APPLICATION OF
CARIB ENERGY (USA) LLC
FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS
TO NON-FREE TRADE AGREEMENT COUNTRIES

Communications regarding this application should be addressed to:

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October 19, 2011

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Carib Energy (USA) LLC

Docket No. 11-11-LNG

APPLICATION OF CARIB ENERGY (USA) LLC
FOR LONG-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS
TO NON-FREE TRADE AGREEMENT COUNTRIES

Pursuant to Section 3 of the Natural Gas Act ("NGA")\(^1\) and Part 590 of the regulations of the Department of Energy ("DOE");\(^2\) Carib Energy (USA) LLC ("Carib") submits this application ("Application") to the DOE Office of Fossil Energy ("DOE/FE") for long-term, multi-contract authorization to export up to a total of 120,000 gallons per day of liquefied natural gas ("LNG"), approximately 3.44 billion standard cubic feet (bscf) of gas per year, to non-FTA countries (as defined herein) for a 25-year period, commencing on the earlier of the date of first export or five years from the date the requested authorization is granted.\(^3\) Carib requests that such authorization allow it to export domestically sourced LNG to any country located within Central America, South America or the Caribbean, which has or in the future develops the


\(^3\) As described further herein, this Application represents one in a series of applications of this nature that Carib expects to file, along with the Application for Long-Term Authorization to Export LNG to Free Trade Agreement Countries, filed on June 6, 2011 in Docket No. 11-71-LNG. Carib currently expects that the maximum total volume of LNG it will export under this and future authorizations granted by the DOE/FE to all countries in Central America, South America or the Caribbean, including those with which the United States currently has, or in the future will have, a Free Trade Agreement requiring national treatment for trade in natural gas and LNG ("FTA") as well as non-FTA countries, will be 250,000 metric tons of LNG, or approximately 11.53 bscf of natural gas, per year.
capacity to import LNG via approved ISO IMO7/TVAC-ASME LNG containers transported on ocean-going carriers, and with which trade is not prohibited by United States law or policy.

This is the second application Carib has submitted to the DOE/FE relating to the proposed export of LNG. The first application, filed on June 6, 2011 in Docket No. 11-71-LNG, related to exports of LNG to countries in Central America, South America or the Caribbean with which the United States currently has, or in the future will have, a Free Trade Agreement requiring national treatment for trade in natural gas and LNG ("FTA"). The authorization sought in that application, which was reviewed under Section 3(c) of the NGA, was granted by the DOE/FE on July 27, 2011.\(^4\) This second Application relates to exports to non-FTA countries, and is reviewed under Section 3(a) of the NGA, which "creates a rebuttable presumption that a proposed export of natural gas is in the public interest."\(^5\) Under this standard, the DOE/FE "must grant [an export] application unless those who oppose the application overcome that presumption."\(^6\)

In support of this Application, Carib respectfully states the following:

I.

**DESCRIPTION OF APPLICANT**

The exact legal name of the applicant is Carib Energy (USA) LLC. Carib is a limited liability company organized under the laws of the State of Delaware. The principal place of business of Carib is located at 11947 N.W. 37\(^{th}\) Street, Coral Springs, Florida, 33065.

\(^4\) *Carib Energy (USA) LLC*, FE Docket No. 11-71-LNG, Order No. 2993 (July 27, 2011).


\(^6\) *Id.*
Stock in Carib is held equally by Everything for Gas International LLC d/b/a EFG Industries, a Florida limited liability company based in Coral Springs, Florida ("EFG") and Argosy Transportation Group Inc., a Texas limited liability company based in Bellaire, Texas ("Argosy"). EFG has more than 31 years experience in the liquefied petroleum gas ("LPG") industry on an international level, engineering, designing and installing LPG plant, terminals, and transporters, and supplying LPG equipment, including storage and transportation tanks. Argosy is an asset-based marine transport company specializing in solutions for shippers of break-bulk, heavy-lift and project cargo. Its management has more than 30 combined years experience in the marine transportation industry.

II.

COMMUNICATIONS

Communications regarding this application should be directed to the following:

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III.

AUTHORIZATION REQUESTED

In this Application, Carib requests long-term, multi-contract authorization to export up to a total of 120,000 gallons of domestically produced LNG (equivalent to approximately 3.44 bscf of natural gas per year) for a period of 25 years, beginning the earlier of the date of first export or
the fifth anniversary of the date authorization is granted by DOE/FE. Carib requests that such long-term authorization provide for export from the southeastern United States, including the Gulf Coast, specifically the ports described further below, to any country located within South America, Central America or the Caribbean that has, or in the future will have, the capacity to import LNG via use of approved ISO IMO7/TVAC-ASME LNG containers transported on ocean-going carriers, and with which trade is not prohibited by United States law or policy.

As noted above, this is the second phase of Carib's request for LNG export authorization. The first phase of authorization, which was for exports to FTA countries, was granted on July 27, 2011. With this Application, Carib requests approval of exports to non-FTA countries of LNG purchased under the purchase and sale arrangement described in the Letter of Intent included as Appendix C to this Application ("LOI"). The LOI describes the term of the proposed arrangement, the counter-party, the maximum yearly gas volumes of approximately 3.44 bscf to be purchased, and the facility from which the LNG will be delivered (the "Facility"), as well as a commitment from the counter-party that no Facility modifications or additions to the Facility will be required in order for the Facility to deliver LNG to Carib and for Carib to export LNG from the United States under the arrangement described in the LOI. Carib will file the Master Agreement and any Transaction Confirmations, as defined in the LOI, with the DOE/FE under seal following their execution. DOE/FE has previously found that this commitment conforms to the requirements of 10 C.F.R. § 590.202(b), which calls upon applicants to supply transaction-specific information "to the extent practicable." Carib expects to begin exporting LNG under such Master Agreement and Transaction Confirmations by the first quarter of 2012.

\[1\] 10 C.F.R. 590.202(b) requests certain information, "to the extent applicable," and "supported to the extent practicable by necessary data or documents," regarding the source and security of the natural gas supply proposed.
Appendix D of this Application includes a listing of the ports from which LNG will be exported under the arrangement described in the LOI, as well as the state permits and requirements that will need to be acquired for transportation of the LNG from the Facility to the applicable ports ("Required Permits"). Carib will take delivery of LNG at the Facility and will transport the LNG within the United States over highways, using approved 40-foot ISO IM07/TVA-C-ASME LNG containers. These containers comply with all United States Department of Transportation regulations, and the third parties with which Carib will be contracting to handle transportation will comply with all Required Permits, including but not limited to any federal, state and local permits relating to hazardous material and cryogenic handling regulations and requirements. All ISO containers will be tracked from the time of loading until delivery at the export terminal by use of a proprietary GPS tracking system. The decision of which ports will be used for export from among those listed in Appendix D will be based on the final LNG destination.

Carib expects deliveries from the Facility to take place throughout the year on a daily basis, spaced roughly equally, such that deliveries in any one day would not vary extremely from others. Physical limitations at the Facility ensure that will be the case; currently, no more than 120,000 gallons of LNG can be loaded from the Facility per day. Each contain Carib plans to use for LNG transport has a capacity of 10,200 gallons. Truck traffic from the Facility under this arrangement therefore will be limited to no more than 11 trucks per day, or less than one truck per hour over a twelve-hour period.

for export, including contract volume and a description of the specific gas reserves supporting the project during the time of the requested export authorization; see also, Sabine Order at 41.
As Carib enters into LOIs with additional suppliers, Carib will submit to DOE/FE additional applications requesting non-FTA export approval. Each such request will include (i) a copy of the new LOI, which will include relevant transaction information, such as transaction term, volume of gas to be purchased under the transaction, the liquefaction facility from which such LNG will be acquired, and commitment from the facility owner that no new construction or modifications to such facility will be necessary for the export of LNG supplied from such facility by Carib; (ii) a listing of ports from which such LNG will be exported; and (iii) a listing of any additional Required Permits that will be required to transport the LNG from the applicable facility to the applicable ports under the new LOI(s). As described in FN 3 of this Application, however, Carib does not expect the total amount of LNG exported under all of the authorizations it receives, including the FTA authorization granted by the DOE/FE in Docket No. 11-71-LNG, to exceed 250,000 metric tons of LNG, or approximately 11.53 bscf of natural gas, per year.

The source of natural gas supply to be exported by Carib will be the robust and liquid United States natural gas market. Specifically, Carib will be purchasing LNG under a long-term purchase agreement with the supplier listed in the LOI, which has, and expects to continue to have, an excess supply of LNG that it is unable to effectively market within the United States, due primarily to the relatively low natural gas prices in this country.

IV.

PUBLIC INTEREST

As noted above, Section 3(a) of the NGA creates a rebuttable presumption that an application for export of LNG is in the public interest, and the DOE/FE will grant such
application unless the presumption of public interest is overcome by an applicant's opponents.\textsuperscript{8} When evaluating applications for natural gas exports, the DOE/FE seeks to "minimize federal control and involvement in energy markets and . . . promote a balanced and mixed energy resource system."\textsuperscript{9} The focus of the DOE/FE's public interest evaluation is on the domestic need for the LNG proposed to be exported.\textsuperscript{10} In addition, the DOE/FE considers any threat to the security of domestic natural gas supplies potentially created by the proposed export, as well as "any other issue determined to be appropriate, including whether the arrangement is consistent with DOE's policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements,"\textsuperscript{11} and environmental effects of the proposed export.\textsuperscript{12}

Carib is seeking to export relatively small volumes of LNG, particularly when compared to export applications recently approved and pending before the DOE/FE. The maximum total volume of natural gas Carib expects to export in any year to both FTA and non-FTA countries is over 70 times less than the export authority sought by, and conditionally granted to, Sabine Pass Liquefaction, LLC ("Sabine") in orders issued by the DOE/FE in September 2010 and May 2011;\textsuperscript{13} the export authority Carib is seeking in this Application is even smaller fraction of that

\textsuperscript{8} 15 USC 717b(a); Sabine Order at 28.
\textsuperscript{9} Id.
\textsuperscript{10} Sabine Order at 29; DOE Delegation Order No. 0204-111
\textsuperscript{11} Sabine Order at 29.
\textsuperscript{12} Sabine Order at 29, citing National Environmental Policy Act, 42 U.S.C. § 4321 et seq. ("NEPA").
\textsuperscript{13} Sabine Order at 42 (authorizing Sabine Pass to export domestically produced LNG up the equivalent of 803 Bcf per year of natural gas).
total. Export of such smaller volumes of LNG has become economically and technically feasible in recent years due to the combined factors of increased domestic supply of natural gas and the development of approved containers allowing the safe and effective transport of smaller volumes of LNG than has previously been practical. This change allows Carib to take advantage of excess natural gas supply in the United States and use that supply to fill a need of customers in Central America, South America and the Caribbean, countries with customers that lack the infrastructure and the demand to justify tanker loads of LNG, which represent much larger volumes of LNG. Because export of these smaller volumes of natural gas will not have a significant impact on domestic supply, and will fulfill a need that is not otherwise being met in the marketplace – both domestically and abroad, the granting of this Application is consistent with the public interest.

A. Domestic Need for Natural Gas to be Exported

United States consumers currently have access to substantial quantities of natural gas, as a result of, among other things, technological advances that have allowed for development of previously undeveloped reserves of domestic shale gas. The Annual Energy Outlook 2010, prepared by the U.S. Energy Information Administration (“EIA”), forecasted shale gas production to increase to 2.85 Tcf by 2015 and 6.0 Tcf by 2035, representing 5.3% annual growth from 2008-2035. EIA’s Annual Energy Outlook 2011 more than doubled its estimate of technically recoverable shale gas reserves, and doubled its projected shale gas production to

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12.0 Tcf by 2035.\textsuperscript{16} Large volumes of domestic shale gas reserves and its development and extraction, as well as continued low production costs, will enable the United States to develop significant quantities of natural gas and LNG, which will be able to meet domestic demand for decades to come, and, as a result, also will provide an over-capacity of natural gas and LNG that would be available for export. The decrease in natural gas prices from 2008 to 2010 provides evidence of such over-capacity.\textsuperscript{17} Additionally, as the DOE/FE has pointed out in recent Orders approving export applications, the ability to export natural gas as LNG could expand the market for domestic natural gas producers and thus, encourage domestic production when low domestic gas prices otherwise might not do so.\textsuperscript{18} As noted by the DOE/FE in the Sabine Order, "[n]atural gas production associated with exports . . . will result in increased production that could be used for domestic requirements, if market conditions warrant such use."\textsuperscript{19}

Even considering the cumulative impact of recent authorizations granted by or pending before the DOE/FE and the authorization requested in this Application, the small volumes of LNG that Carib is requesting to export would not have a significant impact on domestic natural gas supply. As noted above, the maximum volume Carib would expect to export in any year is significantly less than the expected exports of recent applicants - approximately 1.4% of the expected exports of Sabine, and 1.5% of those of the expected exports of Lake Charles Exports.

\textsuperscript{16} 2011 EIA Energy Outlook at Table 8.

\textsuperscript{17} See, e.g., id. at Figure 39.

\textsuperscript{18} See, Sabine Order at 35.

\textsuperscript{19} Id.
LLC\textsuperscript{20} and a very tiny percentage of the domestic natural gas market. The volume Carib seeks authority to export under this Application is even smaller.\textsuperscript{21} Nevertheless, although a minimal amount, this is an important amount of gas that would benefit the small countries who do not have other access to a natural gas supply and thus are seeking to import this type of a gas supply, because they do not have sufficient demand to justify shipment of a large LNG tanker. Further, this quantity is not sufficient to have an adverse impact on domestic supply when compared to the United States natural gas market as a whole.

Applicants are aware of the potential for this market to change, as recently noted by the DOE/FE, as a result of ongoing review activities by the DOE and other federal agencies into the environmental and safety consequences of shale gas production.\textsuperscript{22} There is little chance that such a change would result in the small export volumes requested under this Application having a significant impact on the domestic supply of natural gas, however. In the unlikely event that such a circumstance were to occur during the term of the authorization sought herein, the DOE/FE has determined that it is authorized to take such action as it may find necessary or appropriate to address the effect of such a change and protect the public interest.\textsuperscript{23} Because the requested exports will have minimal effect on domestic natural gas supply based on current projections, and the DOE/FE has retained the ability to address changes in the domestic gas

\textsuperscript{20} See Application of Lake Charles Exports, LLC for Long-Term Authority to Export Liquefied Natural Gas, filed in Docket No. 11-59-LNG on May 6, 2011.

\textsuperscript{21} By way of comparison, Sabine sought, and was conditionally granted, authorization to export up to 2.2 bscf per day. Under this Application, Carib is seeking authorization to export up to 3.4 bscf per year.

\textsuperscript{22} Sabine Order at 31-32.

\textsuperscript{23} \textit{Id.} at n.45.
supply, if, in the future, there are unexpected changed circumstances, granting this Application for the requested term is consistent with the public interest.

B. Domestic Energy Security and International Impacts

As noted above, the relatively small volumes Carib proposes to export will have little effect on domestic natural gas supply and minimal effect, if any, on domestic energy security. Carib’s purchases from its supplier will be primarily excess supply that cannot be marketed economically in the domestic market, due, in part, to the relatively low natural gas prices in this country. By allowing Carib to purchase this excess supply for export overseas, DOE/FE’s approval of this Application will benefit this domestic company and have little if any effect on domestic energy security, as such supply is in excess of current domestic demand.

From an international perspective, the exports will benefit the United States by supporting the use of generation fueled by natural gas rather than more environmentally damaging diesel or heavy fuel oil commonly used by its close South American, Central American and Caribbean neighbors. By and large, these countries do not have a domestic supply of natural gas and do not have the necessary infrastructure for the exploration, production or transportation of natural gas. Most of these countries do not have an independent supply of LNG or liquefaction facilities that would serve a natural gas or LNG market. Further, many of these countries do not have customers that have a natural gas demand that would support the typical LNG tanker imports. By focusing on this small customer market, Carib is fulfilling a clear need for such countries looking to diversify their fuel supplies. Providing customers in

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these countries with natural gas/LNG from the United States would relieve their countries’ reliance on diesel or heavy fuel oil, which they probably also would have to import. It also would have world-wide environmental benefits as the these countries reduce their dependence on diesel or fuel oil and thus reduce the negative environmental impact of their generation fuel. In addition, a supply of clean generation fuel from the United States to these countries would improve our country’s trade balance, and would support President Obama’s National Export Initiative signed in 2010.\textsuperscript{25} In sum, as acknowledged by the DOE/FE in the \textit{Sabine} Order, an improvement in natural gas supplies internationally will help countries such as those to which Carib will be exporting LNG that currently have limited sources of natural gas supplies to broaden and diversify their supply base, thereby “contributing to greater overall transparency, efficiency, and liquidity of international natural gas markets.”\textsuperscript{26}

Further, unlike very large suppliers of LNG, Carib would be marketing directly to smaller customers. As such, Carib may be able to contract directly with local utilities, industrial and commercial customers in such countries that would require smaller quantities of LNG and would not otherwise be served by very large suppliers of LNG. It also would enable to stabilize power production in those countries, by providing generators with access to fuel that would serve as a feedstock for generation facilities that would be used for power generation and for stand-by power generation.

\textsuperscript{25} Exec. Order No. 13534, 75 Fed. Reg. 12433 (March 11, 2010).

\textsuperscript{26} Sabine Order at 37.
C. Other Public Benefits of the Requested Authorization

Having the authority and the opportunity to market LNG abroad will enable Carib to foster the development of a domestic natural gas and natural gas by-product market. Developing a robust LNG export market will encourage the development of a market in natural gas liquids such as ethane, propane and condensates that can be substituted for petroleum products made from imported oil, thereby, in effect, reducing United States’ dependence on imported oil and further promoting the effort to reduce United States trade imbalances. In fact, the export of natural gas produced in the United States will help to promote new international markets for natural gas, thereby encouraging the development of new, additional productive resources in the United States. These developments may help decouple international natural gas prices and oil prices in some markets and may exert downward pressure on natural gas market prices in those markets.

In addition, Carib expects that its export of domestic LNG will encourage the development of jobs in the United States. Qualified domestic transportation companies will be used to transport the LNG from each Facility to port, thereby supporting those businesses. As a growing company, Carib will also be creating jobs as its marketing and sale of LNG to new markets increases its need for additional sales and administrative staff.

V. ENVIRONMENTAL IMPACT

A description of how the Facility has been, and currently is, regulated is included in Appendix E of this Application. No modifications to the Facility would be required in order for Carib to export LNG. Accordingly, under Categorical Exclusion B5.7 of the National
Environmental Policy Act ("NEPA"), approval of this Application would not constitute a federal action significantly affecting the human environment within the meaning of NEPA.27

VI.

APPENDICES

The following exhibits are submitted as part of this Application:

Appendix A  Verification
Appendix B  Opinion of Counsel
Appendix C  Letter of Intent
Appendix D  List of Required Permits and Ports of Export
Appendix E  Description of Facility Regulatory Approval

VII.

