

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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CZAR GAS CORPORATION INC.)
_____)

FE DOCKET NO. 92-79-NG

ORDER GRANTING BLANKET AUTHORIZATION TO IMPORT
AND EXPORT NATURAL GAS FROM AND TO CANADA
AND GRANTING INTERVENTION

DOE/FE OPINION AND ORDER NO. 686

OCTOBER 21 , 1992

I. BACKGROUND

On June 23, 1992, Czar Gas Corporation Inc. (Czar) 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 146 Bcf of natural gas from Canada and to export up to 146 Bcf of natural gas to Canada over a two-year term beginning on the date of first delivery. Czar currently holds import/export authorization under DOE/FE Order No. 440 which expires October 31, 1992.¹ Czar proposes to use existing pipeline facilities for the volumes to be imported or exported.

Czar is a Delaware corporation with its principal place of business in Calgary, Alberta, Canada, and a wholly-owned subsidiary of Czar Resources Ltd. Czar markets gas produced by affiliated and nonaffiliated companies to pipelines, local distribution companies and commercial and industrial end-users. According to the application, the authority requested by Czar contemplates the following types of import and export arrangements: (1) importation of supplies of Canadian natural gas for consumption in U.S. markets; (2) importation of Canadian natural gas for eventual return (via export) to Canadian markets; (3) exportation of domestically produced natural gas for consumption in Canadian markets; and (4) exportation of

1/ FE Docket No. 90-60-NG, October 24, 1990.

domestically produced gas for eventual return (via import) to U.S. markets.

Czar proposes to import and export this gas either for its own account or as agent on behalf of others. Although the identity of the parties are not known at this time, Czar states that the individual transactions would be conducted through arms-length bargaining and the price would be competitive in the marketplace. The gas to be exported is asserted to be incremental to the needs of current domestic purchasers in the area from which the supplies would come.

A notice of the application was issued on July 28, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 27, 1992. /2. Great Lakes

Gas Transmission Company filed a motion to intervene in support of Czar's application. This order grants intervention to this movant.

II. DECISION

The application filed by Czar 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." /3 This

determination is guided by DOE's natural gas import policy guidelines under which the competitiveness of an import in the

2/ 57 FR 33343, July 27, 1992.

3/ 15 U.S.C. Sec. 717b.

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markets served is the primary consideration for meeting the public interest test./⁴ In reviewing natural gas export

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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.

Czar's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The authorization sought would provide Czar 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 Czar's application, provides assurance that the transactions will be competitive. Under Czar'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 Czar'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,

4/ 49 FR 6684, February 22, 1984.

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Czar's proposal, like other blanket/⁵ import/export 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 Czar to import up to 146 Bcf of natural gas and to export up to 146 Bcf of natural gas from and to Canada over a two-year term beginning on the date of first delivery after October 31, 1992, under contracts with terms of two years or less, is not inconsistent with the public interest.⁶

ORDER

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

A. Czar Gas Corporation Inc. (Czar) is authorized to import up to 146 Bcf of natural gas and to export up to 146 Bcf

5/ E.g., Fina Natural Gas Company, 1 FE 70,517 (December 27, 1991); Enron Gas Marketing, Inc., 1 FE 70,512 (December 18, 1991); and Enserch Gas Company, 1 FE 70,558 (April 10, 1992).

6/ 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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neither an environmental impact statement nor environmental
assessment is required. See 40 CFR 1508.4 and 57 FR 15122

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(April 24, 1992).

of natural gas from and to Canada over a two-year term beginning on the date of first delivery after October 31, 1992.

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

C. Within two weeks after deliveries begin, Czar 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 delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the natural gas imports/exports authorized by this Order, Czar 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, Czar 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) point 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 January 30, 1993, and should cover the period from November 1, 1992 until the end of the current calendar quarter December 31, 1992.

F. The motion to intervene filed by Great Lakes Gas Transmission Company, as set forth in order, is hereby granted, provided that its participation shall be limited to matters specifically set forth in its motion to intervene and not herein specifically denied, as that the admission of this intervenor shall not be construed as recognition that it may be aggrieved because of any order issued in these proceedings.

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

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