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Department of Energy Authorizes Fourth Liquefied Natural Gas (LNG) Facility to Export to Non-Free-Trade Agreement Countries

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On September 11, 2013, the **Department of Energy** (**DOE**) issued an order conditionally authorizing Dominion Cove Point LNG, LP (DCP) to export domestically produced liquefied natural gas (LNG) to countries that do not have a free-trade agreement (FTA) with the United States. This is the fourth such authorization for a facility to export LNG to non-FTA countries, and thirteen applications are pending.

DCP owns the Cove Point LNG Terminal located in Calvert County, MD, and an 88-mile pipeline connecting the Terminal to the interstate pipeline grid. DCP is currently developing plans to install facilities to liquefy domestically produced natural gas delivered to the Terminal through the Cove Point pipeline and to load the LNG onto tankers for export from the Terminal (Liquefaction Project). DCP plans to start construction on the facility in 2014 and put the liquefaction facilities in service in 2017, and it is expected to cost $3.4-3.8 billion to convert the facility for exports.

DCP's application sought approval to export up to 1 billion cubic feet of natural gas per day (Bcf/d) for a 25-year period. DCP claimed that construction and operation of the Liquefaction Project would create up to 4,400 jobs in the short-term and as many as 18,000 jobs annually due to "economic activity associated with the long-term upstream supply of natural gas for DCP's proposed LNG exports." DCP also claims that the Liquefaction Project will result in billions of additional tax revenue for federal, state, and local governments.

The Order authorizes DCP to export LNG in a volume equivalent to 0.77 Bcf/d for a 20-year term. The Order found that the exports proposed in DCP's application are likely to yield net economic benefits to the United States, and the opponents of the DCP Application have not demonstrated that the requested authorization will be inconsistent with the public interest.

DOE limited the authorization to a 20-year term because its study of the economic benefits of LNG exports only considered twenty year projections. The Order only authorized 0.77 Bcf/d of exports because that is the maximum liquefaction capacity of the Cove Point LNG Terminal.

With this approval DOE has now authorized LNG exports to non-FTA counties totaling 6.37 Bcf/d. This total volume only moderately exceeds the 6 BCF/d volume that the DOE export study indicated would have a minor impact on domestic natural gas prices.

Expressing caution, DOE states that it “will continue to assess the cumulative impacts of each succeeding request for export authorization on the public interest with due regard to the effect on domestic natural gas supply and demand fundamentals” and “monitor developments that could tend to undermine the public interest in grants of successive applications for exports of domestically produced LNG.”

DCP must obtain certification authorization from the **Federal Energy Regulatory Commission** (**FERC**) before it may begin construction to modify its facility to permit exports. FERC will examine a number of factors, including the environmental implications of the project.

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