

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

JORDAN COVE LNG L.P.

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FE DOCKET NO. 13-141-NG

ORDER GRANTING LONG-TERM MULTI-CONTRACT AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA TO
THE PROPOSED JORDAN COVE LNG TERMINAL
IN THE PORT OF COOS BAY, OREGON

DOE/FE ORDER NO. 3412

MARCH 18, 2014

I. DESCRIPTION OF REQUEST

On October 21, 2013, Jordan Cove LNG L.P. (JCLNG) filed an application (Application) with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3(c) of the Natural Gas Act (NGA),¹ 15 U.S.C. § 717b(c), for long-term, multi-contract authorization to import natural gas from Canada in a total volume of 565.75 billion cubic feet per year (Bcf/yr), or 1.55 Bcf per day (Bcf/d), for a 25-year term. JCLNG seeks authorization to import the natural gas from Canada by pipeline, at points near Kingsgate and Huntingdon, British Columbia, to a proposed liquefied natural gas (LNG) export facility to be located at the Port of Coos Bay, Oregon, immediately north of the communities of North Bend and Coos Bay, Oregon. JCLNG's subsidiary, Jordan Cove Energy Project, L.P. (JCEP), proposes to construct, own, and operate this LNG export facility, called the Jordan Cove (or JCEP) LNG Terminal. JCLNG states that the Terminal will be capable of receiving and liquefying the imported natural gas, storing the LNG, and loading the LNG onto LNG carriers for delivery to export markets (subject to any applicable DOE/FE export authorizations) or to domestic markets in the non-contiguous United States (the Project). To support the Project, JCLNG recently obtained authorization from Canada's National Energy Board to export the same volume of natural gas from Canada to the United States that is now the subject of this import authorization, as explained below.

JCLNG seeks to import this natural gas on its own behalf and as agent for other entities that hold title to the natural gas at the time of import. JCLNG requests that this authorization commence on the earlier of the date of first import or 10 years from the date the authorization is issued (*i.e.*, March 18, 2024).

¹ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. §717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-002.04F issued on July 11, 2013.

II. BACKGROUND

Applicant. JCLNG states that it is a Delaware limited partnership with its principal place of business in Calgary, Alberta, Canada.² It is wholly owned and controlled by Veresen Inc. (Veresen), a Canadian corporation based in Calgary, Alberta, through wholly-owned subsidiaries of Veresen.

JCLNG further states that its subsidiary, JCEP, is a Delaware limited partnership. JCEP's general partner, Jordan Cove Energy Project, L.L.C., is a Delaware limited liability company. Both are owned by the two JCEP limited partners: (1) the applicant here, JCLNG, which owns 75% of each company, and (2) Energy Projects Development L.L.C., a Colorado limited liability company, which owns 25% of JCEP and 25% of Jordan Cove Energy Project, L.L.C.

Procedural History.

Canada proceedings. JCLNG states that, on September 9, 2013, it applied to Canada's National Energy Board for authorization to export the equivalent volume of gas that is subject to this Application. According to JCLNG, the authorizations sought by these two applications will afford access to Canadian natural gas supplies for the proposed Jordan Cove LNG Terminal being developed by JCEP.

On February 20, 2014, the National Energy Board granted JCLNG's request for export authorization in a letter decision.³ Specifically, the National Energy Board issued to JCLNG a license to export natural gas at an annual volume of 16.03 billion cubic meters for a 25-year term— equivalent to the volume of 565.75 Bcf/yr of natural gas, or 1.55 Bcf/d, for a 25-year

² JCLNG states that its name was changed from Fort Chicago LNG II U.S.L.P. to its current name as of August 19, 2013.

³ See Canada National Energy Board Letter Decision issued to Jordan Cove LNG L.P., NEB File OF-EI-Gas-GL-J705-2013-01 01 (Feb. 20, 2014), DOE/FE Docket No. 13-141-NG (stating that the export license is subject to the approval of the Governor in Council, and attaching terms and conditions to the license in App. I).

term requested for import herein. The letter decision notes that, “[t]he quantity of gas requested for export under the License is necessary to support [the Jordan Cove LNG Terminal] to be located at the Port of Coos Bay, Oregon.”⁴ By electronic mail dated February 21, 2014, JCLNG submitted the letter decision to DOE/FE.

Related DOE/FE proceedings. The current import authorization is sought by JCLNG. Its subsidiary, JCEP, has separately applied for two export authorizations from DOE/FE that are expected to involve some or all of the imported gas.

First, on December 7, 2011, DOE/FE issued Order No. 3041 in FE Docket No. 11-127-LNG, in which it granted JCEP’s application to export LNG in a volume equivalent to 438 Bcf/yr of natural gas (1.2 Bcf/d) from the Project to nations 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).⁵

Second, on May 21, 2013, JCEP applied to DOE/FE for authority to export LNG in a volume equivalent to 292 Bcf/yr of natural gas (0.8 Bcf/d) to nations with which the United States does not have a FTA (non-FTA countries). JCEP’s non-FTA application is currently pending before DOE/FE in FE Docket No. 12-32-LNG, and is subject to independent review by DOE/FE under NGA § 3(a), 15 U.S.C. § 717b(a). In that application, JCEP states that the requested volume for export to non-FTA countries is not duplicative (*i.e.*, not additive) of the volume authorized in the JCEP FTA Order.

Liquefaction Project. JCLNG seeks long-term authorization to import natural gas from Canada to the Jordan Cove LNG Terminal, which its subsidiary, JCEP, proposes to construct,

⁴ *Id.* at 2.

⁵ *Jordan Cove Energy Project, L.P.*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Jordan Cove LNG Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3041 (Dec. 7, 2011) (JCEP FTA Order).

own, and operate. According to JCLNG, the Project is designed to provide a new LNG terminal on the West Coast of the United States which, in turn, will provide benefits associated with the increased export of LNG supplies. As noted above, the Project will be capable of receiving and liquefying natural gas, storing the LNG, and loading the LNG onto carriers for delivery to export markets and/or to domestic markets within the non-contiguous United States (specifically, the markets of Hawaii and Alaska, and select markets in Oregon). JCLNG states that the Project facilities will encompass natural gas receipt and conditioning equipment, liquefaction equipment, two 160,000 cubic meter full-containment LNG storage tanks, and an LNG carrier berth and cargo loading system.

Volume and Source of Natural Gas. JCLNG states that the import volume of 565.75 Bcf/yr of natural gas requested for a 25-year term mirrors the maximum annual quantity for which it requested (and was granted) a 25-year export license by Canada's National Energy Board.

According to JCLNG, the Project will have an initial capacity of six million tons per year (MMt/y) from four liquefaction trains (with each train producing 1.5 MMt/y), although the Project may be expanded to include two additional liquefaction trains. If expanded, the Project would have a total capacity of nine MMt/y among six trains. JCLNG states that production at the expanded facility would require an aggregate natural gas supply of 565.75 Bcf/yr of natural gas (1.55 Bcf/d) to allow for pipeline fuel and fuel use at the Terminal.

JCLNG further states that the Project will have access to gas supplies sourced from the U.S. Rocky Mountain region via Kinder Morgan's Ruby Pipeline, which will interconnect with the new Pacific Connector Gas Pipeline (PCGP) at the Malin Hub in Oregon, as described below. Nonetheless, JCLNG states that this Application and its twin application to Canada's

National Energy Board (now granted) are designed to create flexibility in the Project's sourcing of natural gas. Together, the two applications request the necessary export and import authorizations for the maximum volume that would be needed at the Project's maximum expanded capacity—565.75 Bcf/yr of natural gas.

Import Points and Delivery of Natural Gas. JCLNG states that the natural gas will be delivered to the Project via the PCGP, a new, approximately 230-mile long interstate natural gas pipeline connecting the Project to the interstate pipeline system grid at the Northwest United States market hub at Malin, Oregon. JCLNG states that the PCGP is being developed by Veresen and The Williams Company, with The Williams Company having responsibilities for regulatory processing, development, and construction.⁶

JCLNG proposes to import the natural gas at two points on the Canada/United States border. JCLNG states that the gas primarily is expected to cross the border near Kingsgate, British Columbia/Eastport, Idaho, after having been transported in Canada on the existing natural gas pipeline networks of both TransCanada PipeLines and Spectra. This imported gas will be transported on the existing Gas Transmission Northwest system to the Malin Hub, where there will be an interconnection with the PCGP.

Alternatively, gas may flow on the Spectra system to the Canada/United States border for export near Huntingdon, British Columbia/Sumas, Washington, where it will be transported on Williams' Northwest Pipeline for physical flow, swaps, or exchanges to the PCGP.

Business Model. JCLNG requests authorization to import gas both on its own behalf and on behalf of the owners of the gas for which JCLNG will act as agent. JCLNG states that the commercial arrangements for the Project will be based on a toll model. JCLNG envisions that

⁶ JCLNG states that PCGP's application to FERC, dated June 6, 2013, for a certificate of public convenience and necessity authorizing it to site, construct and operate an interstate pipeline to connect to the Project is presently pending before FERC in FERC Docket No. CP13-492-000.

individual customers will hold capacity in the Jordan Cove LNG Terminal and on the PCGP pipeline, with the right to ship feed gas on the PCGP from the Malin Hub to the Project, deliver it to JCEP for liquefaction services at the Terminal, and receive LNG from JCEP. Under this model, the customers will be responsible to source and hold title to the feed gas. Neither JCLNG nor JCEP proposes to be directly involved in the purchase or sale of natural gas or of LNG. Rather, JCLNG expects that it will act as an agent and a facilitator to the Project's individual customers.

JCLNG states that it is prepared to accept conditions on its natural gas import authorization akin to those imposed in recent DOE/FE LNG export orders to the extent applicable. For example, JCLNG states that it will undertake to register with DOE/FE any title holder to imported natural gas, to cause such title holder to provide all information and commitments required by DOE/FE, and to file any long-term agreements associated with the long-term supply of natural gas to be imported under this authorization within 30 days after their execution.

