

Cited as "1 FE Para. 70,459"

Mobil Natural Gas Inc. (FE Docket No. 91-12-NG), June 21, 1991.

DOE/FE Opinion and Order No. 513

Order Granting Blanket Authorization to Export Natural Gas, Including Liquefied Natural Gas

I. Background

On February 12, 1991, as amended on February 20, 1991, Mobil Natural Gas Inc. (Mobil) filed an application pursuant to section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, to amend the blanket natural gas export authorization granted to Mobil Gas Company, Inc. (now merged with Mobil) in ERA Docket No. 88-23-NC, on July 5, 1988, DOE/ERA Opinion and Order No. 250 (Order 250). Order 250 authorized Mobil to export up to 100 Bcf of natural gas over a two-year term beginning on the date of first delivery, a term which has not started to run since Mobil has not exported any natural gas under that authorization. Under the proposed amendment, the export authority granted by Order 250 would be expanded to include authority to export liquefied natural gas (LNG) and to expressly include authority to export gas to any country with respect to which the U.S. has not prohibited trade in natural gas.

Most of the gas exported under Mobil's proposal would be obtained from a variety of suppliers in various producing states and resold to customers outside of the U.S. on a spot market basis. A portion of the gas would be gas imported under transportation arrangements and ultimately exported for sale outside of the U.S.1/ Mobil intends to use existing pipeline facilities within the U.S. and at the international border for transportation of the exported gas. Mobil states in its application that no new facilities would be constructed for its gas export proposal.

Mobil, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly owned subsidiary of Mobil Fairfax, Inc. Mobil proposes to export the gas on its own account or as a marketer of natural gas acting as agent for both producers and purchasers. Mobil indicates that most of the gas is expected to be sold in Canada in gaseous form on a short-term basis but seeks the flexibility to export either natural gas or LNG to Mexico and other countries as well. Mobil states that it will submit quarterly reports detailing each transaction, including in the case of LNG sales, copies of all agreements together with identification of the country of consumption.

In support of its application, Mobil states that the gas exported would be incremental to the needs of current purchasers and would help ease the excess supply of natural gas currently existing in certain regions of the U.S. Further, Mobil states that the contractual arrangements for the export of the gas would be made through arms length negotiations and the price of the gas would reflect current market conditions, including the price and availability of competing fuels. Mobil also asserts that to the extent it exports gas that has been imported, such transactions would benefit the U.S. by increasing throughput efficiencies on U.S. pipelines.

A notice of the application was issued on March 28, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 6, 1991.2/ No comments were received.

II. Decision

The application filed by Mobil has been evaluated to determine if the proposed export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest."^{3/} In reviewing natural gas export applications, domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

Mobil's uncontested export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The current supplies of domestic gas, coupled with the short-term, market responsive nature of the contracts into which Mobil proposes to enter, indicate that it is unlikely that the proposed export volumes will be needed domestically during the term of the authorization. In addition, Mobil's proposal, like other blanket export proposals that have been approved by the DOE,^{4/} will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and foreign natural gas purchasers. Mobil's export arrangement will also enhance cross-border competition in natural gas markets.

After taking into consideration all of the information in the record of this proceeding, I find that granting Mobil blanket authority to export a total of up to 100 Bcf of natural gas, including LNG, from the U.S. during a period of two years, under contracts with terms of up to two years, is not inconsistent with the public interest and should be approved.^{5/} Consistent with our treatment of similar blanket applications, there will be no restriction on the daily or annual volume that may be exported. This maximizes the flexibility of spot market exporters and importers to provide gas supplies to meet customer demand.

ORDER

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

A. Mobil Natural Gas Inc. (Mobil), is authorized to export a total of up to 100 Bcf of natural gas, including liquefied natural gas (LNG), from the United States during a two-year period beginning on the date of the first delivery.

B. The blanket export authority granted to Mobil in Ordering Paragraph A supersedes the blanket export authority granted to Mobil Gas Company Inc. (now merged with Mobil) in DOE/ERA Opinion and Order No. 250 (Order 250) in ERA Docket No. 88-23-NG on July 5, 1988. Accordingly, Order 250 is hereby revoked.

C. Mobil is authorized to export natural gas at any point on the international border where existing pipeline or LNG facilities are located.

D. Within two weeks after deliveries begin, Mobil shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurs.

E. With respect to the exports authorized by this Order, Mobil shall file within 30 days following each calendar quarter, quarterly reports indicating whether sales of exported natural gas have been made, and if so, giving by month, the total volume of the exports in Mcf and the average price for exports per MMBtu at the international border. The reports shall also provide the details of each export transaction, including the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements, transporter(s), points of exit, and market(s) served, identification of LNG tankers used, any special contract price adjustments clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., June 21, 1991.

--Footnotes--

1/ Mobil was granted a blanket authorization to import natural gas, including LNG, by DOE/ERA Opinion and Order No. 385, FE Docket No. 89-87-NG.

2/ 54 FR 14994, April 5, 1991.

3/ 15 U.S.C. 717b.

4/ See e.g., Tejas Power Corporation, 1 FE Para. 70,358 (October 9, 1990); Corpus Christi Gas Marketing, Inc.; 1 FE Para. 70,386 (November 11, 1990); and Clajon Marketing, L.P., 1 FE Para. 70,406 (January 29, 1991).

5/ Because the proposed exportation of gas will use existing facilities, 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).