

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

In the matter of:

**CONOCOPHILLIPS ALASKA
NATURAL GAS CORPORATION
and
MARATHON OIL COMPANY**

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Docket No. 07-____-LNG

**APPLICATION FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS**

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ConocoPhillips Alaska Natural Gas Corporation (“CPANGC”) and Marathon Oil Company (“Marathon”) (collectively “Applicants”) hereby request issuance by the Department of Energy (“DOE”), Office of Fossil Energy (“FE”) of an order granting a blanket authorization to effectuate short-term exports from the United States of America (“United States”) of liquefied natural gas (“LNG”) up to the equivalent of 99 Trillion British thermal units (“TBtus”)¹ on a cumulative basis during the two-year period commencing April 1, 2009. This authorization is sought pursuant to Section 3 of the Natural Gas Act (“NGA”), 15 U.S.C. § 717b, and Part 590 of DOE’s regulations, 10 C.F.R. Part 590 (2006).² In support of the instant application, the Applicants submit the following:

**I.
DESCRIPTION OF THE APPLICANTS**

The exact legal name of CPANGC is ConocoPhillips Alaska Natural Gas Corporation. CPANGC is a Delaware corporation with its principal place of business in Anchorage, Alaska. CPANGC is a wholly-owned subsidiary of ConocoPhillips Company, a publicly-traded

¹ One TBtu is equivalent to approximately one billion cubic feet (“Bcf”).

² This authorization is delegated to the Assistant Secretary for Fossil Energy pursuant to Redefinition Order No. 00-002.04 (Jan. 8, 2002).

Delaware corporation. CPANGC is authorized to do business in the State of Alaska, among other states.

The exact legal name of Marathon is Marathon Oil Company. Marathon is an Ohio corporation with its principal place of business in Houston, Texas. Marathon is authorized to do business in the State of Alaska, among other states. CPANGC and Marathon are not affiliated with each other. CPANGC and Marathon are joint indirect owners of natural gas liquefaction and marine terminal facilities near Kenai, Alaska (“Kenai LNG Facility”).³

II. **CORRESPONDENCE AND COMMUNICATIONS**

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

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³ The Kenai LNG Facility is owned by the Kenai LNG Corporation. CPANGC has a 70% ownership interest and Marathon has a 30% ownership interest in Kenai LNG Corporation.

⁴ The Applicants interpret Section 590.202(a) of DOE’s regulations, 10 C.F.R. § 590.202(a) (2006), to permit two people to be designated on the official service list for each of the two applicants. The Applicants request waiver of Section 590.202(a) to the extent necessary to include outside counsel on the official service list in this proceeding.

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Pursuant to the requirements of 10 C.F.R. § 590.103(a) (2006), the Applicants hereby certify that those persons listed above and undersigned are the duly authorized representatives of CPANGC and Marathon.

III. **AUTHORIZATION REQUESTED**

The Applicants request a blanket authorization to export LNG from their existing Kenai LNG Facility in the State of Alaska on a short-term or spot market basis up to the cumulative equivalent of 99 TBtus over a two year period commencing April 1, 2009 and terminating March 31, 2011.⁵ The commencement date proposed by the Applicants for the blanket export

⁵ 99 TBtus is the volume of LNG that will actually be exported and delivered by the Applicants. The volume of natural gas required as feedstock for LNG production is greater than the delivered volume of LNG due to fact that natural gas is used as fuel in the LNG manufacturing process and LNG is used to fuel the ships transporting the LNG export. The net efficiency of the process is approximately 85%. Thus, approximately 116 TBtus of natural gas will be required by the Applicants to export 99 TBtus of LNG over the two year export authorization period. See "An Economic Analysis of Kenai LNG Export – January 2007," Resource Decisions (January 9, 2007) at p. 3-13 [hereinafter "RD Report"].

authorization coincides with the termination of the Applicants' currently-effective long-term authorization to export LNG on March 31, 2009.⁶

The Applicants expect to export LNG to Japan and/or one or more countries on either side of the Pacific Rim, acting on their own behalf or as agent for others.⁷ The Applicants expect that LNG prices will vary from time to time to reflect changes in market conditions. Consistent with DOE/FE precedent, gas purchase and sales contracts are not being filed as part of the instant application for blanket authorization for export LNG.⁸ The Applicants certify that there are no other proceedings related to this application currently pending at either DOE or any other Federal agency.

The Applicants also request that FE vacate the blanket export authorization issued on April 10, 2000 in DOE/FE Order and Opinion No. 1580 contemporaneous with, and conditioned on, the issuance of the blanket authorization sought in the instant application. As background, DOE/FE Order and Opinion No. 1580 authorized the Applicants to export up to 10 TBtus of LNG from the Kenai LNG Facility to countries in the Pacific Rim over a two-year period beginning on the date of first delivery.⁹ This blanket export authorization was to supplement the currently-effective long-term export authorization granted to the Applicants in DOE/FE Order and Opinion No. 1473. However, the blanket export authorization granted in DOE/FE Order and

⁶ *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Opinion and Order No. 1473, 2 FE ¶ 70,317 (Apr. 2, 1999) [hereinafter "DOE/FE Opinion and Order No. 1473"].

⁷ Consistent with the applicable U.S. Department of Commerce export regulations, the Applicants will not export LNG to countries with which trade is prohibited by Federal law or policy.

⁸ *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order and Opinion No. 1580, 2 FE ¶ 70,472 (Apr. 10, 2000) [hereinafter "DOE/FE Order and Opinion No. 1580"].

⁹ The Applicants' previous blanket export authorization to export 10 TBtus of LNG to the Pacific Rim had expired on March 24, 1999. See *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 786, 1 FE ¶ 70,317 (Mar. 17, 1993) (granting blanket authorization to export up to 10 TBtus of LNG over two-year period beginning on the date of first delivery which occurred on March 25, 1997).

Opinion No. 1580 has never been activated and its purpose after March 31, 2009 will have been overtaken by the more expansive blanket export authorization requested in the instant application.

IV. BACKGROUND

This year marks the fortieth anniversary of the export authorization for which the instant application is the latest installment. The Applicants or their predecessors have exported LNG from the State of Alaska to Japan during the intervening period pursuant to several, sequential long-term export authorizations granted by FE or its predecessor agencies. The Applicants manufacture LNG from natural gas that is produced from fields in the Cook Inlet region of Alaska and transported by pipeline to the Kenai LNG Facility.

The original long-term authorization to export LNG to Japan was granted to CPANGC predecessor Phillips Petroleum Company (“Phillips”) and Marathon by the Federal Power Commission (“FPC”) in 1967.¹⁰ In granting the long-term export authorization under Section 3 of the NGA, the FPC concluded that such export of LNG to Japan would not be inconsistent with the public interest. Phillips and Marathon were specifically authorized to export LNG from the State of Alaska to supply Tokyo Electric Power Company Inc. (“Tokyo Electric”) and Tokyo Gas Company Limited (“Tokyo Gas”) for a 15-year period terminating on May 31, 1984. The order also authorized Phillips and Marathon to construct the necessary liquefaction and marine terminal facilities, to be located in the Cook Inlet Basin near Kenai, Alaska. The long-term

¹⁰ 37 F.P.C. ¶ 777 (Apr. 19, 1967)

export authorization was subsequently amended by FE's predecessor, Economic Regulatory Administration ("ERA"),¹¹ in 1982, 1986, 1987, and 1988.¹²

On July 28, 1988, ERA granted CPANGC, then known as Phillips 66 Natural Gas Company, and Marathon an extension of the long-term authorization to export LNG to Japan for a 15-year period ending March 31, 2004. FE subsequently approved amendments of the long-term export authorization in 1991, 1992, and 1995.¹³

On April 2, 1999, FE granted CPANGC predecessor Phillips Alaska Natural Gas Corporation ("PANGC") and Marathon a further five-year extension of the long-term authorization to annually export up to 64.4 TBtus of LNG from fields in the State of Alaska to Japan for a period commencing April 1, 2004 and terminating March 31, 2009.¹⁴ As of the filing date of the instant application, the Applicants continue to export LNG to Tokyo Electric and Tokyo Gas pursuant to this currently-effective long-term authorization.

¹¹ In 1977, the FPC's regulatory authority over imports and exports of natural gas was transferred to the Secretary of Energy by the Department of Energy Organization Act, 42 U.S.C. §§ 7151, 7172. In turn, the Secretary of Energy delegated the authority to the Administrator of the Economic Regulatory Administration, Delegation Order No. 0204-111, 49 Fed. Reg. 6690 (Dep't of Energy Feb. 22, 1984), and then to the Assistant Secretary of Fossil Energy, Delegation Order No. 0204-127, 54 Fed. Reg. 11436 (Dep't of Energy Mar. 10, 1989). On September 23, 2005, this authority was delegated to the Assistant Secretary of Fossil Energy in Redelegation Order No. 00-002.04B.

¹² See DOE/ERA Opinion and Order No. 49, 1 ERA ¶ 70,116 (Dec. 14, 1982); DOE/ERA Opinion and Order 49-A, 1 ERA ¶ 70,127 (Apr. 3, 1986) (transferring export authorization from Phillips Petroleum Company to Phillips 66 Natural Gas Company); DOE/ERA Opinion and Order No. 206, 1 ERA ¶ 70,128 (Nov. 16, 1987) (amending pricing formula for LNG exports); DOE/ERA Opinion and Order No. 261, 1 ERA ¶ 70,130 (Jul. 28, 1988) (approving extension and modification of export authorization).

¹³ See DOE/FE Opinion and Order No. 261-A, 1 FE ¶ 70,454 (Jun. 18, 1991); DOE/FE Opinion and Order No. 261-B, 1 FE ¶ 70,506 (Dec. 19, 1991) (transferring export authorization from Phillips 66 Natural Gas Company to PANGC); DOE/FE Opinion and Order No. 261-C, 1 FE ¶ 70,607 (Jul. 15, 1992) (increasing annual export authority to Japan from 52 TBtus to 64.4 TBtus); DOE/FE Opinion and Order No. 261-D, 1 FE ¶ 71,087 (Mar. 2, 1995) (amending pricing formula for LNG exports).

¹⁴ DOE/FE Opinion and Order No. 1473.

V.
APPLICABLE LEGAL STANDARD

Under Section 3 of the NGA, as amended by Section 201 of the Energy Policy Act of 1992,¹⁵ DOE/FE must authorize an export of natural gas from the United States to a foreign country unless there is a finding that the export “will not be consistent with the public interest.”¹⁶ The FE has found that NGA Section 3 creates a statutory presumption in favor of approval of a properly-framed export application which opponents bear the burden of overcoming.¹⁷ FE has concluded that the plenary authority conferred by Section 3 of the NGA “provides the administrative flexibility necessary to protect sometimes conflicting public interests.”¹⁸ FE has further stated that its public interest determination is guided by DOE Delegation Order No. 0204-111, which “designates domestic need for the natural gas proposed to be exported as the only explicit criterion that must be considered in determining the public interest.”¹⁹ FE has previously found that, in light of the geographic isolation of both the State of Alaska and the Cook Inlet region of Southcentral Alaska from the forty-eight contiguous United States (“Lower 48 States”), the regional need for natural gas, rather than domestic or national need, is the relevant inquiry for

¹⁵ Pub. L. 102-486 (1992).

¹⁶ 15 U.S.C. § 717b. Natural gas is defined to include LNG in Section 590.102(i) of DOE’s regulations, 10 C.F.R. § 590.102(i) (2006).

¹⁷ DOE/FE Opinion and Order No. 1473 at p. 13, *citing*, *Panhandle Producers and Royalty Owners Association v. ERA*, 822 F. 2d 1105, 1111 (D.C. Cir. 1987), the court found 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 (5th Cir. 1989); *Panhandle Producers and Royalty Owners Association v. ERA*, 847 F. 2d 1168, 1176 (5th Cir. 1988).

¹⁸ DOE/FE Opinion and Order No. 1473 at p. 13, *citing*, *Distrigas Corporation v. FPC*, 495 F. 2d 1057, 1064 (D.C. Cir. 1974), *cert. denied*, 419 U.S. 834 (1974). The court made clear the power under Section 3 of the NGA extends equally to imports and exports. 495 F. 2d at 1063. *See also Border Pipe Line Company v. FPC*, 171 F. 2d 149 (1948).

¹⁹ DOE/FE Opinion and Order No. 1473 at p. 14, *citing*, Delegation Order No. 0204-111.

an export of LNG from the State of Alaska.²⁰ In the past, FE has also considered other factors to the extent they are shown to be relevant to the public interest determination for an export authorization.²¹ FE has stated that the energy policy principles set forth in the Secretary of Energy's natural gas import policy guidelines are also applicable to natural gas exports.²² These guidelines established a policy of minimizing Federal control and involvement in the natural gas market based on the premise that the market, not government, should largely determine energy contract terms.²³ These longstanding principles should form the framework of FE's analysis of the Applicants' instant applicant for blanket export authorization.

VI. PUBLIC INTEREST ANALYSIS

In support of this application, the Applicants commissioned separate studies by independent consulting firms Netherland, Sewell & Associates, Inc. ("NSAI") and Resource Decisions ("RD") to assist in determining the regional need for the natural gas proposed to be exported as LNG.²⁴ The NSAI Report evaluates natural gas reserves in the Cook Inlet region of Alaska. Based on publicly-available information, the NSAI Report estimates the proved and probable natural gas reserves in Cook Inlet to be 1,726.4 Bcf as of January 1, 2006.²⁵

Working in part from the NSAI Report, the RD Report analyzes the available supply and the effective demand for Cook Inlet natural gas during the blanket export authorization period.

²⁰ *Id.* at p. 15, n. 48.

²¹ *Id.* at p. 14.

²² *Id.*, citing, *New Policy Guidelines and Delegation Orders From Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to the Regulation of Imported Natural Gas*, 49 Fed. Reg. 6684 (Dep't of Energy Feb. 22, 1984).

²³ *Id.*

²⁴ The RD Report is attached as Appendix C. The NSAI Report, entitled "Remaining Reserves the Cook Inlet Region of Alaska" (dated January 4, 2007), is attached to this application as Appendix D.

²⁵ NSAI Report at p. 1.

The RD Report postulates “Expected Cases” and “Stress Cases” for natural gas supply and demand in Southcentral Alaska²⁶ in order to discern the possible impact of the export of LNG on regional need from 2006 through the first quarter of 2011.²⁷ The Expected Demand Case employs the most-likely estimates for Southcentral Alaska natural gas demand. The Expected Supply Case employs the most-likely estimates for Cook Inlet natural gas supply. The Stress Demand Case employs regional natural gas demand assumptions that are higher than expected. The Stress Supply Case employs Cook Inlet natural gas supply assumptions that are lower than expected (*i.e.*, which have a high probability of being exceeded). The RD Report finds that there are sufficient supplies of natural gas and other energy sources to meet both the regional demand of Southcentral Alaska and the foreign export market during the two-year period of the export authorization requested by the Applicants and beyond under all of the analyzed scenarios.

As discussed in greater detail below, these reports together demonstrate that the blanket export authorization requested by the Applicants is wholly consistent with the public interest standard established by Section 3 of the NGA.

A. REGIONAL NATURAL GAS DEMAND.

In order to evaluate the regional need for natural gas during the 2006-2011 timeframe, Section 3 of the RD Report projects Alaska demand for each of the primary natural gas users in Southcentral Alaska: gas utilities providing residential and commercial service, electricity generators, industrial users, and other miscellaneous uses. The Expected Demand Case is based on the most likely estimate of population growth, economic conditions and the corresponding

²⁶ Southcentral Alaska is the logical demand area for Cook Inlet natural gas. The RD Report defines “Southcentral Alaska” to encompass the Municipality of Anchorage, Mantanuska-Susitna Borough, Kenai Peninsula Borough, and Fairbanks North Star Borough. RD Report at p. 1-4.

²⁷ This timeframe covers the Applicants’ currently-effective export authorization, which is due to expire on March 31, 2009, as well as the two-year blanket authorization sought in the instant application.

demand by electricity generators and gas utilities and the announced intention of industrial users.²⁸ The Stress Demand Case is based on economic and demographic factors that tend to drive up demand for electricity and utility gas. In addition to different assumptions regarding the level of population and employment in Southcentral Alaska, the Expected Demand Case and Stress Demand Case projections differ with regard to the volume of natural gas required for the manufacture of ammonia-urea fertilizer.

1. Demographic Projections.

The RD Report relies upon the Institute for Social and Economic Research's ("ISER") most recent demographic projections for Southcentral Alaska in order to assess natural gas demand during the 2006-2011 timeframe.²⁹ Under the Expected Demand Case, population is projected to grow at an annual rate of 1% and employment is expected to grow at an annual rate of 0.5%.³⁰ The Stress Demand Case assumes higher rates of employment and population growth for Southcentral Alaska due in part to rapid tourism expansion, high oil revenues and rapid mining sector growth, and construction of an Alaska North Slope Gas Pipeline Project and Knik Arm Bridge Project (although it is unlikely that construction of either of these projects will occur during the 2009-2011 export authorization period). Under the Stress Demand Case, population

²⁸ The methodology used by RD to forecast the demand for natural gas service within the Southcentral Alaska region during the two-year term of the requested export authorization is essentially identical to that used by RD in the report it prepared in support of the Applicants' last Kenai LNG Facility export application in 1999. The reliability of that methodology is borne out by comparing the forecast demands during the period from 1996 to 2005 with the actual demand during that time period, as reported by the ADNRR. That comparison shows that there is less than a 3% difference between the actual demand and that which was forecast by Resource Decisions under the Expected Case in the 1996 report.

²⁹ Institute for Social and Economic Research, *Economic Projections: Alaska and The Southern Railbelt 2005-2030* (2005). ISER, a publicly-funded research center within the University of Alaska Anchorage, is generally regarded as the definitive source for Alaska demographic analysis. RD Report at p. 1-6.

³⁰ *Id.* at p. 3-4.

is projected to grow at an annual rate of 2.3%, while employment is expected to grow at an annual rate of 1.9%.³¹

2. Electricity Generation and Utility Gas Demand.

Regional demand for Cook Inlet natural gas attributable to the major Southcentral Alaska utilities for natural gas distribution and electricity generation purposes is largely contracted through 2011.³² These utilities therefore have no apparent need for the natural gas volumes proposed for export during the 2009-2011 timeframe, even in the unlikely event only limited new natural gas reserves are discovered and demand for natural gas rapidly increases.

Cook Inlet natural gas plays a key role in fueling electricity generation in Southcentral Alaska. The RD Report projects demand for natural gas by electric utilities Anchorage Municipal Light & Power (“ML&P”) and Chugach Electric Association (“CEA”). As reflected in Figure 3.1, the Expected Demand Case reflects the gradual decline in per capita gas demand for electricity due to efficiency improvements.³³ Electricity demand for gas is projected to be reduced by an additional 1 Bcf starting in 2010 to reflect replacement of inefficient generation equipment with new, higher efficiency machines. Under the Expected Demand Case, total natural gas demand for electricity generation is projected to decline by 4% from 38.5 Bcf per year in 2006 to 31.6 Bcf per year in 2011.³⁴ In the Stress Demand Case, natural gas demand for electricity generation follows the same per capita demand proportion, but demand is greater due to increased projected population growth. In addition, the Stress Demand Case does not include the efficiency gains in electric power generation. Thus, under the Stress Demand Case, annual

³¹ *Id.* at p. 3-5.

