

Cited as "1 FE Para. 70,348"

Union Gas Limited (FE Docket No. 90-31-NG), September 6, 1990.

DOE/FE Opinion and Order No. 420

Order Granting Blanket Authorization to Import and Export Natural Gas Including Liquefied Natural Gas

## I. Background

On April 20, 1990, Union Gas Limited (Union) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authority to export up to 100 Bcf of domestic natural gas to Canada, and to import for export back to Canada an additional 100 Bcf of natural gas, including liquefied natural gas (LNG), from Canada and other countries on a short-term, spot market basis over a two-year term beginning on the date of first import or export.

Union, a Canadian corporation with its principal place of business in Chatham, Ontario, is a local gas distribution company, engaged in the transmission, storage, and distribution of gas. Union proposes to utilize existing pipeline, liquefaction, and gasification facilities for the processing and transportation of the volumes to be imported and exported. The natural gas to be imported or exported will be for Union's own account and for short-term sales to a wide range of markets including Union's customers, other local distribution companies, and commercial and industrial end-users. All sales would be at competitive prices and under contracts of two years or less. Union states that it will submit quarterly reports detailing each transaction.

In support of its application, Union asserts that the proposal to import and export natural gas (including LNG) to and from the U.S. is consistent with section 3 of the NGA and the DOE's international gas trade policy. Union also states that current excess domestic gas supplies are evidence of a lack of need for this gas to service regional and national markets. It further asserts that this export arrangement would promote competition and have a beneficial impact on the balance of trade. In addition, Union asserts that its proposal will reduce per-unit transportation costs on affected U.S. pipelines.

A notice of the application was issued on June 1, 1990, inviting protests, motions to intervene, notices of intervention, and comments to be filed by July 9, 1990. 1/ No comments were received.

## II. Decision

The application filed by Union has been evaluated to determine if the proposed import/export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ This determination is guided by the DOE's natural gas import policy guidelines.<sup>3/</sup> Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test. In reviewing natural gas export applications, domestic need for the natural gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

The requested import and export authorizations would provide the applicant with blanket approval, within prescribed limits, to negotiate and transact individual, short-term and spot market sales arrangements without further DOE action. These proposals are distinguished from the usual import/export requests in that, for all volumes imported from Canada or other countries, equivalent volumes will be exported from the United States. The proposed import/export project involves the import of 100 Bcf of natural gas (for export to Canada) and the export of 200 Bcf of natural gas to Canada (100 Bcf of which will be domestic gas). The net export will thus be capped at 100 Bcf. There will be no net import, except to the extent that pipeline or storage facilities withhold gas for fuel or related company use.

The proposed arrangements to import and export natural gas, including LNG, as set forth in this application is consistent with the DOE policy guidelines. With respect to Union's proposed imports, the requirement to consider the competitiveness, need, and security of supply of the gas is unnecessary since it is intended that the volumes will be resold in Canada. With respect to the proposed exports, the fact that the exported gas would be sold on the spot market ensures that the transactions will be market responsive and the prices competitive. This, like other similar blanket imports/exports approved by DOE, <sup>4/</sup> will enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting Union blanket authority to export up to a total of 200 Bcf of natural gas to Canada and import (for export to Canada) up to a total of 100 Bcf of natural gas, including LNG, from Canada and other countries over a two-year term beginning on the date of first delivery of the import or export under contracts with terms of two years or less is not inconsistent with the public interest and should be approved.<sup>5/</sup>

## ORDER

For the reasons set forth above, under section 3 of the Natural Gas Act, it is ordered that:

A. Union Gas Limited (Union) is authorized to export up to a total of 200 Bcf of natural gas to Canada and import (for export to Canada) up to a total of 100 Bcf of natural gas, including liquefied natural gas (LNG) from Canada and other countries over a two-year term beginning on the date of the first import or export.

B. This natural gas or LNG may be exported/imported at any point on the international border where existing pipeline or LNG facilities are located.

C. Within two weeks after deliveries begin, Union shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first delivery of natural gas and/or LNG authorized in Ordering Paragraph A above occurs.

D. With respect to the natural gas and/or LNG imports and exports authorized by this Order, Union shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether sales of imported and/or exported natural gas and/or LNG have been made, and if so, giving, by month, the total volume of the imports and exports in Mcf and the average price for the imports per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the country of origin for the imports, the names of the seller(s), and the purchaser(s), including those other than Union, estimated or actual duration of the agreement(s), transporter(s), including any LNG tankers used, points of entry or exit, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., on September 6, 1990.

--Footnotes--

1/ 55 FR 23283, June 7, 1990.

2/ 15 U.S.C. Sec. 717b.

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., TXG Gas Marketing Company, 1 FE Para. 70,329 (June 21, 1990); Vermont Gas Systems, Inc., 1 FE Para. 70,323 (June 7, 1990); Enjet Natural Gas Inc., 1 FE Para. 70,322 (June 7, 1990).

5/ Because the proposed importation/exportation of gas will use existing facilities, the DOE has determined that granting this application is clearly not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).