UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

COPEQ TRADING CO.	)	FE DOCKET NO. 18-87-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO EXPORT NATURAL GAS TO MEXICO

DOE/FE ORDER NO. 4227

AUGUST 8, 2018

I. BACKGROUND AND DESCRIPTION OF REQUEST

On July 19, 2018, Copeq Trading Co. (Copeq) filed an amended application (Amended Application)[1] with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)[2] for long-term authorization to export up to 24.78 billion cubic feet (Bcf) per year (Bcf/yr) of domestically produced natural gas to Mexico for a 10-year term commencing retroactively on July 1, 2018.[3] Copeq is a Texas corporation with its principal place of business in Houston, Texas. Copeq is a wholly owned subsidiary of Alpek, S.A.B. de C.V. (Alpek), a publicly-traded Mexican company.[4] Copeq states that it intends to export the domestically produced natural gas to Mexico for use by Alpek.[5]

Copeq proposes to source natural gas from production in the United States for export to Mexico under the following agreements: (i) a 10-year natural gas transportation agreement with Kinder Morgan Texas (Transportation Agreement) for firm capacity on its pipeline system;[6] and (ii) a five-year natural gas supply swap agreement with a counterparty owning firm transportation capacity on the neighboring Net Mexico Pipeline, LP intrastate transportation

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[1] *Copeq Trading Co.*, Amended Application for Long-Term Authorization to Export Natural Gas by Pipeline to Mexico, FE Docket No. 18-87-NG (July 19, 2018) [hereinafter Amended App.]. Copeq asks DOE to consider the Amended Application in conjunction with its original application filed on June 12, 2018 (Application), including the appendices filed with the Application. *See id*. at 1 & Cover Ltr.; *see also Copeq Trading Co.*, Application for Long-Term Authorization to Export Natural Gas by Pipeline to Mexico, FE Docket No. 18-87-NG (June 12, 2018) [hereinafter App.].

[2] Authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redelegation Order No. 00-006.02 issued on November 17, 2014.

[3] In 2017, DOE/FE issued a two-year authorization to Copeq, approving the export of 0.3 Bcf per day of natural gas to Mexico. *See Copeq Trading Co.*, DOE/FE Order No. 4123, FE Docket No. 17-144-NG, Order Granting Blanket Authorization to Export Natural Gas to Mexico (Nov. 30, 2017). That authorization is still current; however, Copeq states that it filed the Amended Application to "seek[] an expanded and long-term export authorization to accommodate the growing industrial long-term need for natural gas …." Amended App. at 2.

[4] *Id*. at 4.

[5] *See id*. at 4-5.

[6] Copeq filed the Transportation Agreement under seal as Appendix C to the Application. *See id*. at 2.

pipeline (Gas Supply Swap Agreement).[7] Copeq states that it also intends to negotiate supply agreements with natural gas producers with production areas in Texas or with other counterparties through natural gas marketers.[8]

Copeq states that, under these agreements, it will ship and deliver up to 70,000 million British Thermal Units (MMBtu) per day of natural gas—equivalent to 24.78 Bcf/yr—over the Kinder Morgan Pipeline to the PEMEX/KMBP Arguelles Rollup delivery point on the Kinder Morgan Border Pipeline, LLC.[9] The counterparty will ship and deliver the same quantity of natural gas to the Los Ramones Pipeline delivery point on the Net Mexico Pipeline, located on the U.S. side of the U.S.-Mexico border. Under the terms of the Gas Supply Swap Agreement, title to each party's natural gas will transfer to the other party upon the natural gas reaching the respective delivery points.[10] Copeq states that, upon transfer of title, it will own 70,000 MMBtu of natural gas at the Net Mexico Pipeline, Los Ramones delivery point in the United States.[11] Copeq further states that it intends to export the natural gas from the United States into Mexico through the international border.[12]

In requesting a retroactive effective date of July 1, 2018 for this authorization, Copeq states that both the Transportation and Gas Supply Swap Agreements have service commencement dates of July 1, 2018.[13] Copeq further states that it has filed with DOE/FE, under seal, all executed long-term contracts associated with the export of natural gas under the requested authorization.

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[7] *See id.* at 6. Copeq filed the Gas Supply Swap Agreement under seal as Appendix D to the Application. *See id*. at 2.
[8] *See id*. at 5.
[9] Amended App. at 6.
[10] *See id*. at 7.
[11] *See id*.
[12] *See id*.
[13] *See id*. at 6-7.

II. FINDING

The Application has been evaluated to determine if the proposed import and/or export arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c) of the NGA, the import and export of natural gas, including liquefied natural gas (LNG), from and to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas and the import of LNG from other international sources are deemed to be consistent with the public interest, and applications for such imports or exports must be granted without modification or delay.[14] The authorization sought by Copeq to export natural gas to Mexico, a nation with which a free trade agreement requiring national treatment for trade in natural gas is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. Copeq Trading Co. is authorized to export up to 24.78 Bcf/yr of natural gas to Mexico. The term of this authorization shall be effective for 10 years beginning retroactively on July 1, 2018, and extending through June 30, 2028, pursuant to the Transportation Agreement and Gas Supply Swap Agreement described above.

B. Under the terms of the Gas Supply Swap Agreement, the natural gas will be delivered to the U.S./Mexico Border at the Los Ramones Pipeline delivery point on the Net Mexico Pipeline.

C. **Monthly Reports:** With respect to the natural gas exports authorized by this Order, Copeq shall file with the Office of Regulation and International Engagement, within 30 days

[14] 15 U.S.C. § 717b(c).

following the last day of each calendar month, a report indicating whether exports of natural gas have been made. Monthly reports must be filed whether or not initial deliveries have begun. If no exports have been made, a report of "no activity" for that month must be filed. If exports of natural gas have occurred, the report must give the following details: (1) the country of destination (2) the point(s) of exit; (3) the volume in thousand cubic feet (Mcf); (4) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (5) the name of the supplier(s); (6) the name of the U.S. transporter(s); and (7) the estimated or actual duration of the supply agreement(s).

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

D. The first monthly report required by this Order is due not later than September 30, 2018, and should cover the reporting period from July 1, 2018, through August 31, 2018.

E. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Oil and Natural Gas, Office of Regulation and International Engagement, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on August 8, 2018.

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