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Federal Energy Regulatory Commission (FERC) Approves Cameron Liquefied Natural Gas (LNG) for Exports

Over the objections of leading environmental groups and others, **FERC** recently approved a second application to export **LNG**. Specifically, FERC granted **Cameron LNG, LLC**'s (a Sempra Energy affiliate) request pursuant to Section 3 of the **Natural Gas Act** to modify its LNG terminal in Cameron Parish, Louisiana to permit LNG exports up to approximately 14.95 million metric tons per annum (or the equivalent of 2.33 Bcf per day). [<https://www.ferc.gov/whats-new/comm-meet/2014/061914/C-1.pdf> (Order).] In its Order, FERC also approved **Cameron Interstate Pipeline, LLC**'s (Cameron Interstate) application to construct and operate pipeline and compression facilities to transport domestically-produced natural gas to the Cameron LNG terminal for processing, liquefaction, and export. The facilities must be placed in service within 5 years.

FERC's Order makes Cameron LNG one of two LNG export facilities approved by FERC that can export domestically-produced natural gas. The Sabine Pass project was approved in April 2012. The Commission previously authorized Cameron LNG to operate its import LNG terminal for the additional purpose of exporting LNG that had previously been imported and stored at the terminal. [*See Cameron LNG, LLC*, 134 FERC 61,049 (2011).]

The Cameron pipeline was originally designed to flow re-gasified, imported LNG north to markets in the U.S. The Order authorizes a flow reversal so that gas may flow north to south for ultimate liquefaction and export. Cameron Interstate's one existing long-term firm shipper will turn back all of its firm capacity once the new facilities are placed into service so that Cameron Interstate will have firm commitments only for the north to south flow. FERC also noted that Cameron Interstate had received confidential expressions of interest for 100% of the proposed incremental firm transportation capacity for 20 year terms under a negotiated rate, and has entered into precedent agreements for 63% of the pipeline project's capacity.

FERC's authorizations in its Order come over a variety of economic and environmental objections in protests filed jointly by the Sierra Club and the Gulf Restoration Network (together, Sierra Club). The Sierra Club argued that FERC should consider that LNG export would have adverse and wide-ranging economic effects domestically, would affect the price of natural gas for domestic customers, and resulting price increases would harm U.S. workers and the economy. FERC declined to address these economic claims "as they concern impacts associated with the exportation of natural gas as a commodity . . . rather than impacts associated with Cameron LNG's export facilities" [Order at P 26]. As FERC noted, the "Secretary [of Energy] has not delegated to the Commission any authority to approve or disapprove the import or export of the commodity itself." [Order at P 28.]

With respect to the environmental claims, FERC noted that the 'Sierra Club asserts that the project will "induce additional natural gas production in the United States, primarily hydraulic fracturing (fracking) of such production, thus causing the many environmental harms associated with such production"' as well as a number of air and

water quality issues. [Order at P. 25.] As to the impact of induced natural gas production, FERC again noted that its review is limited to the economic and environmental impacts of the proposal before it, and that the “Sierra Club has not identified any induced production specifically connected to the Cameron LNG proposal.” [Order at P 30.]

FERC addressed the bulk of the environmental issues in discussing the results of the Environmental Impact Statement (EIS). The Sierra Club had argued that the draft EIS failed to consider the indirect, but reasonably foreseeable, effects of induced gas production, such as effects on “vegetation, communities, public parks, socioeconomic impacts and noise.” [Order at P 68.] The Commission also noted that because Cameron Interstate will interconnect with five major interstate pipelines and effectively provide access to all of the production areas in the lower 48 states, the source of any gas to be transported over Cameron Interstate is unknown and speculative.

The Sierra Club also argued that the draft EIS failed to consider the cumulative impacts from all proposed export terminals, including those pending or approved by DOE. FERC rejected this argument finding that it “seeks a programmatic EIS” and that the Cameron LNG project does not meet the requirements of federal regulations requiring programmatic EISs and so the question is not properly before the Commission.

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About the Author



[Noy S. Davis](#)

Staff Attorney

Noy S. Davis focuses on energy and public utilities law litigation and transactions.

ndavis@schiffhardin.com

202-778-6412

www.schiffhardin.com

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