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August 7, 2012

BY HAND

Douglas R. Kramer
Acting Deputy Director
Bureau of Energy Resources
Office of Americas and Asia
U.S. Department of State
2201 C Street, NW, Room 4843
Washington, DC 20520

Re: ***Application of NOVA Chemicals Inc. for Reinstatement of a Presidential Permit Authorizing the Operation and Maintenance of Pipeline Facilities for the Transportation of Natural Gas Liquids at the U.S. – Canada Border (re Line 20)***

Dear Mr. Kramer:

Enclosed please find an original and five copies of an application of NOVA Chemicals Inc. ("NOVA Inc.") for reinstatement of a Presidential Permit authorizing the operation and maintenance of pipeline facilities for the transportation of natural gas liquids at the United States – Canada border near Marysville, St. Clair County, Michigan. We are separately e-mailing this document and its exhibits to you.

As discussed in the application, construction, operation and maintenance of the pipeline facilities involved here and their use in the transportation of natural gas liquids was previously authorized by a Presidential Permit. The facilities are to be returned to natural gas liquids transportation service in early 2013. NOVA Inc. respectfully requests that the Department of State reinstate the Presidential Permit by November 1, 2012 in order to permit completion of the conversion of the facilities to natural gas liquids transportation service in accordance with the schedule and contractual commitments discussed in the application.

Please do not hesitate to contact the undersigned with any questions.

Respectfully submitted,

James F. Bowe, Jr.
Counsel for ***NOVA Chemicals Inc.***

Enclosures
cc: David Huitema, Esq.

UNITED STATES OF AMERICA
BEFORE THE DEPARTMENT OF STATE
WASHINGTON, D.C.

Application of NOVA Chemicals Inc. for Reinstatement of a Presidential Permit Authorizing the Operation and Maintenance of Pipeline Facilities for the Transportation of Natural Gas Liquids at the United States – Canada Border

Pursuant to Executive Order 11423,[1] as amended,[2] and Executive Order 13337,[3] NOVA Chemicals Inc. ("NOVA Inc.") hereby submits this application to the United States Department of State ("DOS") for reinstatement of a Presidential Permit authorizing it to operate and maintain pipeline facilities consisting of approximately 1,350 feet of 12-inch diameter pipeline which, at its maximum allowable operating pressure of 1,440 psi, can accommodate the transportation of up to 65,000 barrels per day (bpd) of natural gas liquids at the United States – Canada border near Marysville, St. Clair County, Michigan. NOVA Inc. intends to make use of these existing pipeline facilities (the "Line 20 Facilities") as one of the final links in a pipeline system that will transport natural gas liquids (in particular, ethane) derived from natural gas produced in the Marcellus Shale play in Pennsylvania, Ohio, West Virginia, and neighboring states to the international boundary under the St. Clair River and onward in the Province of Ontario, Canada to a petrochemical complex located in Corunna, Ontario. The natural gas liquids transported through the Line 20 Facilities will be used as feedstock in the Corunna petrochemical complex, which is owned and operated by NOVA Inc.'s affiliate, NOVA Chemicals (Canada) Ltd.

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1 33 Fed. Reg. 11714 (Aug. 16, 1968).

2 *See* Executive Order 12847, 58 Fed. Reg. 29511 (May 17, 1993) and Executive Order 13284, 68 Fed. Reg. 4075 (Jan. 23, 2003).

3 69 Fed. Reg. 25229 (Apr. 30, 2004).

("NOVA Ltd."), in the production of a variety of petrochemical products, including products exported to the U.S. for incorporation into a variety of products and processes.[4]

DOS authorized construction, operation, and maintenance of the Line 20 Facilities to transport natural gas liquids between Michigan and Ontario in a Presidential Permit issued in 1986.[5] DOS recently concluded[6] that the 1986 Presidential Permit expired as to the Line 20 Facilities when these facilities were converted to natural gas transportation service in accordance with a Presidential Permit issued by the Federal Energy Regulatory Commission ("FERC").[7] Because it intends to place the Line 20 Facilities back into natural gas liquids transportation service in 2013, NOVA Inc. is now seeking reinstatement of the 1986 Presidential Permit as to the Line 20 Facilities.

Reinstatement of the 1986 Presidential Permit covering the Line 20 Facilities is consistent with the national interest of the United States. The activity for which NOVA Inc. seeks renewed authorization – the transportation of natural gas liquids from U.S. sources of supply to the Corunna petrochemical complex – will provide a variety of benefits to domestic businesses and consumers. These benefits include: (i) limiting waste of U.S. resources by linking the Marcellus Shale play with a natural gas liquids market in Ontario that will support

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[4] The parent of NOVA Inc. and NOVA Ltd. is NOVA Chemicals Corporation ("NOVA Corporation"). Subsequent references in this application to NOVA Corporation should be understood to mean NOVA Corporation acting directly or through its Canadian subsidiaries.

[5] *See* Permit Authorizing Polysar Hydrocarbons, Inc. To Construct, Connect, Operate, And Maintain Four Pipelines At The International Boundary Line Between The United States And Canada (Aug. 13, 1986) (Exhibit 1) ("1986 Presidential Permit"). NOVA Inc. is the successor in interest to Polysar Hydrocarbons, Inc.

[6] Letter from United States Department of State to James F. Bowe, Jr. Regarding Presidential Permit Dated as of August 13, 1986 Authorizing Polysar Hydrocarbons, Inc. to Construct, Operate and Maintain Four Pipelines at the International Boundary Between the United States and Canada (dated Jul. 6, 2012) ("July 2012 DOS Letter").

[7] *CMS Gas Transmission Co. and Bluewater Gas Storage, L.L.C.*, 109 FERC ¶ 61,219 (2004) (authorizing Bluewater Gas Storage to utilize the Line 20 Facilities for the transportation of natural gas between Michigan and Ontario under a capacity lease with an affiliate of NOVA Inc.).

productive use of the ethane and other natural gas liquids extracted from Marcellus Shale gas; (ii) enabling domestic natural gas producers active in the Marcellus Shale to develop a new market for their natural gas products; (iii) enabling domestic gas producers to comply with natural gas quality specifications imposed by federally-approved interstate natural gas pipeline tariffs; (iv) enhancing domestic gas producers' viability by helping them achieve a more diversified product line; (v) supporting investment in needed energy infrastructure; (vi) maximizing royalties to be paid to landowners, as well as royalties, taxes and fees to be paid to state and local governments, in the Marcellus Shale play; (vii) enhancing the prosperity and stability of local communities in Pennsylvania, West Virginia, Ohio, and neighboring states; (viii) enhancing United States exports; and (ix) facilitating trade in energy commodities, raw materials and finished products between the United States and Canada.

NOVA Inc. and NOVA Corporation have already begun changing their business operations to utilize ethane as the primary feedstock in the Corunna petrochemical complex, in the process freeing up crude oil and other hydrocarbons formerly used as feedstock for more efficient use elsewhere. NOVA Corporation has entered into agreements for long-term ethane supply from Marcellus Shale producers, and has executed a long-term transportation agreement to be a "committed shipper" of ethane on a U.S. natural gas liquids pipeline system that will interconnect with the Line 20 Facilities. These agreements provide for the commencement of commercial deliveries of ethane to the Corunna petrochemical complex on July 1, 2013; in order to permit this to occur, the Line 20 Facilities and the pipeline system feeding them will have to be filled with natural gas liquids beginning as early as May 2013. On the strength of commercial agreements which will soon place NOVA Corporation in a position to receive substantial amounts of ethane through the Line 20 Facilities, NOVA Corporation has also begun a capital-intensive revamp project at the Corunna petrochemical complex.

NOVA Inc. will be in a position to begin the pipeline inspection, verification and conversion process for the Line 20 Facilities as early as December 2012. As it will require substantial lead time in order to mobilize conversion and maintenance crews required to complete the conversion process, NOVA Inc. respectfully requests that DOS issue the requested Presidential Permit by November 1, 2012. Issuance by this date will enable NOVA Inc. and NOVA Corporation to meet their contractual obligations and to achieve the planned in-service date.

I. IDENTIFYING INFORMATION

The identity of the applicant is NOVA Chemicals Inc. NOVA Inc. is incorporated in the state of Delaware, and is a wholly-owned subsidiary of NOVA Corporation. NOVA Corporation is a global company continued under the laws of the Province of New Brunswick, Canada; its head office is located at 1000-7th Avenue S.W., Calgary, Alberta, Canada T2P 5C6, and its United States commercial center is located at 1555 Coraopolis Heights Road, Moon Township, PA 15108. All of the issued and outstanding shares of NOVA Corporation are owned by a wholly owned subsidiary of International Petroleum Investment Company ("IPIC"), which is wholly owned by the government of the Emirate of Abu Dhabi, United Arab Emirates.

The following list includes all significant subsidiaries of NOVA Corporation and indicates their respective jurisdictions of incorporation, continuance, or organization. All of the voting securities of each significant subsidiary are held directly or indirectly by

NOVA Corporation:[8]

Name	Jurisdiction
NOVA Chemicals (Canada) Ltd./NOVA Chimie (Canada) Ltée.	Canada
NOVA Chemicals Inc.	Delaware, USA
NOVA Petrochemicals Ltd.	Alberta, Canada
NC Holdings USA Inc.	Delaware, USA

In addition, NOVA Corporation indirectly owns 100% of the voting securities of Genesis Pipeline Canada Ltd. ("Genesis"), which is incorporated under the laws of Canada and owns the Canadian pipeline facilities interconnected to the Line 20 Facilities.

NOVA Corporation develops and manufactures a variety of chemical and plastic products. NOVA Inc., which is NOVA Corporation's principal U.S. subsidiary, markets NOVA Corporation products in the United States, owns interests in expandable polystyrene and resin production facilities[9] in Monaca, Pennsylvania and Painesville, Ohio, and owns interests in other facilities in the United States, including the Line 20 Facilities and the four other pipeline facilities located in the vicinity.

NOVA Corporation and NOVA Inc. have operated pipeline facilities in the southern Ontario and eastern Michigan areas since 1975 and 1986, respectively, and currently own and operate 33 pipelines with an aggregate length of approximately 110 miles, including the Line 20 Facilities. NOVA Inc.'s U.S. pipeline operations are subject to the requirements of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration

[8] *See also* NOVA Chemicals Corporation, Annual SEC Filing on Form 20-F (filed Mar. 13, 2012), *available at* http://www.novachem.com/Pages/financials-investor/investor-sec-filings.aspx.

[9] NOVA Corporation and PFB Corporation ("PFB") announced on May 9, 2012 that they have signed a letter of intent for PFB, through its subsidiary PFB International Corporation, to acquire NOVA Chemicals' Performance Styrenics business, including the expandable polystyrene and ARCEL® resin products. Following closing, which is anticipated in the fourth quarter of 2012, NOVA Corporation will have an equity stake in PFB and hold two seats on PFB's Board of Directors.

("PHMSA")[10] and NOVA Corporation's Ontario pipeline operations are regulated by the National Energy Board of Canada ("NEB") and the Technical Standards and Safety Authority of Ontario.

All correspondence, communications, and other documents related to this proceeding should be addressed to the following persons:

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II. DESCRIPTION OF THE LINE 20 FACILITIES AND RELATED FACILITIES

NOVA Inc. owns four pipelines, together with appurtenant facilities, that extend from a point in St. Clair County, Michigan to the international border between the United States and Canada in the middle of the St. Clair River. These pipelines, including the pipeline now incorporated in the Line 20 Facilities, were constructed in 1986 and were authorized by the 1986 Presidential Permit to transport natural gas liquids, propylene, and ethylene between the United States and Canada. A fifth pipeline located in the general vicinity of the Line 20 Facilities was

[10] Additional information is available at the PHMSA website, *available at* http://phmsa.dot.gov/portal/site/PHMSA. NOVA Inc.'s registration number is DOT ID # 32215.

constructed in 1991 and was authorized by Presidential Permit issued on March 21, 1991 to transport brine between the United States and Canada.[11]

The Line 20 Facilities consist of approximately 1,350 feet of 12-inch diameter pipeline extending from a block valve site in St. Clair County, Michigan to the international border between the United States and Canada, as well as certain appurtenant facilities (see Exhibit 2). The Line 20 Facilities originally transported natural gas liquids to the United States-Canadian border;[12] since 1995, however, they have been used pursuant to lease arrangements for the transportation of natural gas under Presidential Permits which FERC issued to Bluewater Gas Storage, L.L.C. ("Bluewater Gas Storage")[13] and a predecessor.[14] The lease under which Bluewater Gas Storage has been operating the Line 20 Facilities includes a provision permitting its termination on not less than two years' notice.

With the development of the Marcellus Shale as a prolific source of natural gas, much of which requires processing for the removal of ethane and other hydrocarbons in order to meet pipeline quality specifications, an opportunity has recently emerged for NOVA Corporation to secure reliable supplies of ethane on a long-term basis to replace crude oil and heavy hydrocarbons as the primary feedstock employed in the Corunna petrochemical complex. This opportunity contemplates the return of the Line 20 Facilities to natural gas liquids transportation service. To this end, NOVA Inc. provided Bluewater Gas Storage notice that the Line 20

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11 *See* Permit Authorizing NOVA Petrochemicals, Inc. To Construct, Connect, Operate, And Maintain A Pipeline At The International Boundary Line Between The United States And Canada (Mar. 21, 1991) ("1991 Presidential Permit").

12 *See supra* n.5.

13 Bluewater Gas Storage received authorization and a Presidential Permit from FERC in 2004 to utilize the Line 20 Facilities for the transportation of natural gas under its lease with NOVA Inc. *See CMS Gas Transmission Co. and Bluewater Gas Storage, L.L.C.*, 109 FERC ¶ 61,219 (2004).

14 *See CMS Gas Transmission and Storage Co*., 72 FERC ¶ 61,146 (1995).

Facilities lease will terminate effective no later than January 27, 2013. Bluewater Gas Storage and NOVA Inc. are both working towards terminating the lease at an earlier date if practical. Upon termination of the lease, possession and operation of the Line 20 Facilities will revert to NOVA Inc., which will convert the Line 20 Facilities back to natural gas liquids transportation service and, subject to its receipt of the necessary Presidential Permit, operate the facilities for the transportation of natural gas liquids, principally ethane.[15] NOVA Inc. forecasts it may eventually transport up to 65,000 bpd of natural gas liquids through the Line 20 Facilities and the pipelines facilities downstream have been sized accordingly.

DOS has determined that the 1986 Presidential Permit expired as to the Line 20 Facilities when these facilities were converted to natural gas transportation service and were issued a Presidential Permit by the FERC specific to natural gas service.[16] In order to place the Line 20 Facilities back into natural gas liquids service, NOVA Inc. is now seeking reinstatement of the 1986 Presidential Permit as to the Line 20 Facilities. In order to ensure that the Presidential Permits that apply to the other border crossing pipeline facilities located in the vicinity of the Line 20 Facilities properly reflect certain internal corporate transactions involving their owners, NOVA Inc. is filing concurrently with this application separate notices of succession for the remaining three pipelines covered by the 1986 Presidential Permit, as well as the pipeline used to transport brine covered by the 1991 Presidential Permit. A detailed history of the construction and subsequent dispositions of the five pipeline facilities that extend from Michigan to Ontario,

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[15] FERC recently issued an order terminating Bluewater Gas Storage's Presidential Permit effective the in-service date of the Bluewater Facilities. *See Bluewater Gas Storage, LLC*, 139 FERC ¶ 61,233 (2012). Bluewater Gas Storage is in the process of constructing new natural gas facilities at the United States-Canadian border and will remove approximately 245 feet of 20-inch pipeline and 30 feet of 12-inch pipeline that connects its facilities to the Line 20 Facilities upon completion of that project.

[16] *See* July 2012 DOS Letter.

as well as a summary of corporate transactions involving their ownership and their owner, is appended to this application as Exhibit 3.

NOVA Inc. has commissioned an independent fitness for service examination of the Line 20 Facilities in anticipation of their imminent conversion back to natural gas liquids transportation service. NOVA Inc. expects the examination to recommend limited rehabilitation work for the Line 20 Facilities. It will implement all recommendations resulting from this examination. In addition, NOVA Inc.'s conversion plans include hydrostatic testing of the Line 20 Facilities as an integral step in the pipeline conversion process.

The conversion of the Line 20 Facilities back to natural gas liquids transportation service will accommodate deliveries of ethane which NOVA Corporation has contracted to purchase from U.S. suppliers on a long-term basis.[17] Those ethane supplies will be delivered at locations in Pennsylvania into existing and expanded pipeline facilities owned or to be owned by affiliates of nearby processing plant operators, and from these pipelines into interstate common carrier petroleum product pipeline facilities owned and operated by Sunoco Pipeline, L.P. ("Sunoco"). NOVA Corporation has also executed a long-term agreement with Sunoco under which NOVA Corporation is a "committed shipper" of ethane on Sunoco's existing 8-/10-inch petroleum products transmission pipeline extending from western Pennsylvania to Marysville, Michigan. Through what it calls its "Mariner West pipeline project," Sunoco will convert the existing petroleum products transmission pipeline system to ethane transportation service.[18] The Mariner

[17] NOVA Corporation has entered into definitive agreements for long-term ethane supply from Marcellus Shale sources with Williams Partners, LP ("Williams") as successor to Caiman Energy, LLC, with a wholly-owned subsidiary of Range Resources Corporation, and with Statoil Marketing and Trading Inc.

[18] Sunoco has obtained from FERC a declaratory order authorizing Sunoco to offer priority service though its proposed Mariner West ethane pipeline project and approving the overall tariff and rate structure Sunoco had proposed for the project. *Sunoco Pipeline L.P.*, 137 FERC ¶ 61,107 (2011). In that order, FERC concluded as follows (at PP 14 and 15):

West pipeline facilities will permit ethane extracted from natural gas produced from Marcellus Shale sources to be transported to Marysville, Michigan and then, through a new meter station and a 700 ft long customer connection pipeline (together, the "Sunoco Facilities"), to the block valve site that marks the upstream end of the Line 20 Facilities.

On the Canadian side, the Line 20 Facilities connect with pipeline facilities owned by Genesis. From the international boundary, Genesis has existing pipeline facilities that extend to a point onshore in the County of Lambton, Ontario. Genesis plans to convert its existing pipeline back to natural gas liquids transportation service, and add new pipeline facilities that will connect the existing pipeline to the Corunna petrochemical complex (together, the "Genesis Facilities"). The NEB, having determined the Genesis plan to be in the Canadian public interest, has approved the conversion and extension of the Genesis Facilities and their use for the transportation of natural gas liquids.[19]

NOVA Corporation ultimately intends to transport ethane from Houston, Pennsylvania to NOVA Ltd.'s petrochemical complex in Corunna, Ontario through the Sunoco Facilities, the Line 20 Facilities, and the Genesis Facilities (see Exhibit 4). Under the terms of its long-term

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> 14. The Commission finds that Sunoco's proposal is consistent with applicable policy and precedent. Sunoco has demonstrated that the Project will provide additional capacity for increased production of ethane from the Marcellus Shale area, thereby avoiding likely constraints on the production of natural gas from that area. As such, the Project will enhance domestic energy production and allow the expansion of ethane markets. Sunoco also has demonstrated that the Project entails a significant capital investment, which requires the support of committed shippers to share the financial risk of the Project.
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> 15. As has been the case in other proposals approved by the Commission and cited by Sunoco, its proposal provides an appropriate amount of capacity for uncommitted shippers, while affording protection to the committed shippers who provide consistent long-term financial support for the Project. These committed shippers will pay premium rates for the assurance that their much greater volumes will not be prorated under normal operating conditions. Sunoco offered the terms of its proposal in an open season that gave all potential shippers the opportunity to become committed shippers. Accordingly, the Commission grants Sunoco's petition for a declaratory order.

[19] National Energy Board Order XO-G062-009-2012, *Re Genesis Pipeline Canada Ltd.* (June 12, 2012) (Exhibit 5) ("Genesis Facilities Order").

transportation service agreement with Sunoco, NOVA Corporation will have the right to transport ethane on a priority basis from origin points in Pennsylvania to the Line 20 Facilities in Michigan. The Line 20 Facilities and the Genesis Facilities have more than adequate capacity to permit the delivery of such ethane to the Corunna petrochemical complex. The Corunna petrochemical complex is already being converted to use ethane feedstock rather than oil-based feedstock. Initial ethane feed at the Corunna facility is planned for July 2013, with full flow expected by the first quarter of 2014.

NOVA Inc. intends to operate the Line 20 Facilities in support of NOVA Corporation's ongoing efforts to convert the Corunna petrochemical complex from reliance on crude oil and other heavy hydrocarbon feedstocks to reliance on ethane and small quantities of propane and butane. NOVA Inc. has no plans to transfer ownership or control of the Line 20 Facilities to any third party.

III. CONVERSION AND OPERATION OF THE LINE 20 FACILITIES IN NATURAL GAS LIQUIDS SERVICE AT THE U.S. - CANADA BOUNDARY IS IN THE NATIONAL INTEREST

Permitting NOVA Inc. to operate and maintain the Line 20 Facilities at the international boundary to deliver ethane to the Corunna petrochemical complex is in the national interest because these operations will provide a variety of benefits to United States businesses and consumers. As detailed below, these include: (i) limiting waste of U.S. resources by linking the Marcellus Shale play with a natural gas liquids market in Ontario that will support productive use of the ethane and other natural gas liquids extracted from Marcellus Shale gas; (ii) enabling domestic natural gas producers active in the Marcellus Shale to develop a new market for their natural gas products; (iii) enabling domestic gas producers to comply with natural gas quality specifications imposed by federally-approved interstate natural gas pipeline tariffs; (iv) enhancing domestic gas producers' viability by helping them achieve a more diversified product line; (v) supporting investment in needed energy infrastructure; (vi) maximizing royalties to be paid to landowners, as well as royalties, taxes and fees to be paid to state and local governments, in the Marcellus Shale play; (vii) enhancing the prosperity and stability of local communities in Pennsylvania, West Virginia, Ohio and neighboring states; (viii) enhancing United States exports; and (ix) facilitating trade in energy commodities, raw materials and finished products between the United States and Canada. The conversion of the Line 20 Facilities and the interconnected facilities is economically and operationally viable, and the entire system of which the Line 20 Facilities will form a part can be operational in less than a year after the Presidential Permit is granted. The system is projected to have a long useful economic life.

Conversion and operation of the Line 20 Facilities and connected facilities, and their connection to the Corunna petrochemical complex, will provide a variety of benefits to U.S. natural gas producers. Much of the natural gas produced from the Marcellus Shale is too "rich" (i.e., contains too high a percentage of ethane and other heavier hydrocarbons) to meet natural gas quality standards specified in the FERC-approved gas transportation tariffs of the interstate natural gas pipelines transporting Marcellus Shale natural gas to market. As the quantity of Marcellus Shale production increases relative to other sources of supply being transported in the region's interstate natural gas pipeline network, compliance with gas quality specifications is becoming increasingly important, and the temporary waivers of the governing gas quality specifications that permit rich Marcellus gas to be received into the interstate pipelines will need to be terminated in the near future. In order to ensure that their gas is "pipeline quality," producers must arrange to have their production processed to extract the heavier hydrocarbons, including ethane. Williams and at least one other company are in the process of constructing and expanding gas processing and related natural gas liquids pipeline facilities that will meet this need. A major economic driver for these construction and expansion projects is the prospect of sales of ethane on a long-term basis to markets that value ethane as a feedstock.

Consequently, the linkage of the Marcellus Shale processing plants to the Ontario market through conversion of the Line 20 Facilities and connected facilities will allow Marcellus Shale gas producers to continue to grow their production, secure in the knowledge that there is a long-term market supporting the processing of their gas. The Line 20 Facilities and Mariner West conversion projects will promote the development of a new market for natural gas liquids, and will enhance the financial stability of Marcellus Shale natural gas producers, gas processors, and pipeline companies by permitting them to diversify their sources of revenue. NOVA Corporation has estimated that the value of its payments for ethane and ethane transportation service alone over the initial term of the relevant ethane purchase and transportation agreements will be in the range of $3 to 4 billion (U.S.).

The conversion and operation of the Line 20 Facilities and the interconnected pipeline facilities will promote much-needed new investment in energy infrastructure. Ethane extracted from Marcellus Shale gas is expected to satisfy the growing demand for ethane in the Ontario petrochemical sector for several decades. The quantities of ethane that can be extracted in the Houston, Pennsylvania processing facility alone will exceed the need of the Corunna petrochemical complex. NOVA Inc. understands that at least some of this excess will be purchased by another Ontario petrochemical producer and will be transported through the Mariner West project and an existing Sunoco-owned border crossing pipeline.

The pipeline conversion projects will also promote construction of physical infrastructure in Pennsylvania, Ohio, West Virginia, and neighboring states, such as natural gas plants and natural gas extraction facilities. These facilities, in turn, will produce additional revenue streams that will enhance the royalties, taxes, and fees paid by Marcellus Shale producers to local landowners and state and local governments. Such increased payments will contribute to the prosperity and stability of communities from which Marcellus Shale gas containing ethane will be extracted, and from which workers employed in connection with Marcellus Shale gas production activities will come.

By helping to create a market in eastern Canada for U.S.-produced ethane that has heretofore not existed, the Line 20 Facilities conversion project directly addresses a policy priority of the United States– expanding exports to Canada – which the Export Promotion Cabinet (a body established by Executive Order 13534) has specifically identified.[20] In the past, the Corunna petrochemical complex has been reliant upon crude oil feedstock imported from offshore sources and from the United States, as well as crude oil and other feedstock obtained from Canadian sources. Following the complex's conversion to ethane use, feedstock to be consumed in the Corunna complex will come predominantly from the United States. Expansion of the market for U.S.-produced ethane is therefore consistent with the President's National Export Initiative, which is intended to "ensur[e] that U.S. businesses can actively participate in international markets by increasing their exports of goods."[21] In addition, the opening of this new market will directly support increased trade with Canada, as the petrochemical products which NOVA Corporation produces in Canada will be exported in large quantities to the U.S. for use in finished goods produced domestically.

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[20] Report To The President On The National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years (Sept. 2010), *available at* http://www.whitehouse.gov/sites/default/files/nei_report_9-16-10_full.pdf, Section I.8(c) at p. 17.

[21] National Export Initiative, Executive Order 13534, 75 Fed. Reg. 12,433 (Mar. 11, 2010), *available at* http://www.gpo.gov/fdsys/pkg/FR-2010-03-16/pdf/2010-5837.pdf.

DOS generally examines the viability of an applicant project in evaluating whether it is in the national interest.[22] There should be no concern as to the viability of the Line 20 Facilities' conversion to natural gas liquids transportation service. Ethane is much sought after as a feedstock in Canadian petrochemicals facilities, and the Line 20 Facilities conversion project will meet a concrete and immediate need for natural gas liquid transportation capacity serving destination markets in the Sarnia, Ontario area. NOVA Corporation expects to utilize ethane on a long-term basis, and has committed approximately $250 million (U.S.) to the revamp of the Corunna petrochemical complex's feedstock processing capabilities to support their efficient use of natural gas liquids. Because the Line 20 Facilities, Sunoco Facilities, and Genesis Facilities are either in existence, under construction or soon to be commenced, the complete natural gas liquids transportation system can be operational in less than a year after the Presidential Permit is granted.

IV. BORDER CROSSING FACILITIES IN PROXIMITY TO THE LINE 20 FACILITIES

A significant number of hydrocarbon and petroleum product pipeline border crossing facilities exist or are being constructed in close proximity to the Line 20 Facilities. Of particular note are new natural gas pipeline facilities that Bluewater Gas Storage will soon construct immediately adjacent to the Line 20 Facilities. Bluewater Gas Storage recently received Natural Gas Act authorization and a Presidential Permit from FERC to construct, own, operate, and maintain new border crossing facilities (the "Bluewater Facilities") for the transportation of natural gas at the United States-Canada boundary in St. Clair County, Michigan.[23] The

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22 *See* Fact Sheet on Applying for Presidential Permits for Border Crossing Facility (Canada), *available at* http://www.state.gov/p/wha/rls/fs/2009/114990.htm.

23 *See* supra n.15. The Bluewater Facilities consist of approximately 1,500 feet of new 20-inch diameter pipeline extending from St. Clair County to the international border under the St. Clair River

Bluewater Facilities are substantially similar to the Line 20 Facilities, as they are designed to replace the transportation service Bluewater Gas Storage receives on the Line 20 Facilities under its soon-to-be-terminated capacity lease. The Bluewater Facilities will interconnect with upstream and downstream pipeline facilities in close proximity to the points at which the Line 20 Facilities will interconnect with the Sunoco Facilities and with the Genesis Facilities, as shown in the attached map (see Exhibit 6).

V. CONVERSION PLAN AND FINANCING

As indicated above, conversion of the Line 20 Facilities will be limited to the implementation of recommendations from the fitness for service examinations and hydrostatic testing of the facilities. NOVA Inc. does not expect the results of the examination until September 2012, but expects the recommendations to be similar to those contained in the Fitness for Service Report completed for the Canadian regulatory approvals of the Genesis Facilities (Exhibit 7). NOVA Inc. forecasts that it will begin conversion of the Line 20 Facilities as early as December 2012, complete hydrostatic testing in February or March 2013, and fill the line with natural gas liquids in the May and June 2013 timeframe, in order to be ready to transport natural gas liquids for commercial deliveries to the Corunna petrochemical complex by July 2013.

The cost of the Line 20 Facilities conversion is estimated to be in the range of $150,000 to $200,000 (U.S.), and will cover the required field work and the independent fitness for service examination. NOVA Inc. intends to finance the conversion with funds on hand.

VI. UNITED STATES REGULATORY APPROVALS REQUIRED

No additional United States regulatory approvals beyond the Presidential Permit requested herein are necessary for NOVA Inc.'s conversion of the Line 20 Facilities. In

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and on the Canadian side, approximately 1,500 feet of pipeline from the County of Lambton, Ontario to the international border to be owned and operated by St. Clair Pipelines L.P..

completing the conversion, NOVA Inc. will comply in all respects with the requirements of PHMSA's regulations governing hazardous liquids pipeline facilities construction, conversion and operation (49 C.F.R. Part 195), as well as interpretations relating to the conversion of a natural gas pipeline to liquids service, and any other applicable permit conditions.

Sunoco expects to have regulatory approvals for its construction and operation of its customer connection facilities by October 2012. Sunoco expects to have the Sunoco Facilities completed and placed into ethane transportation service by June 2013.

VII. CANADIAN APPROVALS REQUIRED

As indicated above, the NEB approved conversion and extension of the Genesis Facilities on June 12, 2012.[24] The Genesis Facilities do not require any further approvals from the NEB or any other Canadian governmental agency.

VIII. ENVIRONMENTAL REVIEW OF THE LINE 20 FACILITIES CONVERSION PROJECT

NOVA Inc.'s plan to return the Line 20 Facilities to natural gas liquids service will not require it to undertake any new pipeline construction. All necessary pipeline integrity verification and rehabilitation work will be performed inside previously disturbed areas to which NOVA Inc. has all required land rights. One excavation dig will be required to enable NOVA Inc. to replace two belowground elbows; this excavation will be conducted on NOVA Inc. property adjacent to the fenced area that houses the Line 20 Facilities valve site, as illustrated in Exhibit 8. Given that no new construction will be required and no land will be disturbed outside the existing right of way, it is clear that conversion of the Line 20 Facilities will not have a significant environmental impact.

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24 *See* Exhibit 5, Genesis Facilities Order.

To provide DOS with current information as to the environmental setting in which the Line 20 Facilities conversion project will take place, and to provide further assurance that the project will have no significant environmental impacts, NOVA Inc. has attached the environmental report which Bluewater Gas Storage submitted in connection with its application to FERC for a Natural Gas Act Section 3 authorization and Presidential Permit covering its construction of the Bluewater Facilities. These new natural gas pipeline facilities will be installed in close proximity to the Line 20 Facilities, and the new border crossing pipeline directional drill kick-off point is approximately 250 feet from the location of Line 20 Facilities valve site (Exhibit 6). As indicated above, the Bluewater Facilities are substantially similar to the Line 20 Facilities and, as seen in Exhibits 6 and 9, the Bluewater Gas Storage environmental analysis comprehensively covers the area in which the Line 20 Facilities are located. FERC's environmental assessment of the Bluewater Facilities construction project, which supported its finding of no significant impact, is attached as Exhibit 10.

