

Testimony of Pat Outtrim, Vice President of Government and Regulatory Affairs,
Cheniere Energy, Inc., before Senate Committee on Energy and Natural Resources

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Thank you for the opportunity to address the committee. My name is Pat Outtrim, I serve as Vice President of Government and Regulatory Affairs at Cheniere Energy, Inc. While at Cheniere I have overseen the permitting of six LNG projects, including the Sabine Pass import terminal and our current project now under construction to add liquefaction capacity at Sabine. I would like to focus my remarks today on the permitting process for LNG and pipelines, and why it is critical that government's oversight of this infrastructure match the growth underway in America's energy patch in order to take advantage of the opportunities afforded by the energy abundance recently unlocked by American ingenuity and innovation.

The United States is reaping enormous economic and strategic benefits from new technologies pioneered in unconventional basins by the domestic oil and gas industry. Since 2005, our production of natural gas has been growing at about twice the pace as demand growth. Recently the Potential Gas Committee raised its estimate of recoverable domestic gas resources to a 48-year high of 2,688 Tcf, or about 105 years of domestic market coverage at current demand. It is clear that our ability to produce natural gas is far outpacing our capacity to use it. Natural gas liquefaction is one among many industrial applications planned to utilize our abundant resources, including other uses such as electricity generation and transportation. Our natural gas resource base is abundant and growing, and we believe can accommodate many innovative uses at historically low future prices.

For America to take advantage of its growing energy resources, significant new infrastructure will be required to gather, process and transport supplies to market. With respect to LNG, the U.S. has in place a robust regulatory process to evaluate the safety, environmental and community impacts of LNG projects under the National Environmental Policy Act. There are approximately 20 federal and state agencies that have a role in the permitting of an LNG project. While the DOE has authority to issue a license to export or import natural gas, FERC is the lead federal agency that coordinates all activity during the NEPA review process, as directed under Section

313 of the 2005 Energy Policy Act. All federal and state agencies that have a role in the NEPA review are cooperating agencies under FERC.

The FERC review process includes a minimum six-month pre-filing process during which an LNG project is vetted by these 20 federal and state agencies. A series of public meetings are also held during the pre-filing process to field inquiries and concerns from the community regarding a project's impacts. These concerns must be addressed by a project sponsor during the drafting of 13 resource reports that cover all environmental and engineering information. Detailed engineering work is required to complete these reports. An applicant cannot file a full application until all agencies with oversight roles agree that the 13 resource reports have been completed. Once an application is submitted, an additional 12 to 18 months are required to review it and to complete an environmental assessment or an environmental impact statement. Before a construction license may be issued by FERC, other permits are also required for an LNG project, including from the U.S. Army Corp of Engineers, the EPA, and state-level environmental agencies. There are approximately 40 permits and consultations required in total before FERC can provide authorization to commence construction for an LNG project.

The Department of Energy's role in the LNG project review process is also clear. According to Section 3 of the Natural Gas Act, natural gas imports and exports are presumed to be in the public interest unless demonstrated to the contrary by an intervenor, and a license should otherwise be granted in a timely manner. The review of a permit application by DOE as defined under 10 CFR Part 590.202(b) requires a description of the scope and environmental impacts of a project; the volumes, commencement and completion dates for the proposed import or exports; and the participants, terms, and price of the transaction – in effect a completed contract and an environmental review of a project. Therefore, compliance with the DOE process for an export license requires that an applicant include both a completed contract and the FERC NEPA analysis. Without both items, the application is incomplete.

The cumulative impact is that the regulatory review for an LNG project can take up to three years, and a sponsor must spend up to \$100 million for compliance to receive all necessary permits. The vast majority of these costs are spent during the FERC process. The NEPA analysis conducted by FERC is a rigorous evaluation that ensures the safety of the public and environment, but it as well is a time-intensive and expensive process. As the Department of Energy considers a path forward on 19 pending project applications for a license to export LNG, it is important to remember that the FERC process can serve as a critical tool to evaluate which projects are viable in the market, and which may not stand up to public scrutiny.

Furthermore, regulatory review is only one of numerous hurdles that must be overcome before an LNG project can be constructed. In addition to permitting, a sponsor must commercialize a project by finalizing contracts with counterparties. An LNG project also must be financed, and these are expensive projects. In the case of our Sabine Pass project, the first two LNG trains at the facility cost \$5.6 billion in capital expense. American companies are vying in a global market for clients and financing, and delays in the permitting process can and will significantly hinder the competitiveness of American industry.

Finally, it is important that our regulations of midstream infrastructure keep pace with the growth America is experiencing in its oil and gas fields to avoid wasting a golden economic and strategic opportunity for the country. Section 313 of the 2005 EPAct provides that FERC “ensure expeditious completion” of LNG project reviews, and provides for timelines to ensure that review is timely. It is important that these timelines be adhered to by state and federal agencies during project reviews. At the same time, it is important for Congress to ensure that these agencies are provided the resources necessary to complete reviews of pending LNG and infrastructure projects in a thorough yet timely manner.