

INSIGHTS

Checking Off the List: DOE Approves a Third Non-FTA LNG Export Authorization

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The Department of Energy ("DOE") recently issued its third order authorizing the export of liquefied natural gas ("LNG") to non-Free Trade Agreement ("FTA") countries. This latest order, for Lake Charles Exports, LLC ("Lake Charles"), will allow exports of up to 2 Bcf/day from the Lake Charles LNG terminal and bring the cumulative DOE-authorized non-FTA exports up to 5.6 Bcf/day. Over the past several years, DOE has received approximately 19 applications to export LNG to non-FTA countries, and it has issued two export authorizations thus far. The first was for Sabine Pass Liquefaction, LLC and the second was for Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (together "Freeport"). DOE is processing the remaining applications in accordance with a published list, with Dominion Cove Point LNG, LP being the next application in queue for review. This next order is expected in six to eight weeks. The Freeport order was the first LNG export authorization issued since two DOE-commissioned studies were issued: the Energy Information Administration study and the NERA Economic Consulting study. For a review the studies and the Freeport order, please see our earlier blog post [here](#). The Lake Charles order is the first official LNG export authorization issued by recently instated DOE Secretary Moniz, and the order follows calls by Sen. Murkowski for DOE to issue more LNG export orders and a challenge by Sen. Wyden seeking more information as to why DOE stated it could condition or suspend LNG export approvals already granted. Further, in response to pressure from Sen. Wyden and others on the LNG exports issue, many have wondered whether DOE under Sec. Moniz's new leadership would change the agency's stance expressed in Freeport order. As demonstrated by the Lake Charles order, the answer appears to be no. Sen. Murkowski applauded the Lake Charles decision and again called for more export authorizations, but Sen. Wyden stated that he expected DOE's threshold for approving export applications to become higher. DOE has stated that it will consider the cumulative impacts of the preceding export authorizations when reviewing a pending application. Notably, the Lake Charles order repeats almost verbatim much of the analysis found in the Freeport order. DOE noted that the cumulative amount of LNG exports now authorized totals only 5.6 Bcf/day, a volume still below the 6 Bcf/day analyzed in the "low" exports cases of DOE-commissioned studies. DOE explained that the Lake Charles LNG exports may have some effect on domestic natural gas prices, but just as in the Freeport order, DOE concluded that the Lake Charles exports will bring net economic benefits to the U.S. However, DOE again stated that it will be taking a "measured approach" in reviewing the pending applications and will "continue to

assess the cumulative impacts of each succeeding request for export authorization on the public interest with due regard to the effect on domestic natural gas supply and demand fundamentals."¶ In addition, DOE again repeated its cautionary note that it will continue to monitor developments in the natural gas markets that could harm the public interest and that DOE is "authorized to take action as necessary to protect the public interest."¶ DOE authorized Lake Charles to export LNG for only 20 years, less than the 25-year period sought by Lakes Charles. DOE required Lake Charles to file (non-publicly) any long-term commercial agreements once they have been executed. Environmental issues surrounding the LNG terminal will be addressed in proceedings before the Federal Energy Regulatory Commission.