³² *Id.* at p. 5-4.

³³ *Id.* at p. 3-7.

³⁴ *Id.*

demand for natural gas by electric generation increases by 1.2% from 38.6 Bcf per year in 2006 to 41.0 Bcf per year in 2011 despite other efficiency gains.³⁵

Cook Inlet natural gas is also distributed by the major utilities in Southcentral Alaska. Utility gas demand will be impacted by changes in population due to the fact that the majority of end-users for such natural gas are residential consumers in Southcentral Alaska. The utility gas component of the Expected Demand Case is based on the retail demand projections filed at the Regulatory Commission of Alaska (“RCA”) by Enstar Natural Gas Company (“Enstar”) with an additional allowance for direct access customers. Under the Expected Demand Case, utility gas demand is projected to rise from 35.7 Bcf in 2006 to 40.5 Bcf in 2011.³⁶ Under the Stress Demand Case, demand is projected to rise from 35.7 Bcf in 2006 to 43.0 Bcf in 2011 due to higher population growth assumptions.³⁷ In the Stress Demand Case, new customers are assumed to be added at a 2% greater rate than the Enstar projections used in the Expected Demand Case.

3. Military Demand.

The RD Report also analyzes the use of natural gas by military bases and natural gas use for field operations in the region. Military bases in Southcentral Alaska previously operated their own highly inefficient generation facilities, but now purchase electricity and natural gas for space heating from public utilities. The net effect of this change is reflected in the utility gas demand and electricity generation demand projections discussed earlier within this section.

³⁵ *Id.* at p. 3-8.

³⁶ *Id.* at p. 3-9.

³⁷ *Id.* at p. 3-10.

4. Field Operations Demand.

Next, the RD Report addresses natural gas consumed in the production of oil and natural gas and other commercial uses. Under the Expected Demand Case, field operations natural gas use during the 2006-2011 timeframe is projected to progressively decline from 11.9 Bcf in 2006 to 7.2 Bcf in 2011.³⁸ The Stress Demand Case projections for field operations gas use are slightly higher due to increased natural gas production. However, the Stress Demand Case also predicts a decrease in natural gas demand from 11.9 Bcf in 2006 to 8.2 Bcf in 2011.³⁹

5. Industrial Demand.

There are two primary sources of industrial demand in Southcentral Alaska – the production of ammonia-urea fertilizer by Agrium U.S. Inc. (“Agrium”) and the manufacture of LNG by the Applicants at the Kenai LNG Facility. The RD Report addresses the projected demand for natural gas for both industrial uses during the 2006-2011 timeframe.

Since 1969, Agrium and its predecessor have operated a plant on the Kenai Peninsula that uses natural gas in the production of ammonia-urea fertilizer for international export.⁴⁰ The plant’s initial annual natural gas use rate was approximately 20 Bcf. That rate increased to an average of 54 Bcf per year following an expansion of the plant circa 1980 until 2002. The plant’s annual natural gas use rate decreased in 2003 and 2004 when fertilizer operations were reduced approximately 20%. In 2005, Agrium shut down additional capacity at the plant, thereby reducing plant capacity to 50%. To all appearances, the continued operation of the Agrium plant is a year to year decision. On October 23, 2006, Agrium shut down its plant for winter 2006-2007. Agrium has announced that operations at its Kenai plant will continue

³⁸ *Id.* at p. 3-12.

³⁹ *Id.*

⁴⁰ Agrium acquired the plant from Union Oil Company of California (“Unocal”) in 2000.

through late 2007, albeit at 75% capacity of its already reduced level of operations, reflecting the winter shutdown.⁴¹

The Expected Demand Case projects that the Agrium plant will continue operations through late 2007 at which time the plant would close. Thus, the Expected Demand Case estimates 20 Bcf in annual demand for Agrium in 2007, but allots the plant no natural gas demand in 2008-2011.⁴² If the Agrium plant reopens at a later date, the RD Report assumes that it will utilize coal gas from a new coal gasification plant and will have no impact on Cook Inlet natural gas demand. Under the Stress Demand Case, the RD Report assumes that, contrary to announced plans, the Agrium plant will continue at its current level of operation from 2007 through 2011, consuming 20 Bcf of natural gas annually.⁴³

The RD Report employs the same demand projection for natural gas for LNG production in both the Expected Demand Case and Stress Demand Case. The RD Report projects 75 Bcf of annual natural gas demand through First Quarter of 2007 based on the Applicants' plan to continue its current export level of 34 cargos during that period.⁴⁴ The RD Report then assumes 62 Bcf in annual natural gas demand due to the Applicants' plan to reduce export volumes to 28 cargos per year from Second Quarter of 2007 through March 31, 2009.⁴⁵ During the term of the blanket export authorization (*i.e.*, April 1, 2009 through March 31, 2011), the RD Report

⁴¹ Brandon Loomis, *Agrium to Shut Plant for Winter*, ANCHORAGE DAILY NEWS, Oct. 21, 2006, at A1.

⁴² RD Report at p. 3-13.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

assumes 58 Bcf in annual natural gas demand based on the Applicants' plan to export 26 cargos per year.⁴⁶

By way of explanation, the Applicants anticipate a reduction of LNG exports from 34 cargos per year to approximately 28 cargos and then 26 cargos per year based on certain operational and commercial reasons. From the operational standpoint, production from the natural gas fields that supply the LNG plant is declining due to aging of the fields. However, in order to meet contractual obligations, both CPANGC and Marathon have invested in drilling new wells and re-completing old wells. These efforts have added substantial deliverability and reserves and have partially offset the overall decline. Additional investment to increase Cook Inlet natural gas supplies is likely should the export authorization sought herein be approved by DOE. However, the ultimate goal, as prudent producers, is to match future investments to future potential markets. The Applicants' step down approach to LNG exports is intended to prevent over-investment in production capacity in an illiquid market. It is the Applicants' expectation that these developmental activities will permit export volumes to level off at 26 cargos per year during the two-year export authorization period. Overall, the Applicants believe that the greatest challenge to developing additional Cook Inlet resources is the lack of a long-term market capable of supporting natural gas prices that attract capital. This challenge is faced not only by the Applicants, but by all producers interested in developing Cook Inlet's large, untapped natural gas resource base.

