freeport LNG, DOE/FE Order No. 2913, at 7-8.

\textsuperscript{15} Gulf Coast LNG Export, LLC, DOE/FE Order No. 3163, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations (Oct. 16, 2012).
on its own behalf.\textsuperscript{16}

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

(5) Section 590.202(b) of DOE/FE’s regulations requires applicants to supply transaction-specific factual information “to the extent practicable.”\textsuperscript{17} Additionally, DOE regulations at 10 C.F.R. § 590.202(e) allow confidential treatment of the information supplied in support of or in opposition to an application if the submitting party requests such treatment, shows why the information should be exempted from public disclosure, and DOE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.\textsuperscript{18}

(6) DOE/FE will require that SPL file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which SPL exports LNG as agent for a Registrant once they have been executed. DOE/FE finds that the submission of all such agreements or contracts within 30 days of their execution using the procedures described below will be consistent with the “to the extent practicable” requirement of section 590.202(b). By way of example and without limitation, a “relevant long-term commercial agreement” would include an agreement with a minimum of two years, such as a long-term contract involving LNG stored or liquefied at the Project.

(7) DOE/FE also will require SPL to file any long-term contracts SPL enters into providing for the long-term export of LNG on its own behalf from the Project. DOE/FE finds

\textsuperscript{16} See id. at 7-8.
\textsuperscript{17} 10 C.F.R. § 590.202(b).
\textsuperscript{18} Id. § 590.202(e).
that the submission of these contracts within 30 days of their execution using the procedures described below will be consistent with the “to the extent practicable” requirement of section 590.202(b).

(8) In addition, DOE/FE finds that section 590.202(c) of DOE/FE’s regulations\textsuperscript{19} requires that SPL file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Sabine Pass LNG Terminal within 30 days of their execution that either SPL or the Registrant enters into.

(9) DOE/FE recognizes that some information in SPL’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 Sabine Pass LNG Terminal may be commercially sensitive. DOE/FE therefore will provide SPL the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) SPL 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 with commercially sensitive information redacted, or ii) a summary of all major provisions of the contract(s) including, but not limited to, the parties to each contract, contract term, quantity, any take or pay or equivalent provisions/conditions, destination, re-sale provisions, and other relevant provisions; and (B) 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 the Order are conveyed to subsequent title holders, DOE/FE will include as a condition of this authorization that future contracts for the sale or transfer of LNG exported pursuant to the Order shall include an acknowledgement of these requirements.

\textsuperscript{19} \textit{Id.} § 590.202(c).
ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. SPL is authorized to export domestically produced LNG by vessel from the Sabine Pass LNG Terminal Liquefaction Extension Project trains 5 and 6 that are not under contract to TGPNA or Centrica. The volume authorized in this order is up to the equivalent of 314 Bcf/yr of natural gas for a 20-year term, beginning on the earlier of the date of first export or 8 years from the date the authorization is issued (January 22, 2022). SPL is authorized to export this LNG on its own behalf or as agent for other entities who hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore, and to any nation that the United States subsequently enters into a FTA requiring national treatment for trade in natural gas, provided that the destination nation has the capacity to import ocean going vessels. FTA countries are currently identified by DOE/FE at:


C. SPL shall ensure that all transactions authorized by this order are permitted and lawful under U.S. laws and policies, including the rules, regulations, orders, policies, and other determinations of the Office of Foreign Assets Control of the United States Department of the Treasury. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. (i) SPL shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the
long-term export of LNG on its own behalf or as agent for other entities from the proposed SPL Liquefaction Project. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SPL 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, SPL 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, SPL shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) SPL shall file, or cause others to file, with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Sabine Pass LNG Terminal. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SPL 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, SPL 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, SPL shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. SPL shall include, and require others for whom SPL acts as agent to include, the following provision in any agreement or other contract for the sale or transfer of LNG exported pursuant to this Order:

"Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries identified in Ordering Paragraph B of
DOE/FE Order No. 3384, issued January 22, 2014, in FE Docket No. 13-121-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 Sabine Pass Liquefaction, LLC that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Sabine Pass Liquefaction, LLC is made aware of all such actual destination countries.”

F. SPL is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other parties with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply SPL with all information necessary to permit SPL to register that person or entity with DOE/FE, including: (1) the Registrant’s agreement to comply with this Order and all applicable requirements of DOE’s regulations at 10 C.F.R. Part 590, including but not limited to destination restrictions; (2) the exact legal name of the Registrant, state/location of incorporation/registration, primary place of doing business, and the Registrant’s ownership structure, including the ultimate parent entity if the Registrant is a subsidiary or affiliate of another entity; (3) the name, title, mailing address, e-mail address, and telephone number of a corporate officer or employee of the Registrant to whom inquiries may be directed; (4) within 30 days of execution, a copy of any long-term contracts not previously filed with DOE/FE, described in Ordering Paragraph D of this Order.

G. Each registration submitted pursuant to this Order shall have current information on file with DOE/FE. Any changes in company name, contract 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).

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

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

J. SPL shall file with the Office of Oil and Gas Global Security and Supply, on a semi-annual basis, written reports describing the progress of the Liquefaction Expansion Project. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the progress of the Liquefaction Expansion Project, the date(s) that LNG Train 5 and 6 are 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.

K. Prior to any change in control of the authorization holder, SPL must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a “change of control” shall include any change, directly or indirectly, of the power to direct the management or policies of SPL, 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.
L. Monthly Reports: With respect to LNG exports authorized by this Order, SPL shall file with the Office of Oil and Gas Global Security and Supply, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made. The first monthly report required by this Order is due not later than the 30th day of the month following the month of first export. In subsequent months, if exports have not occurred, a report of “no activity” for that month must be filed. If exports of LNG have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the LNG tanker; (4) the date of departure from the U.S. export terminal; (5) the country of destination into which the exported LNG was actually delivered; (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 (indicate spot sales); and (10) the name(s) of the purchaser(s).

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

M. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to (202) 586-6050.

Issued in Washington, D.C., on January 22, 2014.

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