

March 31, 2020

By Electronic Mail

U.S. Department of Energy
Office of Fossil Energy
Office of Oil and Gas Global Security and Supply
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Attention: Delfin LNG, LLC, FE Docket Nos. 13-129-LNG and 13-147-LNG
Order No. 4028, Order Condition O, and Order No. 3393, Order Condition J
Semi-annual progress report

Dear Members of the Office of Fossil Energy:

Delfin LNG, LLC (“Delfin”) hereby submits this semi-annual progress report in compliance with ordering paragraph O of Order No. 4028 issued in FE Docket No. 13-147-LNG on June 1, 2017, as well as ordering paragraph J of Order No. 3393 issued in FE Docket No. 13-129-LNG on February 20, 2014. Order No. 4028 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 does not have a Free-Trade Agreement requiring the national treatment of natural gas (“FTA”). Order No. 3393 authorizes Delfin to export LNG from the Project to countries with which the United States does have, or in the future will have, an FTA.

a) Regulatory Status:

As noted in Delfin’s prior reports, 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 on March 13, 2017. Secretary’s Decision on the Deepwater Port License Application of Delfin LNG, LLC, Docket USCG-2015-0472. Delfin continues to work to satisfy the conditions for a License set forth in that Decision. There are ongoing communications with both MARAD and USCG on these matters.

As also noted in Delfin's prior reports, the Federal Energy Regulatory Commission ("FERC") on September 28, 2017, issued an order (1) granting Delfin a certificate of public convenience and necessity to construct, operate, and maintain the proposed onshore facilities for the Project and (2) authorizing High Island Offshore System, LLC authority to abandon FERC-jurisdictional services on its off-shore pipeline facilities and instead use the facilities solely to transport gas for Delfin. *Delfin LNG LLC*, 160 FERC ¶ 61,130 (2017), *reh'g denied*, *High Island Offshore System, LLC*, 163 FERC ¶ 61,040 (2018). Pursuant to a June 8, 2019 request that Delfin made to FERC, on July 8, 2019, FERC granted Delfin a one-year extension to construct those facilities and make them available for service. For the reasons described below, Delfin anticipates that it will shortly ask FERC for a further extension, and based on available precedent, it expects that extension will be granted.

As previously reported, the U.S. Army Corps of Engineers ("Corps") issued a determination that Delfin's construction of a deep water port with four mooring structures approximately 37.4 to 40.8 nautical miles off the coast of Cameron Parish, Louisiana, and the associated offshore and onshore facilities Delfin proposes to construct are authorized by Nationwide Permit Number 8 and Nationwide Permit Number 12, subject to a number of specific conditions set out in the Corps determination. This is an important regulatory pre-condition to construction.

On April 5, 2019, the Louisiana Department of Natural Resources approved an extension of the Coastal Use Permit for Delfin's deep water port and the associated offshore and onshore facilities. Subject to certain specified conditions, the Coastal Use Permit authorizes the initiation of the approved coastal use for four (4) years from the date of the original permit, June 13, 2017. Delfin anticipates seeking an extension of this Permit in late 2020.

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

Delfin has had discussions with various onshore pipeline companies as well as gas producers to evaluate the capacity and commercial terms for the transport of natural gas to Station 44 to supply feed gas to the Project. As we previously reported, Delfin is negotiating with one pipeline company, but progress towards finalizing that initial agreement has slowed to allow evaluation of additional supply opportunities from competing pipeline companies. Delfin is confident it will be able to secure supply agreement(s) once initial offtake agreements are executed.

As we know DOE appreciates, even before the global coronavirus pandemic, the market environment was making it difficult to conclude offtake agreements. U.S. trade disputes with China complicate the task of negotiating offtake agreements with potential customers in China,

which is a prime growth market for LNG exports. Despite this situation, the drop in oil prices and the uncertain long-term impact of the COVID-19 crisis, the Delfin project is continuing LNG offtake discussions on the basis of a robust long-term outlook for LNG. In these discussions, Delfin is able to leverage the specific commercial and pricing advantages the Delfin Project can offer to 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.

c) Status of Project Design and Construction:

Delfin has commenced the Newbuild Front End Engineering Design (“FEED”) for the Project’s liquefaction vessels as an additional option to the existing Conversion FLNGV design that, as described in previous reports to DOE, Delfin developed earlier in cooperation with Golar and for which Delfin secured an irrevocable licence. The Newbuild FEED work is being carried out by Black & Veatch (Kansas City) in cooperation with Samsung Heavy Industries (Korea). The work is progressing well and is on schedule for completion this year. This will enable Delfin to enter into a final EPC contract for the Newbuild FLNGV before year-end, conditional on Delfin entering into an initial offtake agreement.

In light of the extraordinary circumstances the world economy faces, Delfin reiterates its support and appreciation for the policy DOE proposed on February 11, 2020, to extend FTA export authorizations to 2050. This will enable projects to continue to develop through these challenging times, confident that, once operations commence, they will be able to operate for periods that will permit recovery of the required investment.

Respectfully submitted,



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