⁴⁶

Id.

6. Summary of Regional Natural Gas Demand.

The RD Report projects regional demand for Cook Inlet natural gas for the 2006-2011 timeframe based upon the competing demand factors discussed above. Under the Expected Demand Case, as summarized in Table 3-8, the RD Report projects that total regional annual demand for natural gas, including exports, will fall from 180.4 Bcf in 2006 to an annualized level of 79.3 Bcf following March 31, 2011, excluding any LNG exports or fertilizer manufacturing.⁴⁷ This estimate assumes modest growth in the consumption of natural gas by the major users. The Expected Demand Case projects a cumulative total natural gas consumption of 813 Bcf from 2006 through First Quarter of 2011.⁴⁸ The Stress Demand Case projections are summarized in Table 3-9. Under the Stress Demand Case, total annual natural gas demand, excluding LNG and fertilizer manufacturing, is projected to fall from 180.7 Bcf in 2006 to 100.3 Bcf in 2011.⁴⁹ This reduction in demand is lower than that seen in the Expected Demand Case due to different assumptions regarding population growth. The RD Report projects a cumulative total Stress Demand Case consumption of 917 Bcf from 2006 through First Quarter 2011.⁵⁰

B. REGIONAL NATURAL GAS SUPPLIES.

Having assessed the regional demand for natural gas, Section 4 of the RD Report evaluates Cook Inlet natural gas supplies as well as substitute energy sources available to Southcentral Alaska in the future. As discussed below, the RD Report demonstrates that there will be adequate supplies of natural gas and other energy sources to satisfy the projected demand

⁴⁷ *Id.* at p. 3-15.

⁴⁸ *Id.*

⁴⁹ *Id.* at p. 3-17.

⁵⁰ *Id.*

in Southcentral Alaska during the export period and beyond under either the Expected Case or Stress Case scenarios.

1. Natural Gas Exploration and Development in Cook Inlet.

Historically, a number of factors, including low natural gas prices, relatively high drilling costs and the lack of markets, have combined to limit natural gas exploration and development in the Cook Inlet region. However, recently there has been a sharp increase in natural gas development activities due to the opening of non-contracted market volumes and natural gas price increases that have attracted the capital to develop additional natural gas resources.⁵¹ The relationship between Cook Inlet wellhead natural gas prices and development activities is discussed at length in Section 4.2 of the RD Report. It is important to recognize that the actual level of exploratory and developmental drilling in the Cook Inlet natural gas fields – and in the other areas described in the RD Report as well – is not going to be determined in a vacuum. Rather, the level of exploratory and developmental drilling will be materially influenced by the prospects for marketing the incremental natural gas supplies brought forth by those efforts. Thus, to the extent demand in the Southcentral Alaska marketplace warrants the development of additional natural gas reserves and/or resources, the producers in a position to do so can be expected to respond. Obviously, this will be partially a function of the price the market is willing to pay for these natural gas supplies, *i.e.* that price must be such as to compensate the producers for their costs and risks and provide returns that are comparable to other investment alternatives in the global energy market.

⁵¹ Table 4-1 illustrates the substantial increase in natural gas well drilling activities since 1990, including a 69% increase in such activities from 2001-2005. *Id.* at p. 4-2.

2. Cook Inlet Natural Gas Supplies.

The RD Report's Cook Inlet natural gas supply estimates are based on four sources. The first of these is the *Alaska Oil & Gas Report* released by the Alaska Department of Natural Resources ("ADNR"), Division of Oil and Gas in May 2006.⁵² This report contains the most recent publicly-available reserve estimates for the Cook Inlet region. ADNR estimates proved and probable natural gas reserves in Cook Inlet to be 1,648.4 Bcf as of December 31, 2005.⁵³

Second, as noted, the Applicants commissioned NSAI to conduct an independent evaluation of Cook Inlet reserves based on publicly available data. The NSAI Report estimates proved and probable gas reserves in the Cook Inlet region to be 1,726.4 Bcf as of January 1, 2006.⁵⁴ Table 4-3 in the RD Report provides a comparison of the ADNR and NSAI reserve estimates.⁵⁵ The small difference between the two reserve estimates can be attributable to interpretation of the data by ADNR and NSAI.

Third, the *Southcentral Alaska Natural Gas Study* issued by DOE in 2004 addresses Cook Inlet supplies.⁵⁶ This study concludes that the potential exists for an additional 13 to 17 Tcf of conventionally recoverable reserves remain in the Cook Inlet region.⁵⁷ In June 2006, this Cook Inlet reserves estimate was reiterated in the *Alaska Natural Gas Needs and Market Assessment* sponsored by DOE.⁵⁸ This market assessment reports on the estimated growth in

⁵² Alaska Department of Natural Resources, Division of Oil and Gas, *Alaska Oil & Gas Report* (May 2006).

⁵³ RD Report at pp. 4-10 – 4-11.

⁵⁴ *Id.* at p. 4-11.

⁵⁵ *Id.*

⁵⁶ U.S. Department of Energy, National Energy Technology Laboratory, Arctic Energy Office, *Southcentral Alaska Natural Gas Study* (Jun. 2004).

⁵⁷ RD Report at p. 4-11.

⁵⁸ U.S. Department of Energy, National Energy Technology Laboratory, *Alaska Natural Gas Needs and Market Assessment* (Jun. 2006) at p. 14.

proven Cook Inlet reserves since the 2004 DOE report, concluding that “current price signals based on the Henry Hub price index are encouraging reserves growth and aggressive reservoir management to improve recovery.”⁵⁹ It also concludes that “[a]dditional natural gas will likely be discovered and reserves growth will continue [in Cook Inlet], provided that access to prospective areas is available and natural gas prices remain high enough to encourage exploration.”⁶⁰

Finally, the Colorado School of Mines’ Potential Gas Committee (“PGC”) sets forth its estimate of probable, possible, and speculative Cook Inlet region natural gas resources (*i.e.*, natural gas above and beyond known reserves in existing fields) in its most recent national assessment issued in 2004.⁶¹ As set forth in Table 4-4 of the RD Report, the PGC estimates the “Minimum” Probable Cook Inlet incremental natural gas resources to total 600 Bcf and the “Most Likely” Probable Cook Inlet incremental natural gas resources to be 1,050 Bcf.⁶²

3. Substitute Energy Sources Available to Cook Inlet Region.

In addition to the Cook Inlet natural gas supplies discussed above, the RD Report evaluates the following substitute energy sources that may be available to Southcentral Alaska in the future: Susitna Basin and Lower Cook Inlet Basin dry gas, North Slope natural gas, coalbed methane, coal gasification and LNG imports.

