

April 17, 2012

## FERC Approves LNG Export Project

*Sabine Pass is granted an NGA Section 3 authorization to site, construct, and operate facilities to liquefy and export domestically produced natural gas.*

On April 16, the Federal Energy Regulatory Commission (FERC) granted Sabine Pass Liquefaction and Sabine Pass LNG (collectively, Applicants) authorization to construct and operate facilities to liquefy and export domestically produced natural gas at the existing Sabine Pass Liquefied Natural Gas (LNG) terminal in Cameron Parish, Louisiana.<sup>1</sup> The project will be constructed in two stages, each with two LNG process trains containing gas treatment facilities, gas turbine-driven refrigerant compressors, cold boxes and heat exchangers for cooling and liquefying natural gas, waste heat recovery systems, and other facilities. Upon completion, the terminal will operate simultaneously as a bi-directional LNG facility for export and import service. The facilities will enable the companies to liquefy and export up to 16 million tons per annum, or 2.2 Bcf per day. Sabine Pass Liquefaction has secured 20-year LNG Processing Services Agreements with entities in Great Britain, Spain, India, and Korea to sell 3.5 million metric tons of LNG per year to each entity.

Some commenters raised concerns that exporting domestically produced natural gas would have adverse effects on domestic consumers, the U.S. energy supply, and national security. FERC found, however, that these concerns were directly related to the effects of exporting the commodity, rather than the effects of the facilities used for such export and were therefore beyond the scope of FERC's authority. The Secretary of the Department of Energy (DOE) delegated to the Commission the authority to approve or disapprove the construction and operation of facilities and the site of their location under NGA Section 3. FERC determined that this delegation of authority does not permit FERC to approve or disapprove the import or export of the commodity or to consider its implications or the resulting economic and public benefits.<sup>2</sup>

FERC determined that the project will not have a significant impact on the quality of the human environment and can be constructed and operated safely. It prepared an environmental assessment (EA) with the cooperation of the DOE, U.S. Army Corp of Engineers, and the Department of Transportation. FERC determined that an EA, instead of an Environmental Impact Statement (EIS), was appropriate because all of the proposed facilities would be within the footprint of the existing LNG terminal, which was previously the subject of an EIS, and because the issues that needed to be considered were small in number and well defined.

FERC rejected the arguments of environmental groups that FERC must consider the cumulative effects from other potential LNG export projects and the environmental effects from increased shale gas production. FERC determined that, because no other entity had filed an application for Section 3 authority for LNG exports, any effects from such projects were speculative. Similarly, FERC observed that there was no direct tie between exports from the Sabine Pass terminal and any particular shale formation and that Sabine Pass exports could come from any source of natural gas. Therefore, FERC concluded, any effects from additional shale gas development were not "reasonably foreseeable" as defined under the environmental regulations and were not an

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1. *Sabine Pass Liquefaction, LLC and Sabine Pass LNG, L.P.*, 139 FERC ¶ 61,039 (2012). FERC granted Sabine Pass LNG authorization under Section 3 of the Natural Gas Act (NGA) to site, construct, and operate the terminal in 2004 and subsequently authorized it to construct additional storage tanks and expanded vaporization systems to increase the send-out capacity in 2006.

2. However, FERC observed that DOE's finding that there was substantial evidence of economic and public benefits such that the authorization was not inconsistent with the public interest. DOE/FE Order No. 2961 (2011).

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“effect” of the project to be considered in a cumulative effects analysis. The EA concluded that the project does not constitute a major federal action significantly affecting the quality of the human environment, eliminating the need for an EIS.

FERC ordered Sabine Pass LNG and Sabine Pass Liquefaction to complete construction and have the proposed facilities available for service within five years.

## Contacts

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