

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

_____)
TEXACO GAS MARKETING INC.) FE DOCKET NO. 91-85-LNG
_____)

ORDER GRANTING BLANKET AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 570

DECEMBER 31, 1991

I. BACKGROUND

On October 15, 1991, Texaco Gas Marketing Inc. (TGMI) filed an application with 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 up to 150 Bcf of liquefied natural gas (LNG) over a two-year period beginning with the date of first delivery. TGMI intends to utilize existing LNG facilities and to import LNG from a variety of international sources in which trade in natural gas has not been prohibited. TGMI also will submit quarterly reports detailing each transaction.

TGMI, a Delaware corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of Texaco Exploration and Production Inc., which is a wholly-owned subsidiary of Texaco, Inc. TGMI asserts the import authorization would provide it the flexibility to negotiate numerous transactions, involving various international sources, under contract terms that will be market-competitive throughout the contract period.

A notice of the application was issued on November 18, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 22, 1991. 1/ No comments or motions to intervene were received.

1/ 56 FR 58902, November 22, 1991.

II. DECISION

The application filed by TGMI 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." 2/ This determination is guided by DOE's natural gas import policy guidelines, 3/ under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.

TGMI's import proposal for LNG, as set forth in the application, is consistent with section 3 of the NGA and DOE's policy guidelines. The import authorization sought, similar to other blanket arrangements approved by DOE, 4/ would provide TGMI with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. TGMI'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 spot or short-term volumes, customers need such import volumes, and the prices remain

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

3/ 49 FR 6684, February 22, 1984.

4/ See e.g., Enron Gas Liquids, Inc., 1 FE Para. 70,474
(July 30, 1991); Unigas Energy, Inc., 1 FE Para. 70,431

(March 26, 1991); Louis Dreyfus Energy Corp., 1 FE Para. 70,335

(July 13, 1990).

competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas sales will be made.

After taking into consideration all of the information in the record of this proceeding, I find that granting TGMI blanket authorization to import up to 150 Bcf of LNG, from a variety of international sources, subject to any trade restrictions, over a two-year term, under contracts with terms of two years or less, beginning on the date of first delivery, 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. Texaco Gas Marketing Inc. (TGMI) is authorized to import up to 150 Bcf of liquefied natural gas (LNG), from any international source, over a two-year term beginning on the date of first delivery.

B. This natural gas may be imported at any point on the international border that does not require the construction of new facilities, including any of the existing U.S. LNG receiving terminals.

5/ Because the proposed importation 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).

C. Within two weeks after deliveries begin, TGMI 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 LNG authorized in Ordering Paragraph A above occurred.

D. With respect to the LNG imports authorized by this Order, TGMI shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports of LNG have been made, and if so, giving by month, the total volume of the imports in Mcf and the average sales price of this gas on a per unit (MMBtu and Mcf) basis. The reports shall also provide the details of each import transaction, including: (1) the country of origin; (2) the names of the seller(s) and the purchaser(s), including those other than TGMI; (3) estimated or actual duration of the agreement(s); (4) transporter(s), including any LNG tankers used; (5) points of entry; (6) geographic market(s) served; and, if applicable, (7) 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. 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 end of the current
calendar quarter March 31, 1992.

Issued in Washington, D.C., on December 31, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy