

PUBLICATION

U.S. Department of Energy Grants Long-Term Contract to Cameron LNG

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On February 11, 2014, the U.S. Department of Energy issued an order conditionally granting long-term contract authorization to export liquefied natural gas by vessel to non-free trade agreement nations from the Cameron LNG, LLC terminal in Cameron Parish, Louisiana. The order conditionally grants approval to export natural gas in a volume equivalent to 1.7 Bcf per day, or 620 Bcf per year, for a twenty-year period. The Department of Energy's approval is conditional pending the completion of an environmental review.

Cameron LNG is a wholly-owned subsidiary of Sempra Energy, Inc. The 142-page order presents multitudinous background facts, findings and conclusions, including Cameron LNG's indication that Texas and Louisiana will be among the sources of the exported natural gas and the Department of Energy's finding that the exports proposed in Cameron LNG's application are likely to yield economic benefits to the U.S.

The Cameron Terminal was first placed into service in July 2009, and was authorized to send out 1.8 Bcf per day to domestic markets. Cameron LNG first filed for approval to export to non-free trade agreement nations on December 21, 2011. Gaining approval for such export is an arduous process that can take more than three years. There is some political pressure on the government to expedite approval of the export of natural gas. Russia is the second-largest natural gas producer (behind the U.S.) and has twice cut supplies to Ukraine since 2006. Just this month, Russia threatened to do so again. If the U.S. expedites approval for the export of natural gas, European nations may be less dependent on Russia, from which they currently receive approximately thirty percent of their natural gas.

The Cameron Terminal is the second Louisiana facility to be granted non-free trade export approval. Cheniere Energy Inc.'s Sabine Pass terminal, also in Cameron Parish, was the first. Its shipments are set to begin in late 2015. In total, there are 25 applications for long-term export of liquefied natural gas to non-free trade countries pending before the Department of Energy.