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The Office of Policy and Strategic Planning
Department of Commerce
1401 Constitution Avenue, NW
Room 5863
Washington, DC 20230

Re: Comments on Construction of Pipelines Using Domestic Iron and Steel
Docket No. DOC-2017-0002

Dear Sir or Madam:

Magnolia LNG LLC ("Magnolia") offers the enclosed comments in response to the U.S. Department of Commerce's request for comments regarding domestic content requirements for new, retrofitted, repaired, or expanded pipelines in the United States. Magnolia appreciates the opportunity to provide its views on this important matter as the Department evaluates the domestic content policy.

Please contact me at 202.778.9014 or david.wochner@klgates.com if you have any questions.

Best regards,

David Wochner
Counsel for Magnolia LNG LLC

Enclosure

Request for Comments: Construction of Pipelines Using Domestic Steel and Iron
Comments of Magnolia LNG LLC
Docket No. DOC-2017-0002
April 7, 2017

Magnolia LNG LLC ("Magnolia") appreciates the opportunity to offer its perspective on the U.S. Department of Commerce's effort to develop plans for the domestic sourcing of materials for the construction, retrofitting, repair, and expansion of pipelines inside the United States.[1] As more fully described below, Magnolia is concerned that the broad scope of this requirement and limited availability of domestic manufacturers for pipeline and materials and equipment will create a project backlog, hold back infrastructure development, and raise energy prices for domestic and international consumers, preventing the United States from maximizing the benefits of its domestic natural resources.

Introduction

Magnolia is a wholly owned subsidiary of Liquefied Natural Gas Limited, an Australian developer of liquefied natural gas ("LNG") infrastructure projects in the United States, Canada, and Australia. The Magnolia LNG terminal, a major infrastructure investment worth more than $4 billion, will be adjacent to the Calcasieu Ship Channel near Lake Charles, Louisiana. Magnolia is fully permitted by the Federal Energy Regulatory Commission ("FERC")[2] and the U.S. Department of Energy ("DOE")[3] to site, construct, and operate an LNG liquefaction facility for LNG export to markets around the world. Magnolia will also support the regional economy by creating more than 1,000 construction jobs, 55-60 permanent jobs, and an additional 175 jobs.[4]

Magnolia and its offtake customers will secure their natural gas supplies from the interconnected North American natural gas pipeline system. As described below, the domestic content requirements proposed and considered in this proceeding may affect infrastructure

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[1] Office of Policy and Strategic Planning: Construction of Pipelines Using Domestic Steel and Iron, 82 Fed. Reg. 13973 (Mar. 16, 2017).

[2] *Magnolia LNG, LLC*, Order Granting Authorization under Section 3 of the Natural Gas Act and Issuing Certificates, 155 FERC ¶ 61,033 (Apr. 15, 2016); *Magnolia LNG, LLC*, Order Denying Rehearing, 157 FERC ¶ 61,149 (Nov. 23, 2016).

[3] *Magnolia LNG, LLC*, Opinion and Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal to be Constructed in Lake Charles, Louisiana, to Non-Free Trade Agreement Nations, DOE/FE Order No. 3909 (Nov. 30, 2016); *Magnolia LNG, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal in Lake Charles, Louisiana, to Free Trade Agreement Nations, DOE/FE Order No. 3406 (Mar. 5, 2014); *Magnolia LNG, LLC*, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Magnolia LNG Terminal in Lake Charles, Louisiana, to Free Trade Agreement Nations, DOE/FE Order No. 3245 (Feb. 26, 2013).

[4] *Magnolia LNG, LLC*, Application for Long-Term Authorization to Export LNG to Non-Free Trade Agreement Countries, DOE/FE Docket No. 13-132-LNG (Oct. 15, 2013).

companies like Magnolia directly. Therefore, Magnolia has a vital interest in ensuring that the Department of Commerce appreciates this proposed policy's full scope of effects.

Unclear Scope of the Domestic Content Requirement May Delay Procurement Activities

Magnolia is committed to a fair and open material procurement process throughout the construction and operation of its LNG liquefaction project and looks forward to partnering with many domestic manufacturers during this process. However, this proposed domestic content policy process creates uncertainty for infrastructure projects designed to create substantial value for local stakeholders and the United States as a whole. This uncertainty could delay investment decisions as project developers await the final formulation of this domestic content policy and attempt to manage the constraints in the pipeline equipment market that the proposed policy likely will create.

Magnolia is concerned in particular that neither the Department of Commerce's solicitation of public input nor President Trump's January 24, 2017 Presidential Memorandum establishing this domestic content policy development process have sufficiently defined the scope of the proposed policy in a way that would avoid overly broad application, which ultimately may hinder, rather than help, the U.S. economy.[5]

For example, the comment solicitation defines "pipeline" as "any conduit of pipe used for conveyance of gases, liquids, or other products."[6] Like virtually all industrial facilities across the United States, Magnolia's LNG liquefaction and export terminal will contain numerous facilities and equipment that may be considered "conduit[s] of pipe used for conveyance of gases, liquids or other products." As a result, absent a more refined definition, Magnolia's LNG terminal and many other midstream infrastructure projects across the United States could be considered "pipelines" under this policy. If applied in this manner, the policy could increase the cost of domestic infrastructure to a degree that would reduce the United States' competitive advantage in the global energy marketplace and, in turn, reduce both foreign and domestic investment in the U.S. energy market.

Slowing Investment in the U.S. Energy Sector Could Limit Benefits of Energy Exports

More broadly, the United States has experienced a steep increase in the availability of domestic energy resources, particularly oil and natural gas, in recent years. One of the many beneficial uses of these abundant energy resources is for exports to U.S. allies and trading partners around the world. The U.S. Department of Energy consistently has determined that exports of LNG will produce net benefits to the U.S. economy and not be inconsistent with the public interest.[7] Increased U.S. energy exports will support this country's geopolitical, diplomatic, and national security goals by providing a stable energy supply for the nation's key trading partners and allowing them to reduce reliance on less stable energy suppliers. Energy

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[5] Construction of American Pipelines, 82 Fed. Reg. 8659 (Jan. 30, 2017).

[6] Construction of Pipelines Using Domestic Steel and Iron, 82 Fed. Reg. at 13974.

[7] *See, e.g., Magnolia LNG, LLC*, DOE/FE Order No. 3909 at 140 (Nov. 30, 2016).

exports allow the United States to advance these goals while improving the nation's balance of trade.

However, Magnolia is concerned that the proposed domestic content policy could limit the benefits from the United States' new era of energy exports. Not only might the lack of certainty over the application of the policy slow foreign direct investment in the U.S. energy sector, but the potential for higher energy prices due to increased oil or natural gas transportation costs could dissuade international energy buyers from sourcing their oil or gas from the United States. It also is not clear whether the United States has sufficient steel and iron manufacturing capabilities at this time to meet the demands of this country's growing energy economy. In the event that there is insufficient manufacturing capacity to keep pace, broad application of the proposed domestic content policy could create a project backlog, further dis-incentivizing investment in U.S. energy infrastructure.

If the United States discourages continued development of domestic energy resources by creating uncertainty and possibly raising domestic energy prices, then, as noted above, the nation may cede its advantages in the energy sector to other participants in the competitive global energy market and forego the benefits that a vibrant energy export industry will create.

Magnolia is grateful for the opportunity to offer its views on this proposed policy initiative and looks forward to providing additional input as the Department of Commerce continues to evaluate policies regarding domestic content for pipelines in the United States.