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By DOE at 4:44 pm, Mar 31, 2017

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March 31, 2017

By Electronic Mail

U.S. Department of Energy
Office of Fossil Energy
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Attention: Delfin LNG, LLC, FE Docket Nos. 13-129-LNG and 13-147-LNG
Order No. 3393, Order Condition J -- Semi-annual progress report

Dear Sirs:

Delfin LNG, LLC ("Delfin") hereby submits this semi-annual progress report in compliance with ordering paragraph J of Order No. 3393 issued in FE Docket No. 13-129-LNG on February 20, 2014. Order No. 3393 authorizes Delfin to export domestically produced LNG by marine vessel from its proposed floating liquefaction project to be located in the Gulf of Mexico (the "Project") to countries with which the United States currently has, or in the future will have, a Free-Trade Agreement requiring the national treatment of natural gas ("FTA"). Delfin's application for authorization to export LNG to nations with which the United States does not have such an FTA, but with which trade is not prohibited, is pending in FE Docket No. 13-147-LNG.

a) Progress of the Project:

- Delfin is pleased to report that, on March 13, 2017, the Executive Director of the Maritime Administration ("MARAD"), acting pursuant to authority delegated by the Secretary of Transportation, authorized the issuance subject to certain conditions of a License for the Port Delfin Project under the Deepwater Port Act of 1974 as amended ("DWPA"). "Secretary's Decision on the Deepwater Port License Application of Delfin LNG, LLC" issued in Docket USCG-2015-0472 and available at <https://www.regulations.gov/document?D=USCG-2015-0472-0120>. The DWPA simplifies the complex Federal and State jurisdictional framework by creating a unified decision-making process and placing responsibility to authorize Deepwater Ports on a single Federal official. In making that decision, the MARAD evaluated the expert advice and information from other Federal agencies (including DOE), the Adjacent State Governors, and the general public. MARAD concluded that the Port Delfin Project satisfies all the criteria specified in the DWPA. Among its specific findings, MARAD determined that the construction and operation of Port Delfin, subject to certain conditions (including the receipt of other necessary permits), is "in the national interest" and is the "environmentally preferred alternative."



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- With the issuance of the MARAD Record of Decision, Delfin's pending application for the export of LNG to non-FTA nations is now ripe for action in accordance with DOE/FE's established practices and its procedures for LNG Export Decisions published in the Federal Register on August 14, 2014. 79 Fed. Reg. 48132. In this regard, Delfin notes that the Secretary's License Decision, and the National Environmental Policy Act review process that supported it, is final: the DWPA and MARAD regulations (unlike decisions of the Federal Energy Regulatory Commission ("FERC") under the Natural Gas Act) do not provide for any "rehearing." Given this status, Delfin respectfully urges DOE/FE to issue the requested non-FTA authorization pending in FE Docket No. 13-147-LNG as soon as possible.
- In its DWPA application as amended, Delfin proposed to utilize four Floating Liquefied Natural Gas Vessels ("FLNGVs") that will be designed to produce approximately 12 million metric tonnes per annum ("mtpa") of LNG for export (approximately 585 Billion standard cubic feet (Bcf) per year), and as much as 13.2 mtpa (or approximately 657.5 Bcf per year) -- which is equivalent to the volumes proposed for export in Delfin's non-FTA application. As explained in previous semi-annual reports to DOE/FE, Delfin's DWPA application was processed by MARAD and the U.S. Coast Guard ("USCG") in Docket USCG-2015-0472. Delfin will summarize briefly here the developments in that docket since the date of its last semi-annual report to DOE/FE, which culminated in the Secretary's recent Decision to authorize the issuance of the License.
- On November 28, 2016, the Notice of Availability of the Final Environmental Impact Statement ("FEIS"), along with Notice of Public Hearings and Request for Comments, was published in the Federal Register. 81 Fed. Reg. 85678. The FEIS was prepared by the USCG, supported by its third party environmental contractor and a host of cooperating agencies that included DOE; FERC; the Environmental Protection Agency; the Department of the Interior's Bureau of Ocean Energy Management, Bureau of Safety and Environmental Enforcement, and U.S. Fish and Wildlife Service; the Department of Commerce's National Oceanic and Atmospheric Administration and National Marine Fisheries Service; the Army Corps of Engineers; and the Department of Transportation Pipeline and Hazardous Materials Safety Administration.
- Final licensing public hearings were held on December 13, 2016 in Cameron, Louisiana and on December 14, 2016, in Beaumont, Texas. Attendees at those hearings expressed support for the new jobs and economic development that will be created by Port Delfin.
- MARAD advised the Governors of Louisiana and Texas, by letter dated November 18, 2016, that pursuant to the terms of the DWPA, they had 45 days after the last public hearing (*i.e.*, until January 30, 2017) to exercise their authority to approve, disapprove, or approve with conditions of Delfin's License application. Neither adjacent State Governor submitted any comment, which is equivalent under the DWPA to approval of issuance of the License.



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- Delfin's application under the NGA for a certificate of public convenience and necessity for the limited onshore facilities for the Project remains pending with FERC in its Docket No. CP15-490-000. The FERC currently lacks the necessary quorum to act on such certificate applications.

b) Date the Project is expected to be operational:

- Delfin anticipates that, subject to obtaining all necessary regulatory approvals and financing, it will begin operation of its first FLNGV in 2020. Delfin will sequence the start-up of its additional three FLNGVs in accordance with contracted customer demand.

c) Status of the long-term contracts associated with the long-term export of LNG and any long-term supply contracts:

- Delfin has not yet entered into any binding contracts with customers associated with the export of LNG from its Project, but continues to make significant progress in negotiations with potential customers. Delfin will file all long-term, binding contracts for the export of LNG from its facility once executed, in accordance with the requirements of DOE/FE Order No. 3393.

We hope this update provides you with sufficient detail regarding the status of the Port Delfin Project in compliance with Order No. 3393. Please feel free to contact our counsel, Patrick Nevins of Latham & Watkins at (202) 637-3363 or Patrick.Nevins@LW, if you have any questions or require additional information.

Respectfully submitted,

A handwritten signature in black ink that reads "W. H. Daughdrill".

William H. Daughdrill
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