

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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LOUIS DREYFUS NATURAL GAS CORP.) FE DOCKET NO. 92-77-NG
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ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS

DOE/FE OPINION AND ORDER NO. 669

SEPTEMBER 17, 1992

I. BACKGROUND

On June 22, 1992, Louis Dreyfus Natural Gas Corp. (L.D. Natural Gas) 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 natural gas, both for its own account and for the account of others. Specifically, L.D. Natural Gas requests authority to import up to 182.5 Bcf of natural gas from Canada for export back to Canada and possibly for sale to markets in the U.S., and to export up to 182.5 Bcf of natural gas from the United States to Mexico and Canada. L.D. Natural Gas requests the authorization for a two-year period commencing on the date of first import or export delivery. L.D. Natural Gas explained it would use existing pipeline facilities to transport the volumes to be imported/exported and that it would submit quarterly reports to DOE detailing each import/export transaction.

L.D. Natural Gas is a wholly-owned subsidiary of Louis Dreyfus Holding Company Inc., a Delaware corporation, whose parent is S.A. Louis Dreyfus & Cie of Paris, France, a family-owned concern. L.D. Natural Gas is currently involved in various aspects of production, sales and marketing of natural gas to commercial and industrial end-users, local distribution companies and pipelines in the United States and Canada. The proposed imports of Canadian natural gas would be purchased from various Canadian suppliers including producers, marketers, and pipelines and would either be sold to U.S. purchasers or be exported back

to Canada. The proposed exports of domestically produced natural gas would come from production areas with surplus supplies of natural gas and would consist of supplies which are incremental to the needs of current purchasers. L.D. Natural Gas asserts that the proposed imports and exports would result from arms-length negotiations with an emphasis on competitive prices and contract flexibility.

A notice of the application was published in the Federal Register on July 22, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by August 21, 1992./1 No comments or motions to intervene were received.

II. DECISION

The application filed by L.D. Natural Gas has been evaluated to determine if the proposed import/export arrangements meet the public interest requirements of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest."/2 With regard to imports, this 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,

1 57 F.R. 32526.

2 15 U.S.C. 717b.

3 49 F.R. 6684, February 22, 1984.

domestic need for the gas to be exported is considered as well as any other issues determined to be appropriate in a particular case.

L.D. Natural Gas's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA, DOE's natural gas import policy guidelines and DOE's international gas trade policy. The import/export authorization sought by L.D. Energy will provide it with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import and export arrangements without further regulatory action. Under L.D. Energy's proposed import/export arrangements, 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 be more than adequate to meet consumer demand. For this reason, and because L.D. Energy's transactions will be short-term and market-responsive, it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. Further, L.D. Natural Gas states that the natural gas imports would be exported back to Canada unless they could be sold in the U.S. at prices that are competitive with alternate fuels and natural gas in various U.S. markets. L.D. Natural Gas's import/export proposal, like other blanket arrangements

approved by DOE,⁴ 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 U.S., Canada, and Mexico and will enhance cross-border competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting L.D. Natural Gas authority to import up to 182.5 Bcf of natural gas from Canada, to export up to 182.5 Bcf of the imported gas back to Canada, and to export up to 182.5 Bcf of domestically produced natural gas to Mexico and Canada, over a two-year term beginning on the date of first import or export delivery, is not inconsistent with the public interest and should be approved.⁵

ORDER

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

A. Louis Dreyfus Natural Gas Corp. (L.D. Natural Gas) is authorized to import up to 182.5 Bcf of natural gas from Canada, to export back to Canada up to 182.5 Bcf of imported Canadian

⁴ See, e.g., Enron Gas Marketing Inc., 1 FE 70,512 (December 18, 1991); Petro Source Corporation, 1 FE 70,537 (February 24, 1992); and Enserch Gas Company, 1 FE 70,558 (April 10, 1992).

⁵ Because the proposed import/export of gas will use existing facilities, DOE has determined that granting this authorization is not a major Federal action significantly affecting the quality of the human environment within the meaning

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of the National Environmental Policy Act (42 U.S.C. 4321, et
seq.) and therefore neither an environmental impact statement nor
an environmental assessment is required. See 40 C.F.R. 1508.4
and 57 F.R. 15122 (April 24, 1992).

gas, and to export up to 182.5 Bcf of domestically produced natural gas to Mexico and Canada, over a two-year term beginning on the date of first delivery.

B. This natural gas may be imported or exported at any point on the U.S. border with Canada and Mexico where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, L.D. Natural Gas 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 import and first export delivery of natural gas authorized in Ordering Paragraph A occurred.

D. Regarding the natural gas imports and exports authorized by this Order, L.D. Natural Gas 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 have been made. If so, L.D. Natural Gas must submit monthly total volumes of the imports and exports in Mcf and the average price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including (1) country of origin for the imports; (2) the names of the seller(s); (3) the name of the purchaser(s); (4) the estimated or actual duration of the agreements; (5) the names of the U.S. transporter(s); (6) the points of entry or exit; (7) the geographic market(s) served; (8) whether the sales are being made on an interruptible or firm basis; and (9) if

applicable, the contract pricing provisions, including the per unit (MMBtu) demand/commodity/reservation charge breakdown of the price, any special contract price adjustment clauses, or any take-or-pay or make-up provisions. The reports will also distinguish between exports of domestic gas to Canada and exports of previously imported Canadian gas from the U.S. back to Canada. If no imports or exports 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 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 17, 1992.

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