⁵⁹ *Id.* at p. 15.

⁶⁰ *Id.*

⁶¹ Potential Gas Committee, *Potential Supply of Natural Gas in the United States – Report of the Potential Gas Committee, Potential Supply of Gas 2004, Report 24: Alaska* (Jun. 2005).

⁶² RD Report at p. 4-12. As these terms are used by the PGC, (1) “Minimum” implies a 100% probability that at least this much natural gas resource is present, and (ii) “Most Likely” indicates that the estimator’s judgment that the probability is highest that these conditions will prevail and the estimated quantity of natural gas resources will be present.

First, the RD Report finds that available geophysical data show the potential for additional natural gas resources in the Susitna Basin and Lower Cook Inlet Basin. To date, these possible resources have not yet been developed due in part to their remote location and the availability of other gas supplies at a relatively low cost. However, as these factors change, the Susitna Basin and Lower Cook Inlet Basin may provide a substitute energy source to Southcentral Alaska.

Second, the delivery of North Slope natural gas to Southcentral Alaska has the potential to provide the region with North Slope natural gas as a substitute for Cook Inlet natural gas. However, North Slope natural gas is unlikely to be delivered to Southcentral Alaska during the two-year blanket authorization requested by the Applicants.

Third, the RD Report concludes that coal bed methane resources in the Matanuska Valley of Southcentral Alaska may represent a potential backstop to Cook Inlet natural gas supplies.⁶³ However, coal bed methane resources have not been included in the resource estimates for this application.

Fourth, Agrium, Usibelli Coal Mine Inc. (“Usibelli”), the owner and operator of Alaska’s largest coal mine, and other parties have reportedly formed a joint venture to investigate the feasibility of developing a coal gasification plant at Nikiski, Alaska using coal from either the Beluga region or Usibelli’s existing coal mine in Healy, Alaska.⁶⁴ The Beluga coalfield is currently undeveloped, but has proven reserves of more than 2 billion tons of low sulfur coal.⁶⁵ The proposed project would provide synthetic gas for the continued operation of Agrium’s

⁶³ *Id.* at p. 2-3.

⁶⁴ Recent reports indicate that Agrium “will wean the plant off natural gas entirely by 2011 by building a facility that converts coal into synthetic gas.” *Agrium Forges Ahead With Coal-Gasification Plant*, GAS DAILY, Nov. 30, 2006, at 1.

⁶⁵ RD Report at p. 2-3.

ammonia-urea fertilizer plant with additional natural gas and waste heat available for electricity generation.

Finally, the RD Report addresses the potential for the Kenai LNG Facility to be converted into an import and LNG regasification terminal in the future should LNG production cease.⁶⁶ The conversion of the Kenai LNG Facility would provide an additional alternate future source of natural gas in Southcentral Alaska either as a bridge until North Slope natural gas is available or as a longer term supply source.

4. Deliverability.

Consistent with DOE/FE precedent, this application and the appendices submitted herewith do not include forecasts projecting the actual deliverability of Cook Inlet natural gas production during the 2009-2011 timeframe. DOE/FE has previously found “that deliverability from what DOE has determined is an ‘adequate natural gas reserve base is [ultimately] largely a function of ... competitive market forces.’”⁶⁷ DOE/FE has specifically found that the Cook Inlet region’s natural gas reserves and corresponding infrastructure will increase as (and if) natural gas markets further develop in Alaska and economics and technology support exploration and development.⁶⁸ This finding is as applicable to the 2009-2011 timeframe as it was to the 2004-2009 timeframe covered by DOE/FE Order and Opinion No. 1473. The Applicants submit that the suppliers in Cook Inlet will continue to operate efficiently by timely developing the natural gas resources and infrastructure necessary to deliver the supplies that they require to meet their market demand. Thus, it is not necessary to independently address deliverability as part of the natural gas supply analysis.

⁶⁶ *Id.* at p. 2-4.

⁶⁷ DOE/FE Order and Opinion No. 1473 at p. 42.

⁶⁸ *Id.*

5. Summary of Regional Natural Gas Supplies.

The RD Report's supply analysis is based on estimates of natural gas reserves and resources in the Cook Inlet. With regard to reserves, the RD Report adopts the NSAI reserve estimate in both the Expected Supply Case and Stress Supply Case. That estimate reflects an independent analysis of publicly available data on Cook Inlet natural gas reserves. Based on the NSAI estimate, the total proved and probable Cook Inlet reserves were 1,726.4 Bcf as of January 1, 2006, including estimated proved reserves of 1,211.8 Bcf and probable reserves of 514.6 Bcf.⁶⁹

In addition to the proven and probable reserves listed above, the Expected Supply Case assumes that PGC's "Most Likely" probability estimate of Probable onshore and offshore resources (1,050 Bcf) represents the additional natural gas resources that will become available in Cook Inlet.⁷⁰ The RD Report assumes that these resources are technically available and will be discovered and/or developed into proven reserves when market conditions and prices warrant. The Expected Supply Case does not include any Possible or Speculative resources.⁷¹ In the Stress Supply Case, the RD Report assumes that the PGC "Minimum" (high probability) estimate of Probable onshore and offshore resources will be the only resources available to Cook Inlet during the export authorization period requested herein. Thus, the Stress Supply Case assumes that 600 Bcf of resources are technically available and will be similarly discovered and/or developed into proven reserves when market conditions and prices warrant.⁷² The RD Report also projects that there are substantiated natural gas supplies and substitute energy

⁶⁹ *Id.* at p. 4-11.

⁷⁰ *Id.* at p. 4-12.

⁷¹ PGC estimates Possible and Speculative resources in Cook Inlet to be up to 4.2 Tcf and 7.2 Tcf, respectively. *Id.*

⁷² *Id.* at p. 4-15.

sources available to meet the long-term (*i.e.*, post-March 31, 2011) needs of the Southcentral Alaska market.

