Cited as "1 FE Para. 70,456"

Bonus Gas Processors, Inc. (FE Docket No. 91-22-NG), June 7, 1991.

DOE/FE Opinion and Order No. 510

Order Granting Blanket Authorization to Import and Export Natural Gas, Including Liquefied Natural Gas

I. Background

On March 20, 1991, Bonus Gas Processors, Inc. (Bonus) 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 a combined total of up to 110 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year period commencing with the date of first import or export. 1/ Although Bonus is primarily interested in importing and exporting natural gas from and to Canada, it also seeks authority to import and export natural gas from and to any country with which trade in natural gas has not been prohibited. Bonus would import and export the natural gas for its own account and as an agent for the accounts of others for sale on the spot market. Bonus intends to use existing pipeline facilities in transporting the proposed import and export of natural gas. Further, Bonus states in its application that no new facilities would be constructed for its gas import and export proposal.

Bonus, a Nevada corporation with its principal place of business in Calgary, Canada, is a wholly owned subsidiary of Bonus Petroleum Corporation. Bonus states that the specific pricing terms of each import and export arrangement would be determined by competitive factors in the gas market served and arrived at through arm's length negotiations between Bonus and its suppliers. Bonus also states that all sales would be made under contracts with terms of two years or less and that Bonus will submit quarterly reports detailing each transaction, including in the case of LNG sales, copies of all agreements together with identification of the country of origin or consumption.

Under the requested authority, Bonus proposes to import competitively priced natural gas for sales to purchasers in a wide range of markets, including pipelines, local distribution companies and commercial and industrial end-users. Further, the requested authorization would allow Bonus to export available supplies of U.S. natural gas and would facilitate Bonus' ability to consummate transactions which may involve mere movement of foreign gas through the U.S. on the way to foreign markets.

In support of its application, Bonus maintains that the proposed imports and exports of natural gas would be in the public interest. In particular, Bonus asserts that the gas imported would be competitively priced, reflect market conditions existing at the time of each agreement negotiated and provide alternative sources of supply for Bonus' customers. Bonus also asserts that gas exports would be incremental to the needs of current purchasers of natural gas in the states from which supplies would be drawn for export and would help ease the excess of natural gas existing in certain regions of the U.S. Further, allowing Bonus to consummate transactions involving only transportation through the U.S. of natural gas produced outside of the U.S. and to be consumed outside of the U.S. would contribute to the overall efficiency of the North American gas market.

A notice of the application was issued on April 16, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by May 28, 1991. 2/ No comments were received.

II. Decision

The application filed by Bonus has been evaluated to determine if the proposed import/export arrangement meets 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 import authorizations, the 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, and any other issues determined to be appropriate in a particular case.

Bonus' 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, similar to other blanket arrangements approved by DOE,5/ would provide Bonus with blanket approval, within prescribed limits, to negotiate and transact individual, spot and short-term import and export arrangements without further regulatory action. Bonus' market-based approach for negotiating short-term imports and exports will enhance competition in gas markets. Under Bonus' proposed arrangements, which contemplate individual, short-term sales negotiated in response to the marketplace, transactions would only occur to the extent that producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas sales will be made.

In addition, the current domestic natural gas supply, coupled with the short-term, market-responsive nature of the contracts into which Bonus proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, Bonus' proposal 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. and foreign natural gas purchasers and suppliers. Thus, Bonus' import/export arrangement will enhance competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Bonus to import and export a combined total of up to 110 Bcf of natural gas, including LNG, over a two-year term under contracts with terms of two years or less, is not inconsistent with the public interest and should be approved.6/

ORDER

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

A. Bonus Gas Processors, Inc. (Bonus), is authorized to import and export a combined total of up to 110 Bcf of natural gas, including liquefied natural gas (LNG), over a two-year term, commencing on the date of the first import or export.

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

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

D. With respect to the natural gas and LNG imports and exports authorized by this Order, Bonus shall file within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports have been made, and if so, giving by month, the total volume of the imports and/or 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 the country of origin for the imports, the names of the seller(s), and the purchaser(s), including those other than Bonus, estimated or actual duration of the agreements, transporter(s), including any LNG tankers used, points of entry or exit, market(s) served, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price adjustments clauses, and any take-or-pay or make-up provisions.

Issued in Washington, D.C., June 7, 1991.

--Footnotes--

1/ Previously, Bonus was granted a blanket authorization to import up to 219 Bcf of natural gas over a two-year period by DOE/ERA Opinion and Order No. 241, ERA Docket No. 89-09-NG, 1 ERA 70799, May 27, 1988. This import authority expired May 24, 1991.

2/ 58 FR 19102, April 25, 1991.

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

4/ 49 FR 6684, February 22, 1984.

5/ See e.g., TXG Gas Marketing Company, 1 FE Para. 70,329 (June 21, 1990); Vermont Gas Systems, Inc. 1 FE Para. 70,323 (June 7, 1990); and Enjet Natural Gas Inc., 1 FE Para. 70,322 (June 7, 1990).

6/ Because the proposed importation/exportation 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 an environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).