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08-70-LNG

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## VIA HAND-DELIVERY

August 1, 2008

Mr. Robert Corbin  
Office of Fuels Programs, Fossil Energy  
U.S. Department of Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

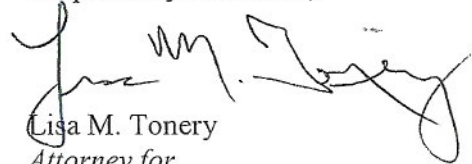


Dear Mr. Corbin:

Enclosed for filing on behalf of Freeport LNG Development, L.P. ("Freeport LNG"), please find an original and fifteen (15) copies of the "Application for Blanket Authorization to Export Liquefied Natural Gas On a Short-Term Basis" pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the U.S. Department of Energy's regulations, 10 C.F.R. Part 590 (2008). An electronic copy of the application is also provided on the enclosed compact disk. A check in the amount of \$50.00 is enclosed as the filing fee stipulated by 10 C.F.R. § 590.207 (2008).

Should you have any questions about the foregoing, please feel free to contact the undersigned at (212) 318-3009.

Respectfully submitted,

  
Lisa M. Tonery  
Attorney for  
Freeport LNG Development, L.P.

Enclosures

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

In The Matter Of: )  
 )  
FREEPORT LNG DEVELOPMENT, L.P. ) Docket No. 08 - 70 - LNG  
 )

APPLICATION FOR BLANKET AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS

Pursuant to Section 3 of the Natural Gas Act (“NGA”), 15 U.S.C. §717b, and Part 590 of the Department of Energy’s (“DOE”) regulations, 10 C.F.R. Part 590, (2008), Freeport LNG Development, L.P. (“Freeport LNG”) hereby requests that DOE, Office of Fossil Energy (“FE”), issue an order granting blanket authorization for Freeport LNG to engage in short-term exports of up to 24 billion cubic feet (“Bcf”),<sup>1</sup> on a cumulative basis, of liquefied natural gas (“LNG”) that has been imported into the United States from foreign sources, for a two-year period commencing the date of authorization. Freeport LNG is seeking authorization to export previously imported LNG volumes from the United States to the following international destinations: United Kingdom, Belgium, Spain, Japan, South Korea, India, China, Taiwan, France and Italy.

In support of its application, Freeport LNG states as follows:

I.  
DESCRIPTION OF THE APPLICANT

The exact legal name of Freeport LNG is Freeport LNG Development, L.P. Freeport LNG is a Delaware limited partnership with one general partner, Freeport LNG-GP, Inc., a Delaware corporation, which is owned 50% by an individual, Michael S. Smith, and 50% by

<sup>1</sup> One Bcf is equivalent to approximately one Trillion British Thermal Units (“TBtus”). Accordingly, Freeport LNG is seeking authorization to export up to the equivalent of 24 TBtus.

ConocoPhillips Company. Freeport LNG's limited partners are: (1) Freeport LNG Investments, LLLP, a Delaware limited liability limited partnership, which owns a 45% limited partnership interest in Freeport LNG; (2) Cheniere FLNG, L.P., a Delaware limited partnership, which owns a 30% limited partnership interest in Freeport LNG; (3) Texas LNG Holdings LLC, a Delaware limited liability company and wholly-owned subsidiary of The Dow Chemical Company, which owns a 15% limited partnership interest in Freeport LNG; and (4) Turbo LNG LLC, a Delaware limited liability company and wholly-owned subsidiary of Osaka Gas Co., Ltd., which owns a 10% limited partnership interest in Freeport LNG.

The Federal Energy Regulatory Commission ("FERC") has authorized Freeport LNG to site, construct and operate a new LNG import, storage, and vaporization terminal on Quintana Island, Texas and an associated 9.6-mile long send-out pipeline which will be utilized to import up to 1.55 Bcf per day of LNG.<sup>2</sup> On July 1, 2008, FERC issued a letter order granting Freeport LNG's request to commence service at its Quintana Island import terminal.

On January 15, 2008, FE granted Freeport LNG blanket authorization to import up to 30 billion cubic feet of LNG from various international sources for a two-year term beginning March 1, 2008.<sup>3</sup>

## II. COMMUNICATIONS AND CORRESPONDENCE

All correspondence and communications concerning this application, including all service of pleadings and notices, should be directed to the following persons:<sup>4</sup>

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<sup>2</sup> Freeport LNG Development, L.P., Order Granting Authorization Under Section 3 of the Natural Gas Act, 107 FERC ¶ 61,278 (2004), Order Granting Rehearing and Clarification, 108 FERC ¶ 61,253 (2004); Order Amending Section 3 Authorization, 112 FERC ¶ 61,194 (2005).

<sup>3</sup> *Freeport LNG Development L.P.*, DOE/FE Order No. 2457, issued Jan. 15, 2008.

<sup>4</sup> Freeport requests a waiver of Section 590.202(a) to permit all listed persons, including outside counsel, to be included on the official service list in this proceeding.

John Tobola, Esq.  
William Henry  
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Pursuant to Section 590.103(a) of the DOE regulations, 10 C.F.R. §590.103(a) (2008), Freeport LNG hereby certifies that the persons listed above and the undersigned are the duly authorized representatives of Freeport LNG.

### **III.** **AUTHORIZATION REQUESTED**

Freeport LNG requests blanket authorization to export on a short-term or spot market basis up to 24 Bcf of previously imported LNG cumulatively over a two-year period commencing the date authorization is granted and terminating two years later. Freeport LNG anticipates the potential to export volumes of imported LNG to various international destinations, primarily in Europe and Asia, on its own behalf or as agent for others. Freeport LNG does not seek authorization to export domestically produced natural gas or LNG. Moreover, Freeport LNG will not export LNG to those countries with which trade is prohibited by Federal law or policy. There are no other proceedings related to this application currently pending before DOE or any other federal agency.

IV.  
BACKGROUND AND EXECUTIVE SUMMARY

As reflected above, the FERC recently approved Freeport LNG's request to place its Quintana Island LNG import facilities in-service. Once placed in service, a continuous supply of LNG is needed to keep the facilities cool and to maintain and safely operate them. Although the capacity in Freeport LNG's facilities is fully subscribed by third-party customers, increasing world-wide demand for LNG, and relatively low market prices in the United States, has resulted in slower than anticipated LNG deliveries to the United States. Freeport LNG anticipates that, so long as such global market conditions persist, supply to the terminal will be in direct competition with global LNG markets.

U.S. and global demand for natural gas and LNG has increased dramatically over the past 12 months.<sup>5</sup> While demand for natural gas in the United States has grown significantly over this period as well, natural gas production in the United States has also seen an exceptionally large increase.<sup>6</sup> In Texas alone, natural gas supplies grew by 15% between the first quarter of 2007 and the first quarter of 2008.<sup>7</sup> Under current market conditions, U.S. production of natural gas is expected to continue to increase for the next few years.<sup>8</sup> As rising U.S. demand has been met with rising domestic production, U.S. natural gas prices have remained well below those seen in international markets. This imbalance between U.S. and international prices has led to a dramatic reduction of LNG imports into the United States. Through the first half of 2008, LNG imports into the United States were roughly 60% below that received in the first half of 2007.<sup>9</sup> Given the global increase in demand for LNG and the concurrent disparity in natural gas prices

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<sup>5</sup> See Energy Information Administration ("EIA") Short-term Energy Outlook (July 8, 2008) (available at [www.eia.doe.gov/steo/pub/](http://www.eia.doe.gov/steo/pub/)).

<sup>6</sup> See EIA Energy in Brief, ( June 11, 2008) (available at [http://tonto.eia.doe.gov/energy\\_in\\_brief/natural\\_gas\\_production.cfm](http://tonto.eia.doe.gov/energy_in_brief/natural_gas_production.cfm)).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> See EIA Short-term Energy Outlook (July 8, 2008).

in the United States relative to global markets, it is unclear when a constant and continuing supply of foreign sourced LNG will begin to arrive at the Freeport LNG facility and other U.S. LNG import terminals.

Freeport LNG is herein seeking blanket authorization to export over a two-year period, on a short-term or spot market basis, up to 24 Bcf of LNG that has been imported into the United States. Blanket export authorization would afford Freeport LNG a greater ability to acquire LNG for maintenance and operation of the Freeport LNG facilities during those periods when LNG deliveries may not otherwise be adequate to maintain its facilities in a state ready to serve the U.S. markets. Freeport LNG is seeking blanket export authorization so that it may sell in non-U.S. markets any imported LNG that is not required for the operation of its facilities should U.S. market prices not support sale of such imported LNG domestically. Granting Freeport LNG authorization to export imported LNG will benefit U.S. gas consumers by helping to ensure the continuing operation and availability of U.S. energy infrastructure at times when global market forces may not otherwise support deliveries of LNG to the United States. Additionally, granting of the authorization requested herein will increase the likelihood that imported LNG supplies are available for delivery to U.S. markets if those markets support it. U.S. markets would have an inherent pricing advantage over foreign markets, since transportation of the LNG to foreign markets would be subjected to additional shipping costs and gas losses.

Grant of the blanket export authorization Freeport LNG seeks herein enhances Freeport LNG's ability to maintain the continual operational status of its facilities by providing an alternative incentive to deliver LNG cargos, even when market conditions may not support delivery of sufficient LNG into the U.S. Absent grant of the blanket export authorization, U.S. consumers would have less natural gas supply to call on in times of need which, in turn, would result in higher natural gas prices for consumers in U.S. markets.

V.  
PUBLIC INTEREST STANDARD

Pursuant to Section 3 of the NGA, FE is required to authorize exports to a foreign country unless there is a finding that such exports “will not be consistent with the public interest.”<sup>10</sup> Section 3 thus creates a statutory presumption in favor of approval of this export application which opponents bear the burden of overcoming.<sup>11</sup> Further, in evaluating an export application, FE applies the principles described in DOE Delegation Order No. 0204-111, which focuses primarily on domestic need for the gas to be exported, and the Secretary’s natural gas policy guidelines.<sup>12</sup> As detailed below, Freeport LNG’s proposal to export LNG to various countries is consistent with Section 3 of the NGA and FE’s policy.

A. There Is No Domestic Reliance on the Gas That Freeport LNG Seeks to Export

There is presently no domestic reliance on the volumes of imported LNG that Freeport LNG would seek to export. Due to global LNG market conditions, U.S. natural gas demand and prices do not currently support the importation of LNG into the United States. Export authorization is needed to enable Freeport LNG to economically import LNG for the maintenance and continual operation of the Freeport LNG facilities. Freeport LNG intends only to export foreign sourced LNG. As there is no domestic reliance on such LNG supplies, the requested export authorization is consistent with the public interest.

B. Local Gas Supplies Will Not Be Reduced

The public interest also requires approval of Freeport LNG’s application since the proposed exports will not result in a reduction of local gas supplies. In fact, the U.S. supply of

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<sup>10</sup> 15 U.S.C. 717b.

<sup>11</sup> In *Panhandle Producers and Royalty Owners Association v. ERA*, 822 F.2d 1105, 1111 (D.C. Cir. 1987), the court found that Section 3 of the NGA “requires an affirmative showing of inconsistency with the public interest to deny an application” and that a “presumption favoring ... authorization ... is completely consistent with, if not mandated by, the statutory directive.” See also *Independent Petroleum Association v. ERA*, 870 F.2d 168, 172 (5<sup>th</sup> Cir. 1989); *Panhandle and Royalty Owners Association v. ERA*, 847 F.2d 1168, 1176 (5<sup>th</sup> Cir. 1988).

