

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

In The Matter Of:)
)
SABINE PASS LIQUEFACTION, LLC) **Docket No. 10 - _____ - LNG**
)

**APPLICATION FOR LONG-TERM AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS**

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 (2010), Sabine Pass Liquefaction, LLC (“Sabine Pass”) hereby requests that DOE, Office of Fossil Energy (“FE”), issue an order granting Sabine Pass long-term, multi-contract authorization to engage in exports of up to 16 million tons per annum (“mtpa”),¹ of liquefied natural gas (“LNG”) for a 30-year term. Sabine Pass is seeking authorization, beginning on the date of first export, to export LNG volumes to any nation that currently has or develops the capacity to import LNG and with which the United States currently has, or in the future enters into, a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG.²

This application for export authorization is the first half of Sabine Pass’s two-phased export authorization request. Sabine Pass will file a separate application in the near term with DOE for authorization to export LNG to those countries with which a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG is not in effect and to which the export of LNG by vessel is not prohibited by U.S. law or policy. Pursuant to the Energy Policy Act of 1992, which amended Section 3 of the Natural Gas Act, applications, such as this one, to

¹ Sixteen (16) mtpa of LNG is the equivalent of an average over the year of approximately 2.2 billion cubic feet per day (“Bcf/d”) of natural gas or approximately 2,310,000 decatherms per day of energy equivalent.

² Currently, the countries that have Free Trade Agreements with the U.S. include: Australia, Bahrain, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Chile, Morocco, Canada, Mexico, Oman, Peru, Singapore, Israel and Jordan. Sabine Pass requests that the authorization it is seeking herein include any countries with which the United States may in the future enter into Free Trade Agreements requiring the national treatment for trade in natural gas and LNG.

export LNG from or to nations with which the United States has a Free Trade Agreement are deemed to be in the public interest and must be granted without modification or delay,³ whereas applications for export authorization to non-Free Trade Agreement countries are subject to a somewhat more detailed public interest review and analysis by DOE to determine whether such applications are not deemed consistent with the public interest. Notably, there is a rebuttable presumption favoring export authorization. In order to overcome this presumption, opponents of an export license must make an affirmative showing of inconsistency with the public interest.⁴

Sabine Pass is seeking this two-phased export authorization in conjunction with the development of the Sabine Pass Liquefaction Project.⁵ The Sabine Pass Liquefaction Project is being developed to liquefy domestic supplies of natural gas for export to foreign markets. More specifically, the Liquefaction Project will be designed to process natural gas delivered to the Sabine Pass LNG Terminal, an existing LNG import facility, located in Cameron Parish, Louisiana. Natural gas will be liquefied and stored in the existing LNG storage tanks at the site. LNG will be exported from the Sabine Pass LNG Terminal via LNG carriers that will arrive at the site by marine transit through the Sabine Pass Channel. This enhanced facility will be operated as a bidirectional terminal and will have the capability both to liquefy for export, and to import and regasify, simultaneously. This dual capability will not result in an increase in the

³ See 15 U.S.C. §717b (2000). See also *Phibro LLC*, DOE/FE Order No. 2803, Order Granting Blanket Authority to Import/Export Natural Gas from/to Canada/Mexico, to Export LNG to Canada/Mexico, and to Import LNG from Various Sources, Docket No. FE10-60-NG (June 16, 2010); *Applied LNG Technologies USA, L.L.C.*, DOE/FE Order No. 2747, Order Granting Blanket Authority to Import/Export LNG from/to Canada/Mexico, and to Import LNG from Various International Sources, Docket No. 10-3-LNG (Jan. 29, 2010).

⁴ See *Panhandle Producers and Royalty Owners Association v. ERA*, 822 F.2d 1105, 1111 (DC Cir. 1987).

⁵ On August 4, 2010, the Director of the Office of Energy Projects of the Federal Energy Regulatory Commission (“Commission”) issued a letter order in Docket No. PF10-24-000 granting Sabine Pass’s request to commence the Commission’s mandatory National Environmental Policy Act pre-filing review process for the Sabine Pass Liquefaction Project. The potential environmental impact of the Sabine Pass Liquefaction Project will be reviewed by the Commission in conjunction with this proceeding. Sabine Pass will keep DOE updated as to the status of this environmental review.

number of ship transits⁶ since the total amount of LNG processed either by liquefying natural gas or vaporizing LNG will not exceed an average of 4.0 Bcf/d.

I.
COMPANY INFORMATION

The exact legal name of Sabine Pass is Sabine Pass Liquefaction, LLC. Sabine Pass, which has its principal place of business in Houston, Texas, is an indirect subsidiary of Cheniere Energy, Inc. Sabine Pass is headquartered at 700 Milam Street, Suite 800, Houston, Texas 77002. Its telephone number is (713) 375-5000, and fax number is (713) 375-6000.

II.
REQUESTED AUTHORIZATION

Sabine Pass requests multi-contract authorization to export up to 16 mtpa of LNG by vessel to any nation with which the United States currently has, or in the future enters into, a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG, for a 30-year term. Sabine Pass requests that such authorization commence on the date of first export, with such first export to occur no later than ten years following issuance of the authorization requested herein. Sabine Pass is requesting this authorization for itself and in order to act as agent for third parties.

Sabine Pass will file the long-term export contracts that are the subject of the authorization requested herein following execution of such agreements, which has yet to occur.⁷ The gas supply underlying these long-term contracts will come from the interstate grid at different liquidity points. The pipeline infrastructure connected to the Sabine Pass LNG terminal allows Sabine Pass and its customers to purchase gas for export from any point in the U.S.

⁶ The Sabine Pass LNG Terminal is capable of unloading approximately 400 ships per year, or an average of just over one ship every day.

⁷ The terms of the individual contracts, including, but not limited to, commencement and termination dates, pricing, volumes and export destinations, will vary and be determined by market conditions. In this regard, in certain instances, the country of destination may not be specified in the contract itself in order to allow maximum commercial flexibility. However, in such instances, the contract will explicitly provide that such export destination will be within the scope of the export authorization granted to Sabine Pass by DOE. Moreover, the destination countries will be reported to DOE in the monthly reports filed by Sabine Pass.

interstate pipeline system, however, the historically prolific South, East, and Gulf Coast Texas onshore gas fields, the gas fields in the Permian, Anadarko, and Hugoton basins, and the well documented unconventional gas fields in the Barnett, Haynesville, Eagle Ford, Fayetteville, Woodford, and Bossier basins would represent the most likely sources of physical supply. This supply can be sourced in large volumes in the spot markets or pursuant to long-term arrangements, for the account of Sabine Pass or third party customers.⁸ Given the large size of the supply in these fields and the well documented continuous increase in the production associated with these very large reserves, the proposed exports are not anticipated to have any meaningful impact on the availability of natural gas to the region.

Sabine Pass does not currently hold, nor has it ever held, an order from DOE/FE authorizing the import or export of natural gas or LNG. Granting Sabine Pass's request for long-term, multi-contract export authorization is consistent with the Administration's current and long-term policy objectives to stimulate the economy by promoting exports. In this regard, on March 11, 2010, the President unveiled the National Export Initiative, which is designed to reduce barriers to trade and promote U.S. exports.⁹ The goal is to double U.S. exports over the next five years to create jobs and boost the economy.

As noted above, this application is submitted under the Energy Policy Act of 1992's standard requiring the grant of the application without modification or delay. Under this standard, the export of natural gas and LNG to nations with a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG is deemed to be in the public interest.

⁸ Section 590.202(b) requests information, "to the extent applicable" concerning the source and security of the natural gas supply to be exported, among other things. As supply contracts have not been entered into, more specific supply information beyond what is provided herein is not available. The same is true for the other transaction specific information detailed in Section 590.202(b). Accordingly, Sabine Pass hereby requests waiver of such requirements as set forth in Section 590.202, to the extent DOE deems them applicable.

