

Cited as "1 FE Para. 70,475"

Jonan Gas Marketing, Inc. (FE Docket No. 91-36-NG), August 22, 1991.

DOE/FE Opinion and Order No. 527

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

I. Background

On May 24, 1991, Jonan Gas Marketing, Inc. (Jonan), 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 authorization to import and export up to a total of 15 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year period beginning on the date of first import or export. Jonan intends to use existing pipeline and LNG facilities for the processing and transportation of the volumes to be imported or exported and to submit quarterly reports detailing each transaction.

Jonan is a corporation organized under the laws of the State of Nevada with its principal place of business in Calgary, Alberta, Canada. It is a natural gas marketing and trading company which operates primarily in the western United States. Jonan intends to import and export natural gas and LNG from and to Canada, Mexico, and other countries as commercial circumstances warrant. Jonan would import and export gas for its own account as well as for the accounts of others. Jonan states that the price of gas in each transaction will be determined by competitive factors in arms length negotiations. It is anticipated that the price will be adjusted on a monthly or quarterly basis as required by market conditions.

A notice of the application was published in the Federal Register on July 10, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 9, 1991.^{1/} No comments or motions to intervene were received.

II. Decision

The application filed by Jonan 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 an export must be authorized unless there is a finding that it "will not be consistent with the public interest."^{2/} With regard to import authorizations, the determination is guided by DOE's natural gas import policy guidelines.^{3/} 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.

Jonan's uncontested import/export proposal for natural gas, including LNG, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The import/export authorization sought, similar to other blanket arrangements approved by DOE,^{4/} would provide Jonan with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further

regulatory action. Jonan's proposed arrangements, which contemplate individual, short-term sales negotiated in response to the marketplace, would only occur to the extent that producers and sellers can provide supplemental spot or short-term volumes, customers need such import/export volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas sales will take place.

In addition, the current supplies of domestic gas, coupled with the short-term, market-responsive nature of the contracts into which Jonan proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, Jonan's proposal will further the Secretary of Energy's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the United States and foreign natural gas purchasers and suppliers. Thus, Jonan's import/export arrangement will enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting Jonan blanket authorization to import and export a combined total of up to 15 Bcf of natural gas, including LNG, from and to any international market, subject to trade restriction, over a two-year term, under contracts with terms of two years or less, beginning on the date of first delivery of either import or export, is not inconsistent with the public interest.^{5/}

ORDER

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

A. Jonan Gas Marketing, Inc. (Jonan) is authorized to import and export a combined total of up to 15 Bcf of natural gas, including liquefied natural gas (LNG), from and to any international market, over a two-year term beginning on the date of first delivery.

B. This natural gas may be imported and/or exported at any point on the international border which does not require construction of new facilities.

C. Within two weeks after deliveries begin, Jonan 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 or export authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports and LNG imports and exports authorized by this Order, Jonan shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports and/or exports of natural gas have been made, and if so, giving by month, the total volume of the imports and/or exports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the names of the seller(s), and the purchaser(s), including those other than Jonan; estimated or actual duration of the agreement(s); transporter(s), including any LNG tankers used; points of entry or exit; 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 August 22, 1991.

--Footnotes--

1/ 56 FR 31397, July 10, 1991.

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

3/ 49 FR 6684, February 22, 1984.

4/ E.g., V.H.C. Gas Systems, L.P., 1 FE Para. 70,363 (October 15, 1990); Phibro Energy, Inc., 1 FE Para. 70,362 (October 15, 1990); Enjet Natural Gas Inc., 1 FE Para. 70,322 (June 7, 1990); and Conoco, Inc., (unpublished) (July 26, 1991).

5/ Because the proposed importation/exportation of gas will use existing facilities, DOE has determined that granting this application is 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).