

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SUNCOR INC.

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FE DOCKET NO. 91-76-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT NATURAL GAS
FROM CANADA

DOE/FE OPINION AND ORDER NO. 567

DECEMBER 30, 1991

I. BACKGROUND _____

On September 17, 1991, Suncor Inc. (Suncor) 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 from Canada up to 127.76 Bcf of natural gas over a two-year period beginning on January 1, 1992, the date its current authorization expires.

Suncor, a Canadian corporation with its principal place of business in Toronto, Canada, is involved in the exploration for and the production and marketing of crude oil, natural gas, and petroleum products. Suncor is an affiliate of Sun Company, Inc. of Radnor, Pennsylvania and Ontario Energy Resources Ltd., a corporation indirectly owned by the province of Ontario, Canada. Suncor is currently authorized by DOE/FE Opinion and Order No. 345 1/ to import up to 54.76 Bcf of natural gas from Canada during the period January 1, 1990 through December 31, 1991. Through September 30, 1991, Suncor has imported a total of approximately 22.4 Bcf of natural gas under its current import authorization.

Suncor intends to sell gas imported under this order to customers in the midwestern United States, Pacific Northwest, and California. Suncor will use existing U.S. natural gas pipelines to transport the imported gas and does not anticipate a need for any new pipeline facilities. Suncor stated that it would comply with DOE's quarterly reporting provisions.

In support of its import request, Suncor asserts that the _____

1/ 1 FE Para. 70,264 (October 30, 1989).

gas will be imported pursuant to terms and conditions that will provide maximum pricing and volumetric flexibility, thus assuring the imports will remain competitive over the term of the authorization. Further, Suncor notes that the source and security of its proposed imports are not an issue since the terms and conditions of its sales will prevent Suncor's purchasers from becoming dependent on the suppliers of Suncor's imported natural gas. Therefore, Suncor asserts that its import proposal is consistent with DOE's policy guidelines for imported natural gas and is not inconsistent with the public interest.

A notice of the application was published in the Federal Register on October 30, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by November 29, 1991. 2/ No comments were received.

II. DECISION

The application filed by Suncor has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import must be authorized unless there is a finding that it "will not be consistent with the public interest." 3/ With regard to import authorizations, the determination is guided by DOE's

2/ 56 FR 55919.

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

natural gas import policy guidelines. 4/ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

Suncor's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's natural gas import policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE, 5/ would provide Suncor with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action.

Suncor's market-based approach for negotiating short-term imports will enhance competition in the North American gas market. Under Suncor's proposed arrangements, which contemplate individual, short-term sales negotiated in response to the marketplace, transactions would only occur to the extent that producers and sellers can provide spot or short-term volumes, customers need such import volumes, and the prices remain competitive. Thus, each transaction will reflect the true value of the commodity being traded, or no gas deliveries will be made. Finally, Suncor'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

4/ 49 FR 6684, February 22, 1984.

5/ See e.g., Hadson Gas Systems, Inc., 1 FE Para. 70,442
(April 26, 1991); Chippewa Gas Corporation, 1 FE Para. 70,441

(April 24, 1991); and JMC Fuel Services Inc., 1 FE Para. 70,434

(March 28, 1991).

between the U.S. and Canadian gas purchasers and suppliers.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Suncor to import from Canada up to 127.76 Bcf of natural gas over a two year term beginning on the date of first delivery following the date its current blanket import authority expires is not inconsistent with the public interest. 6/

ORDER

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

A. Suncor Inc. (Suncor) is authorized to import from Canada up to 127.76 Bcf of natural gas over a two-year term, beginning on the date of first delivery after December 31, 1991, the date its current blanket import authority expires.

B. This natural gas may be imported at any point on the international border where existing pipeline facilities exist.

C. Within two weeks after deliveries begin, Suncor 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

6/ Because the proposed import 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 an environmental assessment

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is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).

that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, the applicant shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports have been made, and if so, giving by month, the total volume of the imports in Mcf and the average price per MMBtu at the international border. The reports shall also provide the details of each transaction, the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements, transporter(s), point(s) of entry or exit, geographic markets served, and, if applicable the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, any special contract price adjustments clauses, and any take-or-pay or make-up provisions. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Paragraph D of this Order is due not later than April 30, 1992, and should cover the period from the date of this order until the end of the calendar quarter March 31, 1992.

Issued in Washington, D.C., on December 30, 1991.

Clifford P. Tomaszewski

Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy