

**SIMON, PERAGINE, SMITH & REDFEARN, L.L.P.**

H. PAUL SIMON<sup>◇</sup>  
 FRANK J. PERAGINE<sup>◇</sup>  
 GUY W. SMITH<sup>◇</sup>  
 ROBERT L. REDFEARN  
 THOMAS R. BLUM  
 H. BRUCE SHREVES  
 JAMES A. BURTON  
 CHRISTOPHER M. GUIDROZ  
 DANIEL J. CARUSO  
 JAY H. KERN  
 STEVEN A. JACOBSON  
 HERMAN C. HOFFMANN, JR.  
 SUSAN B. KOHN  
 JOHN F. SHREVES\*<sup>^</sup>  
 ROBERT L. REDFEARN, JR.\*<sup>††</sup>  
 DENISE C. PUENTE  
 DOUGLAS W. REDFEARN  
 DAVID F. BIENVENU  
 M. DAVIS READY  
 CHARLES E. RILEY, IV\*<sup>††</sup>  
 M. CLAIRE DURIO

COUNSELORS AT LAW  
 30<sup>TH</sup> FLOOR - ENERGY CENTRE  
 1100 POYDRAS STREET  
 NEW ORLEANS, LA 70163-3000

TELEPHONE (504) 569-2030  
 FACSIMILE (504) 569-2999  
 WWW.SPSR-LAW.COM

DOUGLAS R. KINLER  
 ANDREW C. WILSON  
 SUSAN F. CLADE  
 SUSAN M. CARUSO  
 JAMES R. GUIDRY  
 APRIL A. MCQUILLAR\*<sup>††</sup>  
 JOSHUA M. HUDSON  
 DOUGLASS F. WYNNE, JR.  
 BENJAMIN R. GRAU\*<sup>†</sup>  
 PETER S. THRIFFILEY, JR.  
 MEGAN S. PETERSON\*<sup>††</sup>  
 LUKE P. LARocca  
 LOUIS O. OUBRE  
 KAILE L. MERCURI  
 JANICE M. CULOTTA  
 SARA L. OCHS  
 WINDSOR V. RICHMOND

March 6, 2018

OF COUNSEL  
 JUDY PERRY MARTINEZ

VIA EMAIL AND FEDERAL EXPRESS

\* BOARD CERTIFIED TAX ATTORNEYS  
<sup>^</sup> BOARD CERTIFIED ESTATE PLANNING  
 AND ADMINISTRATION AND TAX LAW  
 SPECIALIST CERTIFIED BY THE LOUISIANA  
 BOARD OF LEGAL SPECIALIZATION

\*\* ALSO ADMITTED IN MISSISSIPPI  
<sup>†</sup> ALSO ADMITTED IN TEXAS  
<sup>††</sup> ALSO ADMITTED IN GEORGIA  
<sup>◇</sup> PARTNER EMERITUS

Ms. Larine A. Moore  
 U.S. Department of Energy  
 Office of Fossil Energy  
 Forrestal Building  
 [Mail Stop FE-34], Room 3E-042  
 1000 Independence Avenue, SW  
 Washington, DC 20585

18-27-LNG

Re: Blue Water Fuels, LLC  
 Application for Long-Term Authorization  
 to Export Liquefied Natural Gas

Dear Ms. Moore:

Blue Water Fuels, LLC ("Blue Water") hereby submits for filing with the U. S. Department of Energy, Office of Fossil Energy, an original and three copies of its application for long-term authorization for itself or as agent for others under Section 3 of the Natural Gas Act to export up to 3.62 Bcf of natural gas per year (approximately 120,000 metric tons of liquefied natural gas ("LNG") per year) from domestic resources for a term of 25 years beginning on the earlier of the date of first export or two years from the date the requested authorization is issued. Blue Water is seeking authority to export LNG to any country with which the United States has, or in the future will have, a Free Trade Agreement requiring national treatment for trade in the natural gas and any other country with which trade is not prohibited by U.S. law or policy.

Blue Water is electronically transmitting a PDF of the application materials and, at the same time, is forwarding by overnight delivery the original of the electronically transmitted application materials.

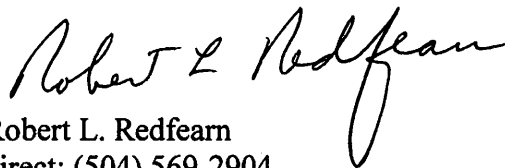
SIMON, PERAGINE, SMITH & REDFEARN, L.L.P.

Ms. Larine Moore [FE-34]  
Office of Fossil Energy  
Re: Blue Water Fuels, LLC  
March 3, 2018  
Page 2

The overnight submission includes a paper copy of the original application, three additional paper copies of the Application, and a check in the amount of \$50.00 in payment of the applicable filing fee.

Do not hesitate to contact the undersigned at 504-569-2030 should you have any questions.

Respectfully submitted,



Robert L. Redfearn  
direct: (504) 569-2904  
robertr@spsr-law.com  
Counsel to Blue Water Fuels, LLC

RLR/pt  
Enclosures

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

Blue Water Fuels, LLC

) Docket No. 18-\_\_\_\_-LNG  
) **18-27-LNG**  
)

**APPLICATION OF BLUE WATER FUELS, LLC FOR  
LONG-TERM, MULTI-CONTRACT AUTHORIZATION TO  
EXPORT LIQUIFIED NATURAL GAS IN APPROVED ISO  
CONTAINERS EXPORTED VIA OCEAN-GOING VESSELS  
TO FREE TRADE AGREEMENT COUNTRIES**

Robert L. Redfearn, Esq.  
Simon Peragine Smith & Redfearn, LLP  
1100 Poydras St., 30th Floor  
New Orleans, LA 70163  
Telephone: 504-569-2904  
Facsimile: 504-569-2999  
Email: [robertr@spsr-law.com](mailto:robertr@spsr-law.com)

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UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

**Blue Water Fuels, LLC** ) **Docket No. 18-\_\_\_\_-LNG**  
)  
)

**APPLICATION OF BLUE WATER FUELS, LLC  
FOR LONG-TERM, MULTI-CONTRACT AUTHORIZATION  
TO EXPORT LIQUIFIED NATURAL GAS IN APPROVED ISO  
CONTAINERS EXPORTED VIA OCEAN-GOING VESSELS  
TO FREE TRADE AGREEMENT COUNTRIES**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended by Section 201 of the Energy Policy Act of 1992,<sup>1</sup> and Part 590 of the United States Department of Energy’s (“DOE”) regulations,<sup>2</sup> Blue Water Fuel, LLC (“Blue Water”) submits this application (“Application”) to the Department of Energy Office of Fossil Energy (“DOE/FE”) for long-term multi-contract authorization to export a maximum of 2.715 billion cubic feet (“Bcf”) per year of liquefied natural gas (“LNG”) (equivalent to approximately 90,000 gallons of LNG per day) for a 25 year term to commence on the earlier of the date of first commercial export or two (2) years from the date granting the requested authorization is issued.

Blue Water seeks authorization to export domestically produced LNG to any country with which the United States has a Free Trade Agreement (“FTA”) requiring national treatment for trade in natural gas, and that has or will develop the capacity to import LNG delivered in International Organization for Standardization (“ISO”) approved cargo containers (IMO7/TVAC-ASME LNG) (“ISO approved cargo containers) via ocean-going carrier.

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<sup>1</sup> 15 U.S.C.A. § 717b.  
<sup>2</sup> 10 C.F.R. § 590.201.

Blue Water requests this authorization both on its own behalf and as agent for other parties who will hold title to the LNG at the time of export.

In support of this Application, Blue Water respectfully states the following:

## **I. COMMUNICATIONS**

All communications and correspondence regarding this Application should be directed to:

Robert L. Redfearn, Esq.  
Simon Peragine Smith & Redfearn, LLP  
1100 Poydras St., 30th Floor  
New Orleans, LA 70163  
Telephone: 504-569-2904  
Facsimile: 504-569-2999  
Email: [robertr@spsr-law.com](mailto:robertr@spsr-law.com)

## **II. DESCRIPTION OF THE APPLICANT**

The exact legal name of the applicant is Blue Water Fuels, LLC. ("Blue Water"). Blue Water is a limited liability corporation organized and existing under the laws of the State of Texas, with its principal place of business at 1008 Southview Circle, Center, Texas. Blue Water is a wholly-owned subsidiary of HR Nu Blu Energy, LLC, a Texas limited liability company with its principal place of business at 1008 Southview Circle, Center, Texas.

## **III. AUTHORIZATION REQUESTED**

Blue Water requests long-term, multi-contract authorization to export a maximum of 2.715 Bcf per year of domestically produced LNG to any country that has or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier and with which the United States has an FTA requiring national treatment for trade in natural gas. This authorization is requested for a 25-year term to commence on the earlier of the date of first commercial export or the date of the issuance of a final order granting the requested authorization.

Initially, Blue Water will secure LNG supplies from HR Nu Blu Energy, LLC (“Nu Blu Energy”) liquefaction facility located in Port Allen, Louisiana (the “Nu Blu Energy Facility”), which has an initial storage capacity of approximately 100,000 gallons of LNG, the capacity to produce 30,000 gallons of LNG per day, and based on need, the ability to expand to produce 90,000 gallons per day. The Nu Blu Energy Facility as constructed includes a load-out bay with the proper equipment to fill ISO containers loaded on truck trailers pulled by a Class 8 vehicle.

Blue Water requests LNG export authorization on its own behalf and as agent for others. To ensure all exports are permitted and lawful under United States laws and policies, Blue Water will comply with all DOE/FE requirements for an exporter or agent. DOE/FE has previously determined that where an applicant proposes to export as an agent for others, the applicant must register the other entity with the DOE/FE.<sup>3</sup> Consistent with the procedures and requirements described in DOE/FE Order No. 2913, Blue Water will register with DOE/FE each LNG title holder for whom Blue Water seeks to export LNG as agent. Blue Water will also provide DOE/FE with a written statement by the title holder acknowledging and agreeing to (i) comply with all requirements in Blue Water’s long-term export authorization and (ii) include those requirements in any subsequent purchase or sale agreement entered into for the exported LNG by that title holder.<sup>4</sup> Blue Water will also file under seal with the DOE/FE any relevant long-term commercial agreements Blue Water enters into with the LNG title holders on whose behalf the exports will be performed.

Blue Water seeks to export LNG from ports in Louisiana, including New Orleans, Baton Rouge, Plaquemines Parish, Port Fourchon, South Louisiana, Morgan City and in Mississippi from Gulfport and elsewhere in the United States in the future from ports having the capacity to load

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<sup>3</sup> *Freeport LNG Development, L.P.*, DOE/FE Order No. 2913 at 7 (Feb. 10, 2011).

<sup>4</sup> *Id.* at 7-8.

ISO Containers onto cargo carriers, to any country that has, or in the future will have, the capacity to import LNG delivered in ISO LNG containers via ocean-going carrier and with which the United States has an FTA. The smallscale ocean going vessels designed to carry the ISO containers on the platform of the vessels will be dedicated to Blue Water's needs via third party transporters. These transporters will comply with all hazardous materials and cryogenic handling regulations and requirements, including employee training, in addition to obtaining any federal, state and local permits for the transportation of LNG. Blue Water has had discussions with customers in countries -- particularly in the Caribbean islands -- focused on serving the growing demand for natural gas from customers currently burning other fossil fuels and petroleum to burning cleaner natural gas.

The DOE/FE regulations require export authorization applicants to submit information regarding the terms of transactions, including long-term supply agreements and long-term export agreements.<sup>5</sup> The DOE/FE has previously found, however, that applicants need only supply such contract-specific information "when practicable,"<sup>6</sup> permitting applicants to submit such information if and when such contracts are executed.<sup>7</sup> Blue Water requests that the DOE/FE make the same finding in this proceeding. Blue Water has not yet entered into any long-term supply or long-term export agreements given that a long-term export authorization is necessary to finalize arrangements with prospective customers, but will file any such agreements with DOE/FE under seal following their execution.

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<sup>5</sup> 10 C.F.R. § 590.202(b)(4).

<sup>6</sup> *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2833 at 6 (Sept. 7, 2010); *see also* Matt Salo, et al, *U.S. LNG Export Projects: Regulatory Outlook and Contracting Mechanisms*, 8 TEX. J. OIL GAS & ENERGY L. 61, 70-71 (2012-2013).

<sup>7</sup> *See, e.g., Jordan Cove Energy Project, L.P.*, DOE/FE Order No. 3413, at 149-50 (Mar. 24, 2014); and *Cameron LNG, LLC*, DOE/FE Order No. 3391, at 138-39 (Feb. 11, 2014); *see also Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, at 44 (May 20, 2011) ("Sabine Pass ... will be directed as a condition of the instant authorization, to submit transaction specific information if and when such contracts are executed").



#### **IV. EXPORT SOURCES**

Blue Water will be purchasing LNG from Nu Blu Energy Facility. The natural gas to be liquefied at the facility will be sourced from Nu Blu Energy Facility's gas supplier Enterprise Products Partners, L.P. ("Enterprise Products"). Enterprise Products is one of the largest publicly-traded partnerships and a leading North American provider of midstream energy services. The U.S. headquarters are located at 1100 Louisiana Street, Houston, Texas. Enterprise Products Natural Gas and Pipeline services provide for the gathering of natural gas in Colorado, Louisiana, New Mexico, Texas and Wyoming.

The Nu Blu Energy Facility will be utilizing natural gas from the existing Acadia intrastate pipeline located in Port Allen, Louisiana.

#### **V. PUBLIC INTEREST ANALYSIS**

##### **A. Applicable Legal Standard**

The DOE/FE has the authority to approve or deny applications to export natural gas pursuant to specific authorization in Section 3 of the NGA.<sup>8</sup> The general standard for review of applications to export natural gas, or LNG, is established by Section 3(a), which provides that:

[N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary] authorizing it to do so. The [Secretary] shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by its order grant such application, in whole or in part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate, and may from time to time, after opportunity for hearing, and for good cause shown, make such supplemental order in the premises as it may find necessary or appropriate.<sup>9</sup>

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<sup>8</sup> 15 U.S.C.A. § 717b(a).

<sup>9</sup> 15 U.S.C. § 717b(a).

Blue Water's requested authorizations are not inconsistent with the public interest and should be granted by DOE/FE under the individual statutory provisions that apply separately to exporting LNG to FTA and non-FTA countries.

### **1. Exports to FTA Countries**

Section 3(c) of the NGA deems exports of natural gas, including LNG, to nations with which there is in effect an FTA requiring national treatment for trade in natural gas "to be consistent with the public interest" and requires that applications for such exports be "granted without modification or delay."<sup>10</sup> The DOE/FE has repeatedly found that, in light of the statutory obligation to grant authorization applications to FTA countries, there is no need for DOE/FE to review factors affecting the public interest.<sup>11</sup> The portion of this Application that seeks to export LNG to countries with which the United States currently has, or in the future may enter into, a FTA requiring national treatment for trade in natural gas clearly falls within the scope of Section 3(c) and therefore should be processed and approved in accordance with this standard.

#### **B. Domestic Need for Natural Gas to be Exported**

Improvements in drilling productivity and extraction technology, amongst other factors, have resulted in domestic consumers currently having access to substantial quantities of natural gas in the United States. In particular, these advancements have enabled the extraction of natural gas supplies from previously undeveloped gas-bearing shale formations. The EIA estimates that U.S. dry gas production increased by 1,170 Bcf from just 2014 to 2015, and by approximately

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<sup>10</sup> 15 U.S.C. § 717b(c).

<sup>11</sup> See *Corpus Christi Liquefaction, LLC*, DOE/FE Order No. 3699 at 8 (Aug. 27, 2015); see also *Floridian Natural Gas Storage Company, LLC*, DOE/FE Order No. 3691 at 8 (July 31, 2015).

5,744 Bcf from 2010 to 2015, an overall increase of approximately 27%.<sup>12</sup> This growth can largely be attributed to increases in the production of shale gas, which is also forecasted to increase through 2040.<sup>13</sup> For example, in its *Annual Energy Outlook 2015*, the EIA forecasted that shale gas and tight oil play production alone will increase from 13.6 Tcf to 29.0 Tcf from 2015 to 2040.<sup>14</sup> The EIA's estimates of technically recoverable natural gas reserves have also correspondingly increased. Specifically, estimates of recoverable natural gas resources have increased by 519 Tcf, or approximately 30%, between 2009 and 2014.<sup>15</sup> Though the demand for natural gas has increased simultaneous with the increase in domestic supply, growth in United States gas production is forecasted to outpace the growth in natural gas demand. The EIA estimates long-term annual growth of only 0.9% in consumption of natural gas in the United States while total dry gas production during the same period is projected to almost double, with an annual growth rate of 1.8%.<sup>16</sup>

Based on the current projections in the growth of natural gas production, especially as compared to the relatively slower growth in natural gas consumption, the requested exports will have minimal effect on the domestic supply of natural gas. As compared to other requests for LNG export authorization, Blue Water seeks to export relatively small volumes of LNG. For example, the volume of natural gas that Blue Water seeks to export in any given year to non-FTA countries

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<sup>12</sup> Energy Information Administration, U.S. Dry Natural Gas Production *available at* <https://www.eia.gov/dnav/ng/hist/n9070us1A.htm>.

<sup>13</sup> See Energy Information Administration, *Annual Energy Outlook 2016* (Jan. 2017) at 60, *available at* [https://www.eia.gov/outlooks/aeo/pdf/0383\(2017\).pdf](https://www.eia.gov/outlooks/aeo/pdf/0383(2017).pdf).

<sup>14</sup> See Energy Information Administration, *Annual Energy Outlook 2016* (Aug. 2016) at ES-5, *available at* [https://www.eia.gov/outlooks/aeo/pdf/0383\(2016\).pdf](https://www.eia.gov/outlooks/aeo/pdf/0383(2016).pdf).

<sup>15</sup> Energy Information Administration, Natural Gas Reserves Summary as of December 31, 2014, *available at* [http://www.eia.gov/dnav/ng/ng\\_enr\\_sum\\_a\\_EPG0\\_R11\\_BCF\\_1.htm](http://www.eia.gov/dnav/ng/ng_enr_sum_a_EPG0_R11_BCF_1.htm).

<sup>16</sup> Energy Information Administration, *Annual Energy Outlook 2016* (Aug. 2016) at Table A13, p. A-27.

is over 210 times less than the export authority recently granted by DOE/FE to a single applicant.<sup>17</sup> Moreover, the requested export volume is only a very small fraction of overall U.S. natural gas production, approximately 0.01% of the average amount of dry natural gas projected to be produced in the United States in 2017 and 2018.<sup>18</sup> Because exports of such small volumes of natural gas will not have a significant impact on the domestic supply of natural gas, the LNG exports requested in this Application are not inconsistent with the public interest.

### **C. Other Public Interest Considerations of the Proposed Exports**

#### **1. Economic Impacts of the Proposed Exports**

In order to analyze the economic impacts to U.S. consumers of the proposed exports of domestically produced natural gas, DOE/FE commissioned a two-part study of the cumulative impacts of proposed LNG exports (the "LNG Export Study"). Part 1 of the LNG Export Study, conducted by the EIA, evaluated how increased natural gas exports could affect domestic consumption, production, and prices.<sup>19</sup> In the 2012 EIA Study, the EIA projected that natural gas prices would rise over time even without additional LNG exports.<sup>20</sup> Part 2 of the LNG Export Study, conducted by NERA Economic Consulting, assessed the macroeconomic impacts of natural gas exports under a range of global natural gas supply and demand scenarios, which included

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<sup>17</sup> *Cheniere Marketing, LLC and Corpus Christi Liquefaction, LLC*, DOE/FE Order No. 3638 (May 12, 2015) (authorizing the applicant to export domestically produced LNG up to the equivalent of 767 Bcf per year of natural gas).

<sup>18</sup> See Energy Information Administration, *Short Term Energy Outlook* available at <http://www.eia.gov/forecasts/steo/report/natgas.cfm> (estimating dry gas production in the United States to be approximately 79 Bcf/d in 2017 and approximately 84 Bcf/d in 2018).

<sup>19</sup> Energy Information Administration, *Effect of Increased Natural Gas Exports on Domestic Energy Markets, as Requested by the Office of Fossil Energy* (Jan. 2012) (hereinafter "2012 EIA Study"), available at [http://energy.gov/sites/prod/files/2013/04/f0/fe\\_eia\\_lng.pdf](http://energy.gov/sites/prod/files/2013/04/f0/fe_eia_lng.pdf).

<sup>20</sup> *Id.* at 6.

scenarios with unlimited LNG exports.<sup>21</sup> Taking into account the results of the 2012 EIA Study and utilizing a variety of assumptions about levels of exports, global market conditions, and the cost of producing natural gas in the United States, the NERA Study found that across all scenarios, the United States was projected to gain net economic benefits from allowing LNG exports.<sup>22</sup> According to the NERA Study, scenarios with unlimited exports always had higher net economic benefits than those scenarios with more limited exports.<sup>23</sup> Though the NERA Study found that domestic natural gas prices increase as a result of greater LNG exports, the value of those exports also rises, so that there is a net gain for the U.S. economy measured by a metric of economic welfare, real household income, or real Gross Domestic Product.<sup>24</sup>

In 2014, in response to a request from the DOE/FE for an update of the 2012 EIA Study, the EIA published an analysis of the effects of increased levels of LNG exports on domestic energy markets ("2014 EIA Study"). Using updated data from the EIA's *Annual Energy Outlook 2014*, and looking at export scenarios ranging from 12 Bcf/d to 20 Bcf/d, the 2014 EIA Study found that although projected average natural gas prices in the Lower 48 states increased from 2015 to 2040, natural gas markets in the United States balance in response to increased LNG exports predominantly due to increases in natural gas production.<sup>25</sup> The 2014 EIA Study ultimately concludes that because increased energy production spurs investment, added LNG exports from the United States result in "higher economic output, as measured by real gross domestic product."<sup>26</sup>

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<sup>21</sup> NERA Economic Consulting, *Macroeconomic Impacts of LNG Exports from the United States* (Dec. 3, 2012) (hereinafter "NERA Study"), available at [http://energy.gov/sites/prod/files/2013/04/f0/nera\\_lng\\_report.pdf](http://energy.gov/sites/prod/files/2013/04/f0/nera_lng_report.pdf).

<sup>22</sup> *Id.* at 6.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> Energy Information Administration, *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets* (Oct. 29, 2014) available at <https://www.eia.gov/analysis/requests/fe/>.

<sup>26</sup> *Id.* at 24.

In a 2014 report sponsored by Cheniere Energy, Inc. ("2014 NERA Study"), NERA relied on assumptions provided by the EIA's Annual Energy Outlook 2013 to similarly conclude that the U.S. would experience net economic benefits from increased LNG exports in all scenarios it analyzed.<sup>27</sup> Even with unlimited LNG exports, the 2014 NERA Study found that the United States would experience net economic benefits.<sup>28</sup> Further, the 2014 NERA Study found that U.S. economic welfare consistently increases with an increase in the volume of natural gas exported.<sup>29</sup> The 2014 NERA Study even predicts that exports of natural gas will, both in the short-term and the long-term, positively impact Gross Domestic Product as a result of higher resource income.<sup>30</sup> Though the 2014 NERA study found that U.S. natural gas prices will increase with an increase in natural gas exports, the study indicated that the market will limit the rise in U.S. natural gas prices resulting from LNG exports because "importers will not purchase U.S. exports if the U.S. wellhead price rises above the cost of competing global supplies."<sup>31</sup>

Likewise, a more recent report conducted in 2015 and sponsored by the DOE examined the macroeconomic impact of increasing U.S. LNG exports, supported the findings of these prior studies, and ultimately concluded that rising LNG exports directly correlate with a net increase in domestic natural gas production.<sup>32</sup> The report further determined that this increased production would benefit industries across fields, and not simply the natural gas market.<sup>33</sup>

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<sup>27</sup> NERA Economic Consulting, *Updated Macroeconomic Impacts of LNG Exports from the United States* (Feb. 20,2014) available at [http://www.nera.com/content/dam/nera/publications/archive2/PUB\\_LNG\\_Update\\_0214\\_FINAL.pdf](http://www.nera.com/content/dam/nera/publications/archive2/PUB_LNG_Update_0214_FINAL.pdf).

<sup>28</sup> *Id.* at 6.

<sup>29</sup> *Id.* at 7.

<sup>30</sup> *Id.* at 86.

<sup>31</sup> *Id.* at 6.

<sup>32</sup> Department of Energy, *The Macroeconomic Impact of Increasing U.S. LNG Exports* (Oct. 29, 2015), available at [https://energy.gov/sitesprod/files/2015/12/f27/20151113\\_macro\\_impact\\_of\\_lng\\_exports\\_0.pdf](https://energy.gov/sitesprod/files/2015/12/f27/20151113_macro_impact_of_lng_exports_0.pdf).

<sup>33</sup> *Id.* at 8.

The quantity of natural gas requested to be exported by Blue Water is so minimal - approximately .01 Bcf per day - as to have no practical impact on natural gas prices in the U.S.<sup>34</sup> In another proceeding involving small export quantities, DOE/FE concluded that 0.04 Bcf per day of exports, or more than 4 times that proposed by Blue Water, was "unlikely to have a significant impact on domestic natural gas markets or on the domestic economy generally."<sup>35</sup> Blue Water' proposed exports will similarly have no significant impact on domestic natural gas markets and will have no negative effects on current gas contracts with respect to current rates.

## **2. International Impacts of the Proposed Exports**

LNG exports over the requested 25-year export term will favorably influence the balance of trade that the United States has with its international trading partners. In 2016, the United States trade deficit increased to \$502.3 trillion, reflecting \$2.3 trillion in exports and \$2.7 trillion in imports.<sup>36</sup> The United States imported nearly \$128 billion in crude oil and petroleum products in 2016, a significant contributing factor to the United States total trade deficit during that year.<sup>37</sup> The value of the proposed exports would help reduce this trade deficit.

Blue Water anticipates that the LNG it seeks to export will be used primarily in countries in Central America and the Caribbean as a replacement fuel for power generation, boiler fuel and transportation. Currently, countries in the Caribbean are heavily reliant on fuel oil and diesel for

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<sup>34</sup> See Energy Information Administration, *Effect of Increased Levels of Liquefied Natural Gas Exports on U.S. Energy Markets* (Oct. 29, 2014) at 34, available at <https://www.eia.gov/analysis/requests/fe/at> 12 (finding that an increase in export volumes by 4 Bcf, or from 12 Bcf to 16 Bcf, results in an increase of only 1.3% in the annual average natural gas end-use price for residential customers in the U.S.).

<sup>35</sup> *Carib Energy (USA)*, DOE/FE Order No. 3487 at 14 (Sep. 10, 2014).

<sup>36</sup> U.S. Census Bureau, U.S. Bureau of Economic Analysis, *2016 Trade Gap is \$502.3 Billion* (Feb. 7, 2017), available at [https://www.bea.gov/newsreleases/international/trade/2017/pdf/trad1216annual\\_fax.pdf](https://www.bea.gov/newsreleases/international/trade/2017/pdf/trad1216annual_fax.pdf).

<sup>37</sup> U.S. Census Bureau, U.S. Bureau of Economic Analysis, *U.S. International Trade in Goods and Services, December 2016* (Dec. 2016), available at <https://www.bea.gov/newsreleases/international/trade/2017/pdf/trad1216.pdf>.

power generation. According to a recent Inter-American Development Bank feasibility study, fuel oil and diesel account for 86 percent of electricity generation on many Caribbean islands.<sup>38</sup> Exports of LNG to the Caribbean would support a transition towards the use of a less expensive, more environmentally friendly fuel than diesel or heavy fuel oil.

Securing cleaner energy sources for the Caribbean is a priority for the Administration. After launching the Caribbean Energy Security Initiative in June 2014, the Vice President, the Secretary of Energy, other senior Administration officials, Caribbean Heads of Government, multilateral development banks, and other international partners participated in the Caribbean Energy Security Summit on January 26, 2015, in Washington, D.C., to work together in support of Caribbean energy security.<sup>39</sup> The participants discussed how the U.S. can better support the Caribbean in pursuit of alternative sources of energy<sup>40</sup> and noted the role of natural gas as a bridge and baseload fuel.<sup>41</sup> Bahamian Prime Minister and Caribbean Community ("CARICOM") Chair Perry Christie was reported to have ended his speech at the Summit calling for faster access by Caribbean nations to U.S. natural gas.<sup>42</sup>

The LNG exports proposed by Blue Water are well-suited to meet the objectives of the Caribbean Energy Security Initiative. According to the Administration's First Quadrennial Energy Review, Caribbean demand has been too small to justify the expense of the necessary infrastructure

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<sup>38</sup> Inter-American Development Bank, *Natural Gas in the Caribbean - Feasibility Studies Final Report* at 16 (June 30, 2015), available at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39205253>.

<sup>39</sup> Press Release, Office of the Press Secretary, Fact Sheet: Fostering a Cleaner and More Sustainable Energy Future in the Caribbean (Jan. 26, 2015) available at <https://www.whitehouse.gov/the-press-office/2015/01/26/fact-sheet-fostering-cleaner-and-more-sustainable-energy-future-caribbea>.

<sup>40</sup> *Id.*

<sup>41</sup> David Goldwyn, *Three Elephants in the Room: The Unfinished Agenda for the Caribbean Energy Security Initiative*, Atlantic Council Blog (Feb. 2, 2015), available at <http://www.atlanticcouncil.org/blogs/new-atlanticist/three-elephants-in-the-room-the-unfinished-agenda-for-the-caribbean-energy-security-initiative>.

<sup>42</sup> *Id.*



for LNG.<sup>43</sup> However, the export of smaller volumes of LNG has become both economically and technologically feasible as a result of the abundance in domestic resources in the U.S., as well as the existence of containers and other smaller-scale transportation that allow for the safe and effective transport of smaller volumes of LNG. Through its aforementioned access to LNG and its ability to move LNG by ISO containers or smaller ocean-going carriers, Blue Water can quickly and cost-effectively move LNG to the Caribbean and help meet the demand for diversified fuel supply.

## **VI. ENVIRONMENTAL IMPACTS OF THE PROPOSED EXPORTS**

Exports of LNG, and the resultant dispersion of natural gas as a fuel source, can have significant environmental benefits. Blue Water's proposed exports will allow energy consumers to replace the use of heavy fuel oil, diesel and coal with natural gas. According to the EIA, natural gas, when burned, emits lower quantities of greenhouse gases and pollutants per unit of energy produced than do other fossil fuels. Diesel fuel and heating oil burned at electric utility power plants produce over 38% more carbon dioxide for every unit of energy created than natural gas.<sup>44</sup> Natural gas fired generation also produces half as much carbon dioxide, less than one third as much nitrogen oxides, and one percent as much sulfur oxides when used in place of coal for electric generation.<sup>45</sup>

Additionally, the increase in the supply of natural gas internationally, and the resultant displacement in the current and prospective consumption of heavy fuel oil, diesel and coal, will

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<sup>43</sup> See Quadrennial Energy Review: Energy Transmission, Storage, and Distribution Infrastructure (Apr. 2015) at 6-17 – 6-18 available at [http://energy.gov/sites/prod/files/2015/07/f24/QER%20Full%20Report\\_TS%26D%20April%202015\\_0.pdf](http://energy.gov/sites/prod/files/2015/07/f24/QER%20Full%20Report_TS%26D%20April%202015_0.pdf).

<sup>44</sup> Energy Information Administration, *Frequently Asked Questions*, available at <http://www.eia.gov/tools/faqs/faq.cfm?id=73&t=11>.

<sup>45</sup> United States Environmental Protection Agency, *Electricity from Natural Gas*, available at <http://www.epa.gov/cleanenergy/enenergy-and-you/affect/natura-gas.html#footnotes>.

support the United States' climate change initiatives and bolster the United States' global position with regards to climate change. The proposed LNG exports can also help achieve the cleaner energy objectives of the Caribbean Energy Security Initiative.

The Application is subject to a categorical exclusion from the requirements of the National Environmental Policy Act ("NEPA")<sup>46</sup> pursuant to exclusion B5.7 at 10 C.F.R. Part 1021, Subpart D, Appendix B of DOE/FE's regulations. Item B5.7 provides such an exclusion where approvals or disapprovals of authorizations to import or export natural gas under NGA section 3 involve minor operational changes, but not new construction.<sup>47</sup> No new construction at the Nu Blu Energy Facility is proposed or would be required in order for Blue Water to export LNG. The Facility is an existing, operational facility currently producing LNG for exploration and production markets and other industrial fuel applications. None of the operations at the Facility will be changed due to DOE/FE's action on this Application.<sup>48</sup> Accordingly, approval of this Application falls within the scope of Categorical Exclusion B5.7 and no NEPA analysis is necessary.

## **VII. APPENDICES**

The following appendices are included with this Application:

Appendix A Opinion of Counsel

Appendix B Verification

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<sup>46</sup> 42 U.S.C. § 4231, et. seq.

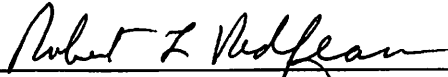
<sup>47</sup> Categorical Exclusion B5.7, 10 C.F.R. Part 1021, Subpart D, Appendix B.

<sup>48</sup> See *American LNG Marketing LLC*, DOE/FE Order No. 3690 at 125 (Aug. 7, 2015) (finding applicant's proposed exports fall within the scope of B5.7 categorical exclusion because the construction and operation of its liquefaction facility would not be changed due to DOE/FE's action).

**VIII. CONCLUSION**

For the reasons set forth above, Blue Water respectfully requests that the DOE/FE issue an order granting Blue Water long-term authorization to export up to 3.62 Bcf of natural gas per year for a term of 25 years to countries that have or will develop the capacity to import LNG delivered in bulk or in ISO containers via ocean-going carrier and with which the United States has a Free Trade Agreement ("FTA") requiring national treatment for trade in natural gas.

Respectfully submitted,

  
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Robert L. Redfearn  
Simon Peragine Smith & Redfearn, LLP  
1100 Poydras St., 30th Floor  
New Orleans, LA 70163-3000  
Telephone: 504-569-2904  
Facsimile: 504-569-2999  
Email: [robertr@spsr-law.com](mailto:robertr@spsr-law.com)  
Counsel to Blue Water Fuels, LLC

**Appendix A**

**OPINION OF COUNSEL**

March 6, 2018

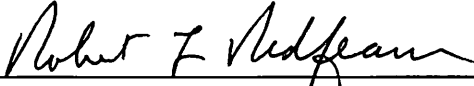
Mr. John Anderson  
U.S. Department of Energy  
1000 Independence Avenue, S.W.  
Washington, DC 20585

Re: Blue Water Resources, LP Application for Long-Term, Multi-Contract  
Authorization to Export Liquefied Natural Gas to Non-Free Trade Agreement  
Countries

Dear Mr. Anderson:

This opinion of counsel is submitted pursuant to Section 590.202(c) of the regulations of the United States Department of Energy, 10 C.P.R. § 590.202(c) (2014). I am counsel to Blue Water Fuels, LLC ("Blue Water"). I have reviewed the organizational and internal governance documents of Blue Water and it is my opinion that the proposed export of natural gas as described in the application filed by Blue Water, to which this Opinion of Counsel is attached as Appendix A, is within the company powers of Blue Water.

Respectfully submitted,

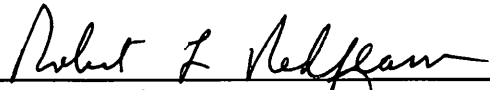
  
\_\_\_\_\_  
Robert L. Redfearn  
Counsel to Blue Water Fuels, LLC

**Appendix B**


**VERIFICATION**

Parish of Orleans                    )  
  )  
State of Louisiana                    )

BEFORE ME, the undersigned authority, on this day personally appeared Robert L. Redfearn, who, having been by me first duly sworn, on oath says that he is Counsel of Blue Water Fuels, LLC, and is duly authorized to make this Verification on behalf of such company, that he has read the foregoing instrument, and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Robert L. Redfearn

SWORN TO AND SUBSCRIBED  
BEFORE me on this 6<sup>th</sup>  
day of March, 2018.

  
\_\_\_\_\_  
Phyllis L. Trahan  
Notary Public, ID #139029  
My commission expires

