

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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UNOCAL CANADA LIMITED) FE DOCKET NO. 92-56-NG
_____)

ORDER GRANTING BLANKET AUTHORIZATION TO IMPORT
NATURAL GAS, INCLUDING LIQUEFIED NATURAL GAS,
FROM CANADA, MEXICO, AND OTHER COUNTRIES

DOE/FE OPINION AND ORDER NO. 657

AUGUST 6, 1992

I. BACKGROUND

On April 27, 1992, Unocal Canada Limited (Unocal) filed an application with the Office of Fossil Energy 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 import up to 100 Bcf of natural gas, including liquefied natural gas (LNG), from Canada, Mexico, and other countries over a two-year term beginning on the date of first delivery. Unocal proposes to use existing pipeline and LNG facilities for the volumes to be imported.

Unocal, a wholly-owned subsidiary of Unocal International Corporation, is a Canadian corporation that has its principal place of business in Calgary, Alberta. Unocal is engaged in the business of marketing natural gas supplies in the United States and Canada. Under the requested authority, Unocal would make supplies of natural gas and LNG available to a wide range of markets in the United States, including but not limited to pipelines, local distribution companies, and commercial and industrial end-users. Unocal would import the gas for its own account as well as for the account of others.

Unocal proposes to import natural gas and LNG under spot and short-term arrangements. The specific pricing and other terms of each import arrangement would be determined by competitive factors in the gas markets served and would be arrived at through arms-length negotiations. Unocal would submit quarterly reports detailing each transaction.

A notice of the application was issued on June 2, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by July 9, 1992.^{1/} No interventions

or comments were received.

II. DECISION

The application filed by Unocal 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 under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test.^{3/}

Unocal's uncontested import proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's import policy guidelines. The authorization sought, would provide Unocal with blanket import approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. The fact that each import will be voluntarily negotiated and market-responsive, as asserted in Unocal's application, provides assurance that the

^{1/} 57 FR 24489, June 9, 1992.

^{2/} 15 U.S.C. Sec. 717b.

3/ 49 FR 6684, February 22, 1984.

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transactions will be competitive. Finally, Unocal's proposal, like other blanket^{4/} import proposals that have been approved by DOE, will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods in the North American gas market.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Unocal to import up to 100 Bcf of natural gas, including LNG, from Canada, Mexico, and other countries over a two-year term beginning on the date of first delivery, under contracts with terms of two years or less, is not inconsistent with the public interest.^{5/}

ORDER

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

A. Unocal Canada Limited (Unocal) is authorized to import up to 100 Bcf of natural gas, including liquefied natural gas

4/ E.g., Westar Marketing Company, 1 FE 70,491 (October 25, 1991); American Natural Gas Corporation, 1 FE 70,511 (December 10, 1991); and Tenngasco Corporation, 1 FE 70,513 (December 18, 1991).

5/ Because the proposed import/export 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
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an environmental impact statement or environmental assessment is
not required. See 40 CFR 1508.4 and 57 FR 15122 (April 24,
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1992).

(LNG), from Canada, Mexico and other countries 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 where existing pipeline or LNG facilities are located.

C. Within two weeks after deliveries begin, Unocal shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports authorized by this Order, Unocal shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas or LNG have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, Unocal must report total volumes in Mcf and the average purchase or sales price per MMBtu at the international border. The reports shall also provide the details of each import transaction, including (1) the country of origin for the imports; (2) the names of the seller(s); (3) the purchaser(s); (4) the estimated or actual duration of the agreement(s); (5) the name of the transporter(s); (6) points of entry or exit; (7) the geographic market(s) served; (8) whether the sales are being made on an interruptible or firm basis; (9) if applicable, the contract pricing provisions,

including; (10) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price; (11) any special contract price adjustment clauses; and (12) any take-or-pay or make-up provisions. Failure to file quarterly reports may result in termination of this authorization.

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

Issued in Washington, D.C., on August 6, 1992.

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy