

FERC Proposes to Double Blanket Certificate Thresholds: What Midstream Operators, Lenders, and Upstream Producers Should Do Now

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Interstate natural gas pipelines may soon be able to build more infrastructure, faster, and with fewer regulatory processes. On May 21, 2026, FERC unanimously proposed to roughly double the dollar thresholds governing its blanket certificate program, the streamlined authorization pathway for routine pipeline projects that avoids case-by-case permitting. If finalized, projects that cost up to \$30 million (automatic authorization) or \$86 million (prior notice) could proceed without full Section 7 review, and the dollar cap on certain compressor station expansions would be eliminated entirely. The proposal also extends an existing temporary waiver through May 2028, creating a window for operators to accelerate qualifying capital projects. For pipeline operators, midstream sponsors, lenders, upstream producers, and industrial shippers, this is a material development with near-term implications for capital programs, transaction documentation, and commercial strategy.

Why This Matters to Your Business

Under the current regime, inflation has pushed routine projects, including compressor modifications, meter station work, and short pipeline replacements, into the full Section 7 permitting processes. Those processes take longer, cost more, and introduce regulatory uncertainty into capital planning and deal timelines. The proposed rule would reset the thresholds closer to their intended scope, allowing more routine work to proceed without case-specific authorization. For operators, that means shorter lead times and reduced permitting expenses. M&A counterparties should reexamine regulatory diligence, representations, and operating covenants in pending deals. Lenders should reassess whether financing covenants tied to FERC approvals remain appropriately calibrated. Upstream producers and shippers should anticipate improved predictability of takeaway capacity and basis exposure in key basins.

The Proposed Changes in Detail¹

On May 21, 2026, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) unanimously issued a Notice of Proposed Rulemaking (the “NOPR”), proposing the first comprehensive overhaul of the natural gas blanket certificate program under Part 157, Subpart F of the Commission’s regulations since 2006. The proposal would roughly double the principal dollar thresholds governing streamlined pipeline authorization, eliminate the dollar cap on certain compressor station expansion projects, replace the Gross Domestic Product Price Deflator with the Handy-Whitman Index as the basis for annual cost-limit adjustments, and refine the procedural and ratepayer protections that apply to projects undertaken within the program. In a concurrent order, the Commission extended its existing temporary waiver of the program’s cost limits through May 31, 2028, providing continuity of relief while the rulemaking proceeds.

Background: The Blanket Certificate Program^{2 3}

Section 7(c) of the Natural Gas Act requires interstate natural gas pipelines to obtain from the Commission a certificate of public convenience and necessity before constructing, operating, or modifying jurisdictional facilities. The blanket certificate program, established by Order No. 234 in 1982 and last comprehensively revised in 2006, carves out a defined category of routine activities that may proceed without case-specific Section 7 authorization. The program operates through two tiers: an “automatic authorization” track that permits qualifying projects to proceed without any advance Commission filing, and a “prior notice” track that requires notification to FERC and a defined waiting period during which landowners, regulators, and other interested parties may protest. Each track is subject to a dollar threshold above which case-specific Section 7 certification is required. These thresholds, set at \$14.5 million (automatic) and \$41.1 million (prior notice), have been adjusted annually since 2006 by reference to the GDP Price Deflator. That index has materially undertracked construction cost inflation over the same period. The result: projects that should fall within the streamlined process, including compressor station modifications,

¹ Revisions to Blanket Certificate Program, Notice of Proposed Rulemaking, Docket No. RM25-12-001 (May 21, 2026).

² 15 U.S.C. § 717f(c); 18 C.F.R. pt. 157, subpt. F.

³ Revisions to Regulations Governing Construction of Facilities and Abandonment of Service, Order No. 234, 47 Fed. Reg. 24,254 (June 4, 1982); see also Revisions to the Blanket Certificate Regulations and Clarification, Order No. 686, 117 FERC ¶ 61,074 (2006) (last comprehensive revision of cost limits).

meter and regulator station work and short pipeline replacements, have been pushed into the full Section 7 process by inflation rather than by any change in their actual scope or risk profile.

The Five Principal Changes⁴

The NOPR proposes five principal changes. First, it would raise the automatic authorization cost limit from \$14.5 million to \$30 million and the prior notice cost limit from \$41.1 million to \$86 million. Second, it would raise the annual aggregate cost limit applicable to natural gas storage wells used for the testing or development of underground storage reservoirs from \$7.9 million to \$17 million. Third, it would eliminate the dollar cap on certain expansions of existing compressor stations undertaken under the prior notice procedure. The Commission described this as recognizing that compression projects are typically constructed on existing footprints and such projects present limited incremental environmental or landowner impact. Fourth, the NOPR would substitute the Handy-Whitman Index of Public Utility Construction Costs for the GDP Price Deflator as the index used to adjust the cost limits annually, a change designed to better align the program's thresholds with actual pipeline construction cost trends. Fifth, the proposal includes refinement to the categorical scope of eligible projects and to the rate, environmental, and landowner protections that apply within the streamlined process; FERC has invited comment on those refinements through the rulemaking record.

Temporary Waiver Extended Through May 2028^{5 6}

In a concurrent order, in Docket No. CP25-208-002, the Commission extended its existing temporary waiver of the blanket certificate cost limits from May 31, 2027 to May 31, 2028. The waiver, originally issued in June 2025 alongside the Notice of Inquiry that opened the rulemaking record, provides interim cost-limit relief while the proposed rule is finalized, and the one-year extension is intended to bridge the gap between the close of the comment period and the effective date of any final rule. Pipeline operators with capital programs falling between the current and proposed thresholds should evaluate whether qualifying projects can be advanced under the temporary waiver in the near term.

Separate Track for LNG and Hydroelectric Blanket Authorization⁷

Industry participants and commentators have at times associated the May 21, 2026 NOPR with the Commission's ongoing consideration of blanket authorization procedures for targeted activities at liquefied natural gas ("LNG") facilities and at hydroelectric projects. That work is being conducted on a separate track. In November 2025, the Commission announced that it was considering whether to establish such procedures, and that workstream is

⁴ The Handy-Whitman Index of Public Utility Construction Costs, published semiannually by Whitman, Requardt and Associates, LLP, is the index commonly used in utility rate proceedings to track construction cost inflation for natural gas and electric utility plants.

⁵ Order Extending Deadline for Construction of Facilities Pursuant to Temporary Waiver of Regulations to Increase Blanket Certificate Cost Limitations, 195 FERC ¶ 61,129 (2026) (temporary waiver of cost limits in Docket No. CP25- 208), as extended by Order issued May 21, 2026, Docket No. CP25-208-002.

⁶ Blanket Certificate Cost Limitations, Notice of Inquiry, Docket No. RM25-12-000, 90 Fed. Reg. 26,776 (June 24, 2025).

⁷ FERC Press Release, *FERC to Consider Blanket Authorization Procedures for LNG and Hydroelectric Projects* (Nov. 2025) (separate workstream not addressed in the May 21, 2026 NOPR).

proceeding outside the rulemaking addressed in the May 21 NOPR. Industry participants with LNG or hydroelectric interests should track that separate proceeding as it develops.

Comment Process and Outlook

The NOPR was published in the Federal Register on May 27, 2026, and comments are due by July 27, 2026. Comments are expected from natural gas pipeline operators and the Interstate Natural Gas Association of America; environmental and landowner organizations focused on NEPA and eminent domain implications of streamlined authorization; state utility commissions and ratepayer advocates focused on rate and cost-allocation treatment of blanket certificate projects; and large industrial shippers focused on capacity and pricing implications of accelerated infrastructure deployment.

The Commission’s 5-0 vote and the public statements of the sitting commissioners suggest broad institutional consensus on the direction of the proposal. The contours of the final rule may differ from the proposal in ways that matter for particular project types, particular categories of work, and the rate treatment of projects undertaken within the program.

Implications for Transactions, Financings, and Commercial Strategy

For corporate, transactional, and finance professionals, the practical consequences extend well beyond the operational benefit to pipeline operators. In midstream M&A, regulatory diligence and the allocation of regulatory contingencies in purchase agreements will need to reflect the expanded streamlined pathway. Buyers and sellers should consider whether outstanding or planned capital projects qualify under the proposed thresholds and how that affects valuation, the scope of regulatory representations and warranties, and the design of pre-closing operating covenants. In midstream and gathering-and-processing financings (including reserve-based and project-finance structures and asset-backed transactions secured by gathering, processing, or compression revenues), a streamlined permitting pathway compresses the regulatory risk premium embedded in transaction documentation and rating agency analysis. Lenders should assess whether existing covenants tied to case-specific FERC approvals or to specific dollar thresholds remain calibrated appropriately. For upstream producers and large industrial offtakers, the prospect of faster midstream buildout improves the predictability of takeaway capacity and basis exposure in key basins. That affects hedge sizing, commercial contracting strategy, and the modeling assumptions that underlie acquisition diligence and capital allocation decisions.

What You Should Do Now

Industry participants should consider the following near-term steps:

Pipeline operators should map current capital plans against the proposed thresholds, identify projects that may be accelerated under the temporary waiver, and evaluate whether to participate in the comment process to support specific elements of the proposal or to seek refinements.

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Midstream buyers, sellers, sponsors, and lenders should revisit the regulatory provisions of pending transaction documents and consider whether financing covenants or purchase agreement representations should be reframed in light of the proposed regulatory environment.

Upstream producers, industrial shippers, and LNG marketers whose commercial and contracting strategies depend on midstream infrastructure availability should incorporate the proposed regime into their planning assumptions.

Companies with significant interests in the outcome of the proposed overhaul of the natural gas blanket certificate program should treat the comment record as a meaningful opportunity to shape, with technical and economic evidence, the parameters of a program that may govern routine natural gas infrastructure development for years to come.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

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