



Federal Energy Regulatory Commission
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FERC, PHMSA Joint Presentation
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"Good morning Commissioners.

"I want to welcome Mr. Elliot, Administrator of the Department of Transportation's Pipeline and Hazardous Materials Safety Administration, and to thank him, and DOT Secretary Elaine Chao, for their hard work in developing the Memorandum of Understanding that was signed on August 31, 2018. The MOU describes how FERC and PHMSA will coordinate their efforts in order to expedite the review of applications for liquefied natural gas facilities.

"Last year, the United States became a net exporter of natural gas, and this trend is expected to continue as domestic production is expected to outpace domestic demand. By 2040, the Energy Information Administration predicts domestic production will be just under 40 trillion cubic feet per year and domestic consumption roughly 30 Tcf per year. This difference can be equalized by exports, which will benefit the balance of trade, strengthen this country's ties to its trading partners, and allow them to displace other energy sources with American LNG. It will also create jobs in the LNG industry and supporting industries. In order to take advantage of this increase in LNG production, additional LNG export infrastructure must be built. This MOU will enable FERC to accelerate its review on a dozen pending applications, potentially allowing FERC to act by early 2020 on projects capable of exporting over 8 Tcf per year.

"The new MOU will allow FERC to act more quickly on applications for LNG projects and reduce the burden on applicants. Under the Natural Gas Act, FERC is responsible for authorizing certain LNG projects, and under the Pipeline Safety Act, DOT is responsible for establishing minimal federal safety standards, which PHMSA enforces. Since an LNG facility cannot operate unless it can meet DOT's safety standards, FERC requires applicants to explain how a proposed LNG project will comply with the DOT safety standards set forth in 49 CFR Part 193. Prior to this MOU, as a part of its review of an application, FERC staff would consider whether a proposed LNG project could comply these DOT standards.

"Since 2010, there have been an increasing number of applications for LNG export terminals. LNG export terminals, when compared to LNG import terminals, are far more complex and can raise significantly different issues. As a result, FERC's review of applications for LNG export terminals has become far more time consuming than it was for LNG import terminals. FERC staff found it necessary to confer with PHMSA staff more often, resulting in multiple requests to the applicant from both FERC and PHMSA for more information. The MOU will put an end to this.

"This MOU represents the creativity of both of our agencies' employees who identified an ongoing difficulty in the administration of the existing regulations and found a way around it, without compromising compliance with safety and security requirements, by working more closely together. I want to thank Administrator Elliot and his staff for assisting OGC and OEP in producing a more efficient and effective way for both PHMSA and FERC to carry out their separate, related missions.

I look forward to continuing our productive collaboration.

"With that, I will turn the discussion over to Mr. Elliot."

"I am very pleased to be with you today. Thank you Mr. Chairman and commissioners for inviting me to join you for this meeting. On August 31, 2018, PHMSA and FERC entered into a new MOU renewing our agencies' cooperation relating to applications for Liquid Natural Gas facilities. Working together, PHMSA and FERC will bolster America's status of a net exporter of liquefied natural gas which holds exciting potential for our nation and the world. The United States already exports LNG to over 25 countries internationally. As ever, PHMSA is committed to ensuring that this effort is conducted with safety not just in mind, but paramount.

"This MOU commits our agencies to collaborating to review LNG facility applications efficiently and safely. We will share information and expertise to better serve the nation and its citizens - the purpose that every federal agency should always remember. PHMSA is pleased to take the lead for the Department of Transportation in this area, and to execute the vision of Secretary Elaine Chao for infrastructure to continue to serve as "the backbone of our economy," and a "key factor in productivity and economic growth." As this development occurs, PHMSA will strive to ensure that its mission is met: To protect people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives.

"The numbers involved in the LNG industry are astounding. A single export facility can deliver an economic impact of \$10 billion or more per year, and strong demand from the Asia-Pacific region looks to likely drive those numbers higher over time.

"LNG has tremendous potential because it supplies three things that we want from our sources of energy. We want them to be cleaner, because we care about our environment. We want them to be cheaper, because we care about our economy. And we want them to be safer, because safety is an end in itself, and is the very reason that PHMSA exists.

"In recent years, technological innovation has delivered a surge in natural gas production. This is great for our whole economy, because practically every form of economic activity has fixed energy requirements. It also holds potential, as we export more LNG, to reduce or eliminate trade deficits, as well as to attract direct foreign investment.

"For these reasons, the pace of LNG infrastructure demand is increasing. America has now arrived at a place where transportation infrastructure is a limiting factor on the economic and environmental boon of inexpensive natural gas. It is therefore a matter of some urgency that government facilitate the development of the additional infrastructure required to reap those benefits. We at PHMSA are proud to address the safety elements of that need with our partners at the Federal Energy Regulatory Commission. "PHMSA's partnership with FERC will help both agencies to ensure that LNG development be done with safety as a top priority.

"We look forward to working with FERC in that endeavor."

"Thank you. This concludes our presentation. We are happy to answer any questions that you may have."