To the extent DOS believes an environmental study is necessary, NOVA Inc. submits that DOS may rely with confidence on the environmental reports and environmental assessment included as Exhibits 9 and 10 as support for a finding of no significant impact in this matter. DOS regulations, and the Council on Environmental Quality regulations on which they are based, specifically contemplate, and even encourage, DOS to "adopt" environmental assessments and impact statements prepared by other Federal or State agencies where this is appropriate and can eliminate duplication.[25] Taking advantage of environmental studies of a project – the Bluewater Facilities project – very close to the Line 20 Facilities conversion project both in

[25] *See* 22 C.F.R. § 161.9(c) (2012) (citing 40 C.F.R. §§ 1501.5 and 1501.6); 22 C.F.R. § 161.8(c) (2012) (citing 40 C.F.R. §§ 1501.4 and 1508.13 and 22 C.F.R. § 161.9(c)) (encouraging cooperation with other agencies to eliminate duplication and the adoption of environmental statements prepared by other agencies).

proximity and in the nature of the work involved would be entirely appropriate, and would both eliminate duplication and expedite DOS' review process.

The related construction of the customer connection included in the Sunoco Facilities, which will be performed by Sunoco or its contractors, will have only negligible environmental impacts. NOVA Inc. has attached environmental reports addressing the environmental impacts of Sunoco's construction and operation of the Sunoco Facilities (Exhibit 11). These reports document the environmental setting in the vicinity of the Line 20 Facilities valve site, and describe the route the Sunoco customer connection pipeline will follow over the 700-foot distance separating existing Sunoco pipelines facilities from the Line 20 Facilities valve pit. As the Sunoco reports demonstrate, the environmental impacts associated with the linkage of the Line 20 Facilities to the existing Sunoco pipeline facilities will be negligible.

The NEB has already determined in regards to the Genesis Facilities that "the potential adverse environmental effects of the Project are not likely to be significant" and that "it is unlikely that there would be significant cumulative environmental effects resulting from this Project."[26] The NEB's environmental assessment of the Genesis Facilities is also attached hereto (Exhibit 12).

As indicated above, the Line 20 Facilities are a part of a larger natural gas liquids transportation project that will enable the Corunna petrochemical complex to use ethane as its primary feedstock. There will be a positive environmental benefit associated with the Corunna petrochemical complex's completion of its transition from oil-based feedstock to ethane feedstock in the form of reduced air emissions. In addition, the Corunna complex's substitution

[26] *See* Exhibit 5, Genesis Facilities Order at 10.

of U.S.-sourced ethane for crude oil-derived feedstocks will free those crude oil supplies and related crude oil pipeline capacity up for more efficient use in supplying other markets.

For the reasons set forth above and on the basis of the analyses included in the referenced Exhibits, DOS should readily find that the issuance of a new Presidential Permit authorizing the operation, and maintenance of the Line 20 Facilities in natural gas liquids service will have no significant impact on the quality of the human environment.

IX. LIST OF EXHIBITS

Exhibit #	**Description**
Exhibit 1	1986 Presidential Permit
Exhibit 2	Map of Line 20 Facilities
Exhibit 3	History of Pipelines/Summary Of Corporate Transactions
Exhibit 4	Map of Overall Ethane Transportation System
Exhibit 5	Genesis Facilities Order
Exhibit 6	Location of Bluewater Facilities
Exhibit 7	Fitness for Service Report
Exhibit 8	Excavation Dig Site
Exhibit 9	Bluewater Resource Reports 1-13
Exhibit 10	FERC's Environmental Assessment (re Bluewater Facilities)
Exhibit 11	SUNOCO Environmental Reports 1-3
Exhibit 12	NEB's Environmental Screening Report (re Genesis Facilities)

X. CONCLUSION

For the reasons set forth above, NOVA Inc. submits that the operation and maintenance of the Line 20 Facilities consisting of approximately 1,350 feet of 12-inch diameter pipeline which, at its maximum allowable operating pressure of 1,440 psi, can transport up to 65,000 bpd of natural gas liquids at the United States-Canada Border, is in the national interest of the United States. Accordingly, NOVA Inc. respectfully requests that DOS issue it a Presidential Permit authorizing these activities.

So that NOVA Corporation may be in a position to satisfy its contractual obligations to its ethane suppliers and to Sunoco, and so that ethane is available as a feedstock for the Corunna petrochemical complex, NOVA Inc. respectfully asks that DOS issue the requested Presidential Permit no later than November 1, 2012.

Respectfully submitted,

By: ________________________________

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Dated: August 7, 2012

UNITED STATES OF AMERICA
BEFORE THE DEPARTMENT OF STATE
WASHINGTON, D.C.

Application of NOVA Chemicals Inc. for Reinstatement of a Presidential Permit Authorizing the Operation and Maintenance of Pipeline Facilities for the Transportation of Natural Gas Liquids at the United States – Canada Border

EXHIBITS

EXHIBIT 1

EXHIBIT 2

EXHIBIT 3

EXHIBIT 4

EXHIBIT 5

EXHIBIT 6

EXHIBIT 7

EXHIBIT 8

EXHIBIT 9

EXHIBIT 10

EXHIBIT 11

EXHIBIT 12