<sup>12</sup> See 49 Fed. Reg. 6684, February 22, 1984.

natural gas would be increased as a result of the requested authorization. Freeport LNG anticipates that a minimum of 4-7 mmcf/d of natural gas from LNG cargos delivered to the Freeport LNG terminal will be sold into U.S. markets solely as a result of boil-off and other maintenance and operational requirements at the terminal. Such supplies are unlikely to otherwise be available absent the authorization to export the imported volumes as requested herein. Further, grant of the requested short-term blanket authorization would serve to increase natural gas supplies available to U.S. markets in times of need because it would encourage Freeport LNG to obtain and store spot-market LNG cargoes. Natural gas derived from imported LNG will be available to supply local markets when conditions support it, and will thereby serve to moderate U.S. gas price volatility. As such, the requested export authorization is consistent with the public interest.

Freeport LNG recognizes that its facilities were authorized to provide additional supplies of natural gas to U.S. customers on a long-term basis, and it is Freeport LNG's intent to operate its facilities in accordance with this authorization. Indeed, the capacity in Freeport LNG's facilities is fully subscribed. However, on a short-term basis in order to ensure full and continual operation of its LNG import facilities, Freeport LNG would seek to import LNG to use for operational purposes. Freeport LNG is requesting authorization, for itself and as agent for third parties, to periodically export LNG imported under DOE/FE Order No. 2457, as well as LNG of third parties, should market conditions in the United States not support domestic sale of those supplies.

Freeport LNG's request is limited in both scope and duration. Freeport LNG is not seeking authorization to export domestically produced gas or LNG. Rather, the authorization Freeport LNG seeks would permit it to export LNG which has been imported entirely from foreign sources. LNG is required to maintain the Freeport LNG terminal facilities in cryogenic



operations and to support the continuous safe and reliable operation of its LNG facilities during periods when global LNG market conditions are unfavorable to U.S. LNG deliveries. If the terminal facilities are not maintained in cryogenic operation, returning the terminal to operational readiness would take several weeks, and the facilities would be unable to respond to rapidly changing U.S. market needs. Ensuring the continuing operation of U.S. energy infrastructure at times when global market forces may not otherwise support it is consistent with the public interest.

## VI. ENVIRONMENTAL IMPACT

De minimis changes to the Freeport LNG facilities would be required for the proposed exportation of LNG.<sup>13</sup> Consequently, granting this application will not be a federal action significantly affecting the human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. §4231, *et seq.* Therefore, an environmental impact statement or environmental assessment is not required.

## VII. APPENDICES

The following appendices are attached hereto and incorporated by reference herein:

Appendix A: Verification.

Appendix B: Opinion of Counsel.

Appendix C: *Freeport LNG Development, L.P., Order Granting Authorization under Section 3 of the National Gas Act*, 107 FERC ¶ 61,278 (2004), *Order Granting Rehearing and Clarification*, 108 FERC ¶ 61,253

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<sup>13</sup> Freeport LNG would utilize one of its existing unloading arms to serve as a ship loading line in order to export LNG from its Quintana Island terminal. Minor changes to a check valve and a control valve located at the Freeport LNG dock would be required in order to export LNG. Freeport LNG would obtain any authorization that may be required for the minor changes to its facilities necessary for the export of LNG from FERC. There would be no additional environmental impact associated with these changes.

(2004); *Order Amending Section 3 Authorization*, 112 FERC ¶ 61,194 (2005).

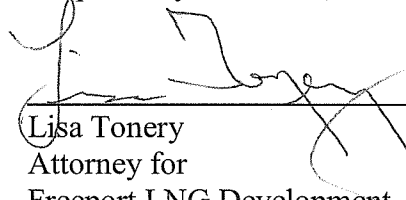
Appendix D: Energy Information Administration Short-term Energy Outlook (July 8, 2008).

Appendix E: EIA Energy in Brief, ( June 11, 2008).

**VIII.**  
**CONCLUSION**

For the foregoing reasons, Freeport LNG respectfully requests that FE determine that its request for blanket authorization to export LNG from the United States to various international destinations, specifically, United Kingdom, Belgium, Spain, Japan, South Korea, India, China, Taiwan, France and Italy, as discussed herein, is not inconsistent with the public interest and grant such authorization as expeditiously as possible.

Respectfully submitted,

  
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