

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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J. ARON & COMPANY) FE DOCKET NO. 92-74-NG
_____)

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

DOE/FE OPINION AND ORDER NO. 667

SEPTEMBER 11, 1992

I. BACKGROUND

On June 18, 1992, J.Aron & Company (Aron) 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 and export up to an aggregate total of 350 Bcf of natural gas, including liquefied natural gas (LNG), from and to Canada, Mexico, and other countries over a two-year term beginning on the date of first delivery. Aron proposes to use existing pipeline and LNG facilities for the volumes to be imported or exported.

Aron, a New York general partnership with its principal place of business in New York City, is a major dealer in crude oil and petroleum products, precious metals, foreign exchange and grain. Aron proposes to import and export natural gas and LNG for its own account, as well as for the account of others for which Aron may act as agent. Under the requested authority, Aron would make supplies of natural gas and LNG available to a wide range of markets in the United States, Canada, Mexico and other countries, including pipelines, local distribution companies, and commercial and industrial end-users.

Aron asserts that any transaction conducted under the requested authorization will be price competitive, short-term, and reflect market conditions. The specific pricing and other terms of each import and export arrangement would be determined by competitive factors in the gas markets served and would be

arrived at through arms-length negotiations. Aron would submit quarterly reports detailing each transaction.

A notice of the application was issued in the Federal Register on July 17, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 26, 1992. 1/ No interventions or comments were received.

II. DECISION

The application filed by Aron 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/ In reviewing natural gas export applications, the domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

Aron's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and

- 1/ 57 FR 33197, July 27, 1992. _
- 2/ 15 U.S.C. Sec. 717b. _
- 3/ 49 FR 6684, February 22, 1984. _

DOE's international gas trade policy. The authorization sought would provide Aron with blanket import/export approval, within prescribed limits, to negotiate and transact individual, spot and short-term import arrangements without further regulatory action. The fact that each import/export will be voluntarily negotiated and market-responsive, as asserted in Aron's application, provides assurance that the transactions will be competitive. Under Aron's proposed import/export arrangement, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and prices remain competitive. Natural gas supplies in the United States are expected to continue to be more than adequate to meet consumer demand. For this reason, and because Aron's transactions will be short-term and market-responsive, it is unlikely that the proposed export volumes will be needed in the domestic market for the term of this authorization. Finally, Aron's proposal, like other blanket^{4/} import/export proposals

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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 Aron to import or export up to a combined total of 350 Bcf of natural gas,

4/ E.g., Fina Natural Gas Company, 1 FE 70,517 (December 27,

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1991); Enron Gas Marketing, Inc., 1 FE 70,512 (December 18,

1991); and Enserch Gas Company, 1 FE 70,558 (April 10, 1992).

including LNG, from and to 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. J. Aron & Company (Aron) is authorized to import or export up to a combined total of 350 Bcf of natural gas, including liquefied natural gas (LNG), from and to Canada, Mexico and other countries over a two-year term beginning on the date of first delivery.

B. This natural gas may be imported/exported at any point on the international borders where existing pipeline or LNG facilities are located.

C. Within two weeks after deliveries begin, Aron 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/export

^{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 neither an environmental impact statement nor environmental

assessment is required. See 40 CFR 1508.4 and 57 FR 15122
— (April 24, 1992).

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

D. With respect to the natural gas imports/exports authorized by this Order, Aron shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports of natural gas or LNG have been made. If no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports occur, Aron 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 or export 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; the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price; any special contract price adjustment clauses; and 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 September 11, 1992.

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