C. SUPPLY-DEMAND BALANCE DEMONSTRATES THE LACK OF REGIONAL NEED.

The RD Report postulates four different “Scenarios” based on the Expected Cases and Supply Cases in order to analyze the regional supply-demand balance: (i) Scenario I combines the Expected Supply Case and Expected Demand Case; (ii) Scenario II combines the Stress Supply Case and Expected Demand Case; (iii) Scenario III combines the Expected Supply Case and the Stress Demand Case; and (iv) Scenario IV combines the Stress Supply Case and Stress Demand Case.⁷³ As discussed in detail in Section 5 of the RD Report, the Cook Inlet natural gas supply exceeds regional demand for the relevant timeframe under all four scenarios. Thus, as demonstrated by the RD Report, there is no regional need for the volume of LNG for which the Applicants are requesting export authority during the two-year period terminating March 31, 2011. According to the DOE’s guidelines, the blanket export authorization requested by the Applicants therefore should not be found to be inconsistent with the public interest.

D. OTHER PUBLIC INTEREST CONSIDERATIONS.

In addition to regional demand for natural gas, FE has previously stated that it will consider other factors to the extent they are shown to be relevant to its public interest determination.⁷⁴ FE has found these other public interest considerations to include “the effects [of the export] on Alaskan interests, energy production, international relations, and the environment.”⁷⁵ As discussed below, the RD Report demonstrates that the blanket export

⁷³ *Id.* at p. 5-1, Table 5-1.

⁷⁴ *See Yukon Pacific Corp.*, DOE Opinion and Order No. 350, 1 FE ¶ 70,259 (1989), *reh’g denied*, 1 FE ¶ 70,259 (1990) (considering the potential effects of the export on other aspects of the public interest).

⁷⁵ DOE/FE Opinion and Order No. 1473 at p. 47.

authorization requested by the Applicants will provide tangible benefits to the Alaskan economy and to United States national interests.

1. Benefits to Alaskan Interests.

The Kenai LNG Facility provides a stable source of income and employment in an area noted for seasonal unemployment and a marked cyclical response to world oil price changes. Section 6 of the RD Report reviews in detail the direct and indirect economic benefits the regional and state economies derive from the Applicants' manufacture and export of Kenai LNG. The operation of the Kenai LNG liquefaction facilities that manufacture the LNG exported by the Applicants currently provides full-time employment for 58 Alaskan workers at the plant and total direct and indirect employment for an estimated 186 Alaskans, generating an estimated \$15.9 million dollars in personal income.⁷⁶ Local purchases of goods and services associated with exports from the Kenai LNG Facility provide economic benefits to suppliers and businesses in the area which total \$5 million on an annual basis, with \$3 million attributable to purchases related to the plant itself and \$2 million related to the support of LNG tankers.⁷⁷

The State of Alaska and its citizens also benefit from royalty payments on the natural gas that is liquefied at the Kenai LNG Facility, as well as production and corporate income tax revenue. In 2005, the Applicants paid \$900,000 in property taxes to the Kenai Peninsula Borough.⁷⁸ State corporate income taxes associated with operations at the LNG plant totaled approximately \$16 million in 2005.⁷⁹ The producers of the natural gas used as feedstock at the Kenai LNG Facility paid approximately \$20.7 million in royalties to the State of Alaska for

⁷⁶ RD Report at p. 6-4.

⁷⁷ *Id.* at p. 6-3.

⁷⁸ *Id.*

⁷⁹ *Id.* at p. 6-4.

natural gas delivered to the LNG plant.⁸⁰ Severance tax payments associated with LNG plant feedstock added approximately \$11 million to state revenues. Thus, in 2005, state tax revenues associated with the feedstock for LNG production totaled approximately \$47.7 million.⁸¹ Were LNG exports from the Kenai LNG Facility to be discontinued in early 2009, these economic benefits would be lost to the State of Alaska.

The Kenai LNG Facility also serves an important reliability role in the supply and demand balance in the areas served by the major Southcentral Alaska utilities. This market has limited natural gas storage to respond to peak demands or temporary supply interruptions. The natural gas production associated with LNG exports is available in real time for diversion to heating and electricity generation under these circumstances. An extension of LNG exports will insure that this backup supply of gas for Cook Inlet utilities remains available for two more years.

Shutdown of the Kenai LNG Facility would cause additional harm by virtue of the fact that, in all likelihood, discontinuation of LNG exports would be accompanied by the shut-in of the flowing gas supplies that would otherwise be produced and sent to the plant for liquefaction resulting in lost natural gas reserves and deliverability. Once flowing natural gas wells are shut-in, there is no guarantee those supplies will be available for future production at the same rates or that reserves will not be lost. This is due to the fact that underground gas reservoirs are dynamic in nature. When natural gas wells are shut-in, cross flow between reservoir zones occurs as reservoir pressures equalize. Liquid build up in the well-bore alters the productivity of the well and potentially traps natural gas reserves that were once producible. It would be short-sighted to

⁸⁰ *Id.*

⁸¹ *Id.*

think that flowing gas not required to meet current market demand can simply be “warehoused” downhole until it is needed in the future, without significant risk of attrition. Once lost, these volumes are unavailable for commitment to any market, regional or otherwise.

2. Benefits to International Trade.

Exportation of LNG by the applicants pursuant to a blanket authorization will also have a beneficial impact on the balance of payments between the United States and Pacific Rim countries, most likely including Japan, during the relevant two-year period. Although small in comparison to the total United States-Japanese trade balance, the project provides a steady and continuous offset to trade imbalances between the two countries. While this source of LNG is not the largest source of imported LNG consumed in Japan, it is one of the most secure and reliable energy sources available to that county. Thus, the export of Kenai LNG will benefit the trade relationship between the United States and Japan.

The Applicants have exclusively exported LNG to Japan under their prior and currently-effective export authorizations and hope to continue this relationship; however, exports made pursuant to the blanket authorization requested herein may be made to other countries in the Pacific Rim market, whether in the Far East or Latin America. The Applicants would not export LNG to countries with which trade is prohibited by Federal law or policy.

E. NATIONAL DEMAND FOR KENAI LNG AS A PUBLIC INTEREST CONSIDERATION.

As noted above, FE has previously found that it was not necessary to analyze domestic demand for natural gas from a national perspective in light of the geographic isolation of the Cook Inlet region of Southcentral Alaska and the State itself.⁸² Assuming, however, that national demand for natural gas were to be part of FE’s NGA Section 3 public interest analysis

⁸² DOE/FE Opinion and Order No. 1473 at p. 14.

of the instant application, the shipment of Kenai LNG to the Lower 48 States does not appear to be a viable option due to certain regulatory and economic hurdles.

1. The Jones Act Would Prohibit the Delivery of LNG to the Lower 48 States.

Section 27 of the Merchant Marine Act of 1920,⁸³ commonly known as the Jones Act, requires that any cargo transported from one United States port to another United States port be transported in a vessel that (i) was built in the United States, (ii) is under United States flag, and (iii) is owned and operated by United States citizens or corporations. Under the applicable labor and immigration laws, crewmembers on vessels registered in the United States are also required to be United States citizens or legal aliens.

The requirements of the Jones Act present a regulatory hurdle to the delivery of LNG from the State of Alaska to an existing or proposed LNG terminal located in the Lower 48 States. Currently there are no United States-built LNG tankers that could be used to transport Kenai LNG to ports in the Lower 48 States. There is also a question over whether domestic shipyards can compete with foreign shipyards in building the tankers for a price that would make shipping LNG from the State of Alaska to the Lower 48 States economically viable. It is estimated that the cost of building an LNG tanker in the United States is in excess of \$200 million. No domestic shipyard has built an LNG tanker in several decades. It has also been estimated that the construction of new LNG tankers would take approximately six years. While it may be possible to obtain a waiver of the Jones Act, such waivers are difficult to obtain and the timing requirements of this export need make this option unrealistic.

⁸³ 46 U.S.C. § 883.

2. Additional Economic Hurdles to the Delivery of LNG to the Lower 48 States.

Economic hurdles remain even if the Applicants were able to obtain a waiver or exemption from the Jones Act requirements or Congress was to amend the Jones Act. Specifically, the cost of transporting LNG from Kenai, Alaska to any of the existing terminals in the Lower 48 States would vastly exceed the cost of transporting the same LNG to Japan and/or another customer in the Pacific Rim due to the distances involved.

There are currently only four existing LNG terminals located in the Lower 48 States, none of which is located on the West Coast.⁸⁴ The distance between Kenai and Japan is approximately 3,300 nautical miles. In contrast, due to the geographic isolation of Alaska, the distance from Kenai to one of the existing terminals in the Lower 48 States through the shortest route, which involves passage through the Panama Canal, would range between 4,700 and 5,100 nautical miles. The shipment of LNG to the Gulf Coast or East Coast would be further complicated by the fact that the Applicants' two 88,000 cubic meter LNG tankers are too large to pass through the Panama Canal. As a result, the distance of the shipping route would be further increased by many thousands of nautical miles. Even if the Applicants were able to locate tankers small enough to pass through the Panama Canal, the Applicants would need several more trips to deliver the same amount of LNG, thereby increasing shipping costs.

Among the many LNG import projects proposed during the past few years, five new terminals have been proposed at various locations on the West Coast of the United States, along with one terminal proposed in Canada and two additional terminals proposed in Mexico.⁸⁵

⁸⁴ These terminals are located in Lake Charles, LA, Elba Island, GA, Cove Point, MD, and Everett, MA, respectively.

⁸⁵ The five United States projects include: Northern Star LNG project (Bradwood, OR), Jordan Cove Energy Project (Coos Bay, OR), Sound Energy Solutions (Long Beach, CA), Cabrillo Port (Offshore CA), and Clearwater

However, it is unclear whether any of the proposed terminals on the West Coast of the United States will receive the necessary regulatory authorizations and be constructed and in-service during the two-year export authorization period requested by the Applicants. Moreover, there is no indication the various customers intending to use the terminalling services offered by any of these proposed West Coast facilities have not already arranged the sourcing of their LNG from elsewhere in the Pacific Rim.⁸⁶

F. DENIAL OF THE BLANKET EXPORT AUTHORIZATION REQUESTED BY THE APPLICANTS WOULD BE CONTRARY TO THE PUBLIC INTEREST.

The foregoing discussion demonstrates that failure to grant the Applicants the requested blanket export authorization would adversely impact the affected interests, without a countervailing benefit to the public. If the Applicants' request for blanket export authorization is denied, the facilities associated with the Kenai LNG export project may be prematurely shut down. This would likely lead to production shut-in that would likely erode the level of reserves ultimately recoverable from the Cook Inlet region and eliminate an important source of backup gas supply for local consumers. It would also most certainly have a significant impact on the regional and State economies. The cessation of LNG plant operations would result in the direct loss of jobs and millions of dollars in personal income in the Kenai Peninsula Borough and elsewhere in the State of Alaska. Millions of dollars in local and state revenue from taxes and royalties would also be lost. Discontinuation of the project would exacerbate the trade deficit

Port LLC (Offshore CA). The Kitimat LNG project is proposed on the coast of British Columbia (Kitimat, BC). The Mexican projects include: Energía Costa Azul (Baja California, MX) and Chevron Texaco (Offshore Baja California, MX).

⁸⁶ This would include Energía Costa Azul, the first phase of which is projected to be in-service during the two-year term of the Applicants' blanket export authorization.

between the United States and Pacific Rim countries, including Japan, during the two-year authorization period.

VII. **ENVIRONMENTAL IMPACTS**

Approval of the instant application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969, 42 U.S.C. § 4321 *et seq.*, and no environmental impact statement or environmental assessment is required. The LNG manufacturing and storage facilities that will be utilized during the blanket authorization already exist and have been operated safely without major disruption of supply or accident from their start up in 1969.

VIII. **APPENDICES**

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

Appendix A: Verifications

Appendix B: Opinions of Counsel

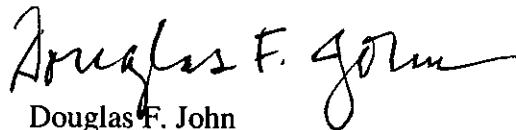
Appendix C: Resource Decisions Report

Appendix D: Netherland, Sewell & Associates, Inc. Report

IX.
CONCLUSION

For the foregoing reasons, CPANGC and Marathon respectfully request that FE determine that their request for a blanket authorization to export LNG from the State of Alaska to foreign countries is not inconsistent with the public interest and grant such authorization as expeditiously as possible. CPANGC and Marathon also request that, assuming the instant application for blanket export authorization is granted as proposed, FE vacate the blanket authorization previously issued in DOE/FE Opinion and Order No. 1580 as of March 31, 2009. In order to afford adequate time for the finalization of the necessary planning and commercial arrangements, CPANGC and Marathon request that the blanket export authorization be issued no later than December 1, 2007.

Respectfully submitted,



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