

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

LOUIS DREYFUS ENERGY CORP.

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FE DOCKET NO. 92-78-NG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS
AND VACATING EXISTING AUTHORIZATION

DOE/FE OPINION AND ORDER NO. 670

SEPTEMBER 21, 1992

I. BACKGROUND

On June 22, 1992, Louis Dreyfus Energy Corp. (L.D. Energy) 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 on its behalf and on behalf of others. Specifically, L.D. Energy requests authority to import up to 182.5 Bcf of natural gas from Canada for sales to U.S. markets and possible export back to Canada, and to export up to 182.5 Bcf of natural gas from the United States to Mexico and Canada. L.D. Energy also requests that its current import authorization be vacated upon approval of the requested import/export authorization. L.D. Energy 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. Energy is a wholly-owned subsidiary of Louis Dreyfus Corporation, a New York corporation engaged in the international and domestic trading of natural gas and other commodities. The proposed imports of Canadian natural gas will 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 will 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. Energy asserts that the proposed imports and exports would result from arms-length negotiations with an emphasis on competitive prices and contract flexibility.

L.D. Energy has also requested that the two-year blanket authorization to import up to 50 Bcf of natural gas from Canada, contained in DOE/FE Opinion and Order No. 409,¹ be vacated upon approval of the requested import/export authorization. L.D. Energy has not yet imported any natural gas under this authorization and intends for the requested import/export authorization to supersede the authorization contained in Order 409.

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, 1992.² No comments or motions to intervene were received.

II. DECISION

The application filed by L.D. Energy 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."³ With regard to imports, this determination is guided by DOE's 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. In reviewing natural gas export applications, domestic need for the gas to be exported is considered

1 1 FE 70,335, July 13, 1990.

2 57 F.R. 32525.

3 15 U.S.C. 717b.

4 49 F.R. 6684, February 22, 1984.

as well as any other issues determined to be appropriate in a particular case.

L.D. Energy'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. Energy's import/export proposal, like other blanket arrangements approved by DOE,⁵ will further the Secretary of Energy's policy goals of reducing trade barriers by promoting a more market-oriented gas trade between the United States and other countries.

After taking into consideration all of the information in the record of this proceeding, I find that granting L.D. Energy authority to import up to 182.5 Bcf of natural gas from Canada, to export up to

⁵ 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).

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./⁶ I also find that this import/export authorization will supersede L.D. Energy's existing import authorization and therefore L.D. Energy's existing authorization should be vacated.

ORDER

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

A. L.D. Energy Corp. (L.D. Energy) 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 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. Energy shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence

⁶ 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 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).

Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A occurred.

D. Regarding the natural gas imports and exports authorized by this Order, L.D. Energy 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. Energy 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) the names of the seller(s); (2) the name of the purchaser(s); (3) the estimated or actual duration of the agreements; (4) the names of the U.S. transporter(s); (5) the points of entry or exit; (6) the geographic market(s) served; (7) whether the sales are being made on an interruptible or firm basis; and (8) 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.

F. L.D. Energy's authorization to import up to 50 Bcf of natural gas from Canada, granted by DOE/FE Opinion and Order No. 409 issued on July 13, 1990, is vacated, effective on the date of this order.

Issued in Washington, D.C., on September 21, 1992.

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