CONCLUSION

WHEREFORE, for the reasons set forth above, Carib respectfully requests that DOE/FE grant the long-term, multi-contract export authorization requested herein.

Dated: October 19, 2011

Respectfully submitted,

Carib Energy (USA) LLC

By: [Signature]

Name: Greg Buffington
Title: President
Telephone: 954-340-9278 x 303
Email: gbuffington@caribenergy.com

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27 42 U.S.C. § 4231, et seq.; Categorical Exclusion B5.7, 10 C.F.R. Part 1021, Subpart D, Appendix B. As of the date of this Application, the FERC has not determined whether export of LNG from the Facility would require the Facility owner to obtain FERC approval or authorization. Carib can commit to only take supply from the Facility after that determination has been made and any required FERC approval has been obtained by the owner of the Facility.
APPENDIX A

VERIFICATION
and
CERTIFIED STATEMENT
VERIFICATION
and
CERTIFIED STATEMENT

County of __________________
State of __________________

I, Greg Buffington, being duly sworn on his oath, do hereby affirm that I am President of Carib Energy (USA) LLC; that I am familiar with the contents of this Application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.

[Signature]
Greg Buffington

Sworn to and subscribed before me, a Notary Public, in and for the State of Florida, this 18th day of October, 2011.

[Signature]
Notary Public

[Notary Seal]
Stanley Lewis
Commission #DD867528
Expires: JULY 16, 2013
BONDED FIRST ATLANTIC BONDING CO., INC.
APPENDIX B

OPINION OF COUNSEL
Mr. John A. Anderson  
Office of Fossil Energy  
U.S. Department of Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, DC 20585

RE: Carib Energy (USA) LLC  
Application for Long-Term Authorization to Export Liquefied Natural Gas

Dear Mr. Anderson:

This opinion is submitted pursuant to 10 C.F.R. 590.202(c) of the Department of Energy administrative procedures. We have acted as counsel to Carib Energy (USA) LLC, a Delaware limited liability company (the “Company”), in connection with the above-referenced application to the U.S. Department of Energy (the “Application”).

In rendering this opinion, we have reviewed and relied upon originals or copies of the Certificate of Formation of the Company, as filed on May 26, 2011 with the Delaware Secretary of State, the Limited Liability Company Agreement of the Company, dated as of May 26, 2011, and the Application.

The opinion set forth below is limited to the Delaware Limited Liability Company Act as in effect on this date. We express no opinion as to the applicability or effect of any other laws of such jurisdiction or the laws of any other jurisdictions.

Based upon the foregoing, we are of the opinion that the proposed export of natural gas, as described in the Application, is within the limited liability company powers of the Company.

Very truly yours,

Day Pitney LLP

DAS/JMB
APPENDIX C

LETTER OF INTENT

Privileged Information Removed For Confidential Treatment
APPENDIX D

LISTING OF REQUIRED PERMITS AND
PORTS OF EXPORT

Required Permits:

- Georgia Hazardous Material Permit will be obtained from the Georgia Department of Public Safety by the company transporting the LNG from the Facility through the State of Georgia.

- Drivers of the vehicles transporting the LNG will have Hazardous Materials Endorsement on their commercial drivers licenses, allowing them to transport Hazardous Material through the States of Tennessee, Georgia, Florida, Texas, Mississippi, Alabama, Louisiana and South Carolina (as applicable). Drivers will also be approved by the Department of Transportation for cryogenic cargos.

- ISO containers meet U.S. Department of Transportation requirements for transportation of LNG.

Ports of Export:

- Jacksonville FL
- West Palm FL
- Miami FL
- Tampa FL
- Mobile AL
- Gulfport, MS
- Savannah GA
- New Orleans LA
- Houston TX
- Galveston TX
- Pensacola FL
APPENDIX E

DESCRIPTION OF FACILITY REGULATORY APPROVAL

Privileged Information Removed For Confidential Treatment