



AGENDA MEMORANDUM

Future Item for the City Council Meeting of January 21, 2014
Action Item for the City Council Meeting of January 28, 2014

DATE: December 26, 2013
TO: Ronald L. Olson, City Manager
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Resolution supporting exportation of liquefied natural gas (LNG) from the Coastal Bend and supporting Cheniere Energy's federal permit applications for the Corpus Christi LNG Liquefaction Plant.

CAPTION:

Supporting the exportation of liquefied natural gas (LNG) from the Coastal Bend and supporting Cheniere Energy's permit application with the Federal Energy Regulatory Commission (FERC) and the Department of Energy (DOE) for the Corpus Christi LNG Liquefaction facility at the LaQuinta Channel.

PURPOSE:

The City of Corpus Christi City Council is being asked to express its support for expanding the exportation of LNG. In addition, the City through the resolution is expressing its support for the FERC and DOE permits currently under review by the respective agencies.

BACKGROUND AND FINDINGS:

Other local governments in the Coastal Bend that have approved resolutions of support, include Ingleside, Gregory, and Port Aransas. Only the Cities of Portland, which is expected to consider a resolution on January 21, 2014, and Corpus Christi have not adopted resolutions of support.

Cheniere Energy, Inc. is a Houston-based energy company primarily engaged in LNG-related businesses. Cheniere initiated a project to develop an LNG terminal near Corpus Christi, Texas. The Corpus Christi LNG terminal is being designed and permitted for up to three modular LNG trains, with aggregate peak capacity of up to 15 million tonnes per annum (mtpa) and which would include three 160,000 m³ full containment storage tanks and two LNG carrier docks. Commencement of construction

for the Corpus Christi LNG terminal is subject, but not limited to, obtaining regulatory approvals, entering into long-term customer contracts sufficient to underpin financing of the project, entering into an engineering, procurement and construction contract, and Cheniere making a final investment decision.

The approximately 1,000-acre site is located on the La Quinta Channel on the northeast side of Corpus Christi Bay in San Patricio County within the City of Corpus Christi's extra territorial jurisdiction. The Corpus Christi Liquefaction Project is expected to be constructed in phases, with each LNG train commencing operations approximately six to nine months after the previous train.

Corpus Christi Liquefaction has initiated the Federal Energy Regulatory Commission's (FERC) review for the proposed natural gas liquefaction terminal including National Environmental Policy Act (NEPA) analysis. The FERC has the exclusive authority to approve or deny an application for the siting, construction, expansion, or operation of an LNG terminal per the Natural Gas Act. The FERC is the lead federal agency that will determine whether Corpus Christi Liquefaction will be issued an Order Granting Authority under Section 3 of the Natural Gas Act for the construction and operation of the Corpus Christi Liquefaction Project. The FERC will also monitor all construction and restoration activities to ensure that Corpus Christi Liquefaction complies with all federal, state, and local permits, plans, and regulations.

Any issues that are identified during the public comment period are expected to be addressed prior to final environmental documents and approvals being issued. Upon FERC approval of the project, Corpus Christi Liquefaction will receive:

1. A Commission Order stating its decision on whether to approve construction and operation of the LNG terminal; and
2. Conditions that must be met prior to construction.

Corpus Christi Liquefaction has also applied for the following environmental permits and clearances:

1. Section 401 water quality certificate from the Texas Commission on Environmental Quality;
2. Section 404 permit from the US Army Corps of Engineers for work in wetlands;
3. Coastal Zone Management consistency determination from the Texas Coastal Coordination Council;
4. Federal Endangered Species consultation with the US Fish and Wildlife Service;
5. State Endangered Species consultation with the Texas Parks and Wildlife Department;
6. Air Emissions Permit (Title V & PSD) from the Texas Commission on Environmental Quality;
NOTE: Draft Air Permit already received by Cheniere.
7. Section 106 National Historic Preservation Act Clearance from the Texas Historical Commission;
8. Authorization to export from the Department of Energy.

Some of the above permits or consultations have been received.

After Corpus Christi Liquefaction receives FERC approval for the Corpus Christi Liquefaction Project and has met all pre-construction conditions required by the FERC Order, FERC will authorize the commencement of construction.

On December 4, 2013, Cheniere announced that it has entered into a liquefied natural gas sale and purchase agreement with PT Pertamina to purchase approximately 0.8 mtpa of LNG upon the commencement of operations from the LNG export facility. The agreement has a term of 20 years and an extension option of up to 20 years. Deliveries are expected to occur as early as 2018. Cheniere continues to pursue other sales and purchase agreements with additional potential customers.

According to Source Watch, by 2012, 13 companies in the U.S. had filed applications with the Energy Department to export more than 17 billion cubic feet of natural gas per day, a number that increased to 15 in 2013. There is significant demand both in Asia and Europe and most LNG is traded using long-term contracts.

A draft Environmental Impact Statement is anticipated to be issued early in 2014 with the potential for a public meeting after it is issued. The final permit could be issued by the summer and go before the FERC Commissioners for final approval by the fall 2014. The final investment decision to build the Corpus Christi Liquefaction facility is contingent on the completion of long-term contracts for the expected production volumes, the successful financing of the project and the completion of the permits listed above. This is expected by the end of 2014.

ALTERNATIVES:

The Council's options are: (1) adopt the resolution, (2) adopt the resolution with changes, (3) reject the resolution, or (4) take no action.

OTHER CONSIDERATIONS:

CONFORMITY TO CITY POLICY:

N/A

EMERGENCY / NON-EMERGENCY:

This is a non-emergency item.

DEPARTMENTAL CLEARANCES:

Corpus Christi Regional Economic Development Council, Environmental Services, City Attorney, and Assistant City Manager for Business Support Services

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Year FY 14	TOTALS
Line Item Budget				
Encumbered /				

Expended Amount				
This item				
BALANCE				

Comments: None

RECOMMENDATION:

Staff recommends Council adopt the resolution.

LIST OF SUPPORTING DOCUMENTS:

1. Resolution
2. Map of proposed-potential LNG facilities