As stated above, JCLNG requests the import authorization for a 25-year term, commencing on the earlier of the date of first export from Canada or the date 10 years from the date this authorization is granted.

Environmental Review. JCLNG states, in relevant part, that the requisite applications associated with the Project and the PCGP were filed with the Federal Energy Regulatory Commission (FERC) in May and June, 2013, respectively, and are currently pending. According to JCLNG, both applications are undergoing environmental review under the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321, *et seq.*, which will culminate in the issuance of a Final Environmental Impact Statement. JCLNG states that the construction and

operation of both the Project and the PCGP will be in accordance with any environmental mitigation measures imposed by FERC in its authorization orders.

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 authorizing (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 authorization sought by JCLNG to import natural gas from Canada, a nation with which a FTA is in effect, falls within section 3(c), as amended. Therefore, DOE/FE is charged with granting the requested authorization without modification or delay.⁷

(2) In light of DOE's statutory obligation to grant this Application without modification or delay, there is no need for DOE/FE to review any other arguments asserted by JCLNG in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments.

(3) As described above, JCLNG requests authorization to import natural gas on its own behalf and as agent for other entities who hold title to the gas at the time of import. DOE/FE previously addressed the issue of Agency Rights in DOE/FE Order No. 2913,⁸ 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

⁷ DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. Part 590, are applicable only to applications seeking to export natural gas, including LNG, to countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

⁸ *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).

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*,⁹ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. Although this Application involves the import of natural gas from a FTA country, we find that the same policy considerations that supported DOE/FE's acceptance of the alternative registration proposal in DOE/FE Order No. 2913 apply here, as well.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.¹⁰ 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 titleholder (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 on its own behalf.¹¹

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

(5) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."¹² Additionally, DOE regulations at 10

⁹ *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.

¹⁰ *Gulf Coast LNG Export, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations, DOE/FE Order No. 3163 (Oct. 16, 2012).

¹¹ *See id.* at 7-8.

¹² 10 C.F.R. § 590.202(b).

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.

(6) DOE/FE will require that JCLNG file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which it imports natural gas as agent for a Registrant, once those agreements 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 term of two years, such as a long-term sales contract involving natural gas imported from Canada and delivered to the Project.

(7) DOE/FE also will require JCLNG to file any long-term contracts it enters into, on its own behalf, providing for the long-term import of natural gas to the Project. DOE/FE finds 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) DOE/FE recognizes that some information in JCLNG’s or a Registrant’s long-term commercial agreements associated with the import of natural gas, and/or long-term contracts associated with the long-term supply of natural gas to the proposed Jordan Cove LNG Terminal may be commercially sensitive. DOE/FE therefore will provide JCLNG the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) JCLNG 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, and other relevant provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

ORDER

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

A. JCLNG is authorized to import natural gas from Canada to the proposed Jordan Cove LNG Terminal, to be located within the Port of Coos Bay, Oregon. The volume authorized in this Order is up to 565.75 Bcf per year of natural gas for a 25-year term, beginning on the earlier of the date of first import or 10 years from the date the authorization is issued (March 18, 2024). JCLNG is authorized to import this natural gas 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). JCLNG will receive the natural gas at points on the Canadian/United States border near Eastport, Idaho and Huntingdon, Washington.

B. JCLNG 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 these provisions could result in rescission of this authorization and/or other civil or criminal remedies.

C. JCLNG 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 import of natural gas to the Jordan Cove LNG Terminal on its own behalf or as agent

for other entities. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if JCLNG 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, JCLNG 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, JCLNG shall state why the redacted or non-disclosed information should be exempted from public disclosure.

D. JCLNG is permitted to use its authorization in order to import natural gas 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 JCLNG with all information necessary to permit JCLNG 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 C of this Order.

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

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

G. Within two weeks after the first import of natural gas occurs to the Jordan Cove LNG Terminal as authorized in Ordering Paragraph A, JCLNG shall provide written notification of the date of first import.

H. JCLNG shall file with the Office of Oil and Gas Global Security and Supply, on or by April 1 and October 1 of each year, written reports describing the status of the long-term contracts associated with the long-term import of natural gas and any long-term supply contracts.

I. Prior to any change in control of the authorization holder, JCLNG 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 JCLNG, 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.

J. Monthly Reports: With respect to the imports of natural gas authorized by this Order, JCLNG 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 imports of natural gas 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 imports. In subsequent months, if imports have

not occurred, a report of “no activity” for that month must be filed. If imports of natural gas have occurred, the report must give the following details: (1) country of origin; (2) the point of entry; (3) the volume in thousand cubic feet (Mcf); (4) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (5) the name of the supplier(s); (6) the name of the U.S. transporter(s); (7) the estimated or actual duration of the supply agreements(s), and (8) the geographic market(s) served (list State(s), U.S. Census Region(s), or general U.S. geographic area(s)).

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

K. 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 Natural Gas Reports at (202) 586-6050.

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