⁹ See Executive Order - National Export Initiative (March 11, 2010) available at <http://www.whitehouse.gov/the-press-office/executive-order-national-export-initiative> (visited on July 8, 2010) ("A critical component of stimulating economic growth in the United States is ensuring that U.S. businesses can actively participate in international markets by increasing their exports of goods, services, and agricultural products. Improved export performance will, in turn, create good high-paying jobs").

Although DOE is not required to make a public interest finding, it is evident from the current supply/demand balance of natural gas in the United States that the request for authorization to export domestic natural gas production is in the public interest. It is undisputed that domestic gas production has been on an upward trend in recent years. In this regard, the Annual Energy Outlook 2010 (“AE0 2010”) prepared by the Energy Information Administration (“EIA”) forecasts shale gas production to increase 3.85 Tcf by 2015.¹⁰ In Order No. 2795, which granted Cheniere Marketing LLC blanket authorization to export previously imported LNG, FE took note of the “increased supply of domestic production, flat to declining natural gas consumption, and decreased imports of LNG” in approving the request for export authorization.¹¹ It stands to reason that the ability to export domestic gas as LNG will greatly expand the market scope and access for domestic natural gas producers and thus serve to encourage domestic production at times when U.S. market prices might not otherwise do so.¹² Such production would be available to supply local markets and thereby serve to moderate U.S. gas price volatility and keep prices to U.S. natural consumers at reasonable levels. Furthermore, given the planned bidirectional nature of the Sabine Pass LNG Terminal, third party customers will have the ability to import and regasify LNG for domestic sales as warranted by market conditions. Such market influenced flexibility is in keeping with the market-oriented policy of the Secretary’s natural gas policy guidelines.¹³

Moreover, granting Sabine Pass long-term, multi-contract export authorization is consistent with the pro-export stance of the current Administration to the benefit of the U.S. economy. For the foregoing reasons, Sabine Pass respectfully requests that it be granted

¹⁰ EIA AE2010, Table A-14, page 135.

¹¹ DOE Opinion and Order No. 2795 at p. 8 (June 1, 2010).

¹² Three of the four articles on page 1 of the August 4, 2010 edition of *Platts Gas Daily* concern the impact on producers and production of the current over supply situation: “Chesapeake lays it down until prices pass \$6”; “Prices prompt Petrohawk to trim shale spending” and “Analysts ponder long-term impact of low prices.”

¹³ See 49 Fed. Reg. 6684 (Feb. 22, 1984).

authorization, beginning on the date of first export, which is to occur no later than ten years following the issuance of DOE's grant of this request, to export up to 16 mtpa of LNG volumes to any nation that currently has or develops the capacity to import LNG and with which the United States currently has, or in the future enters into, a Free Trade Agreement requiring the national treatment for trade in natural gas and LNG, for a 30-year term.

III.
APPLICANT CONTACT INFORMATION

The contact information for this application is as follows:

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IV.
REPORT CONTACT (MONTHLY REPORTS) INFORMATION

The report contact is as follows:

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V.
MISCELLANEOUS

Sabine Pass requests secondary distribution of the order by email. DOE/FE should communicate with Sabine Pass by email, telephone and fax.

The \$50.00 application fee is submitted herewith along with a signed Opinion of Counsel.

VI.
CONCLUSION

For the foregoing reasons, Sabine Pass respectfully requests that DOE/FE grant it multi-contract authorization to export up to 16 mtpa of LNG for a 30-year term commencing the date of first export, with such first export to occur no later than ten years following issuance of the authorization requested herein, on an expedited basis in accordance with the standard established by the Natural Gas Act, as amended by the Energy Policy Act of 1992.

Respectfully submitted,

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Dated: August 11, 2010