UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

AIG TRADING CORPORATION	)	FE DOCKET NO. 93-73-NG

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

DOE/FE OPINION AND ORDER NO. 840

AUGUST 31, 1993

I. BACKGROUND

On July 14, 1993, AIG Trading Corporation (AIG) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) 1/ and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authorization to import up to 200 Bcf of natural gas and export up to 200 Bcf of natural gas from and to Mexico over a two-year term beginning on the date of first import or export. AIG proposes to use existing pipeline facilities to transport the imported and exported gas.

AIG is a Delaware corporation with its headquarters in Greenwich, Connecticut. AIG, which is a subsidiary of American International Group, Inc., is engaged in the business of dealing and trading in commodities, including natural gas. Under the authority requested, AIG would import and export the gas under spot and short-term purchase agreements, either on its own behalf or as the agent for others. AIG will determine the specific terms of each import/export transaction through arms-length negotiations and states that the price would be competitive. With respect to the proposed exports, AIG asserts that the gas would be incremental to the needs of current domestic purchasers in the regions from which the supplies will be drawn.

1/ 15 U.S.C. Sec. 717b.

II. INTERVENTIONS AND COMMENTS

DOE published a notice of receipt of AIG's application in the Federal Register on July 30, 1993, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 30, 1993.2/ A motion to intervene was filed by Valero Transmission, L.P. (Valero) without comment or request for additional procedures. This order grants intervention to Valero.

III. DECISION

The application filed by AIG 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/ Regarding import authorizations, the section 3 determination is directed 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. When natural gas export applications are reviewed, domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

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

2/ 58 F.R. 40810.

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

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

natural gas import policy guidelines, and DOE's international gas trade policy. The import/export authorization sought by AIG, similar to other blanket arrangements approved by DOE 5/, will provide AIG with blanket approval, within prescribed limits, to negotiate and transact individual spot and short-term import and export arrangements without further regulatory action. Under AIG's proposed import/export arrangements, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need the gas, and prices remain competitive. Additionally, because natural gas supplies in the United States are expected to continue to be more than adequate to meet consumer demand, it is unlikely that the proposed export volumes will be needed in the domestic market during the term of this authorization. Therefore, AIG's import/export proposal should reduce trade barriers by promoting a more market-oriented gas trade between the United States and Mexico.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing AIG to import up to 200 Bcf of natural gas and export up to 200 Bcf of natural gas from and to Mexico over a period of two years beginning on the date of the first delivery of either imports or

5/ E.g., Texas-Ohio Gas, Inc., 1 FE Para. 70,615 (July 29, 1992);

Cornerstone Natural Gas Company, 1 FE Para. 70,614 (July 29, 1992); and CNG Trading Company, 1 FE Para. 70,612 (July 28, 1992).

exports, is not inconsistent with the public interest.6/

This blanket order authorizes transactions under contracts with terms of no longer than two years.

ORDER

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

A. AIG Trading Corporation (AIG) is authorized to import up to 200 Bcf of natural gas and export up to 200 Bcf of natural gas from and to Mexico over a two-year period beginning on the date of the first delivery of either imports or exports. This natural gas may be imported or exported at any point on the border of the United States and Mexico where existing pipeline facilities are located.

B. Within two weeks after deliveries begin, AIG shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import or export of natural gas authorized in Ordering Paragraph A above occurred.

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. Sec. 4321, et seq.); therefore, neither an environmental impact statement nor an environmental assessment is required. See 40 C.F.R. Sec. 1508.4 and 57 F.R. 15122 (April 24, 1992).

C. Regarding the natural gas imports and exports authorized by this order, AIG 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 no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports occurred, AIG must report monthly total volumes in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import and export transaction, including: (1) the name of the purchaser(s); (2) the name of the seller(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the United States transporter(s); (5) the point(s) of entry or exit; (6) the geographic market(s) served; (7) whether the sales are being made on an interruptible or firm basis; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. Failure to file quarterly reports may result in termination of this authorization.

D. The first quarterly report required by Ordering Paragraph C is due not later than October 30, 1993, and should cover the period from the date of this Order until the end of the current calendar quarter, September 30, 1993.

E. The motion to intervene filed by Valero Transmission, L.P. 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, and that the admission of this intervenor shall not be construed as recognition that it may be aggrieved because of any order issued in this proceeding.

Issued in Washington, D.C., on August 31, 1993

Anthony J. Como
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy