

RECEIVED

By Docket Room at 03/31/2023 1:23 p.m.

555 Eleventh Street, N.W., Suite 1000
Washington, D.C. 20004-1304
Tel: +1.202.637.2200 Fax: +1.202.637.2201
www.lw.com

LATHAM & WATKINS LLP

March 31, 2023

By Electronic Mail

U.S. Department of Energy
Office of Fossil Energy and Carbon Management
Office of Regulation, Analysis, and Engagement
fergas@hq.doe.gov
1000 Independence Avenue, S.W.
Washington, D.C. 20585

FIRM / AFFILIATE OFFICES

Beijing	Moscow
Boston	Munich
Brussels	New York
Century City	Orange County
Chicago	Paris
Dubai	Riyadh
Düsseldorf	San Diego
Frankfurt	San Francisco
Hamburg	Seoul
Hong Kong	Shanghai
Houston	Silicon Valley
London	Singapore
Los Angeles	Tokyo
Madrid	Washington, D.C.
Milan	

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 Staff of the Office of Regulation, Analysis, and Engagement:

Delfin LNG, LLC (“Delfin”) hereby submits this semi-annual progress report in compliance with ordering paragraph O of Order No. 4028 issued by the Department of Energy (“DOE”) 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) Progress of the Project:

As stated in Delfin’s prior semi-annual 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,” in Docket USCG-2015-0472. Delfin continues to work to satisfy the conditions for a License set forth in that Decision. To that end, Delfin has had multiple communications with both MARAD and the U.S. Coast Guard since the submission of Delfin’s last semi-annual report.

As also stated 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 (“HIOS”) 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). On April 19, 2018, the FERC denied requests for rehearing of the HIOS-related aspects of that order. *High Island Offshore System, LLC*, 163 FERC ¶ 61,040 (2018).

As further explained in the prior reports, FERC has granted a series of one-year extensions of the condition of its certificate order related to the timing for construction of Delfin’s onshore facilities. FERC granted its most recent such extension on November 18, 2022, with the result that the facilities currently are required to be made available for service by September 28, 2023.¹ Delfin anticipates filing with FERC for another extension of that in-service condition in the coming months.

In early 2020, Delfin commenced the Newbuild Front End Engineering and Design (“FEED”) for the Project’s floating liquefaction vessels (“FLNGV”) as an additional option to the pre-existing Conversion FLNGV design. The Newbuild FEED work was executed with Black & Veatch in cooperation with Samsung Heavy Industries of Korea and was successfully completed in the second half of 2020. In 2021-22, Delfin commissioned its contractors to execute additional optimization and engineering work with the objective of enhancing and advancing the FLNGV design. Notably, the refined design of the FLNGV reduces greenhouse gas emissions. Delfin has continued to work with the contractors to further develop the design and is currently engaged in active negotiations with a consortium of Samsung Heavy Industries and Black & Veatch for an agreement for the Engineering, Procurement, Construction, Integration and Commissioning of the Project’s first FLNGV. Furthermore, Delfin has commenced a tender process with suppliers for the Engineering, Procurement, Construction and Installation of the FLNGV mooring system.

Given its commercial success and robust market outlook, the Delfin project is attracting strong interest from financiers. With the guidance of Citigroup as its financial structuring advisors, Delfin is making good progress in discussions with a number of large infrastructure funds capable of providing all of the equity required for at least one FLNG. Delfin also recently completed its first high level outreach to commercial banks for the purposes of raising project finance debt. The banks involved are all familiar with US land-based liquefaction facilities and some are familiar with floating liquefaction projects, and the feedback received was positive. The encouraging progress being made on both equity and debt provides Delfin confidence in being able to complete its financing for its first FLNGV this year.

In February 2022, Delfin submitted an application, which it supplemented on June 29, 2022, to the U.S. Army Corps of Engineers (“Corps”) to reauthorize the wetlands and waterbody construction permit (Section 10 of the Rivers and Harbors Act of 1899 and Section 404 of the Clean Water Act) for Delfin’s deep water port and the associated offshore and onshore facilities.

¹ *Delfin LNG LLC*, 181 FERC ¶ 61,144 (2022). As summarized in that FERC order at P 4, FERC previously granted three prior one-year extensions of the in-service requirement for Delfin LNG onshore facilities.

The prior authorization was received June 21, 2019 and authorized Delfin's wetland and waterbody construction activities subject to compliance with Corps Nationwide Permit Nos. 8 and 12. The 2022 submission requests that the Corps renew authorization for Delfin's Project on the same terms and conditions as the original permit. On September 20, 2022, the Corps granted the requested reauthorization, determining that the Project is authorized by Nationwide Permit Nos. 8 and 12.

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

Delfin entered into its first long-term LNG Sale and Purchase Agreement ("SPA") on July 12, 2022, with Vitol Inc. The Vitol SPA is for 0.5 million metric tonnes per annum ("MTPA") of LNG delivered free on-board at the Delfin deepwater port, for a 15 year period, and is valued at approximately \$3 billion of revenue over its 15-year term. In accordance with the terms of its export authorizations, Delfin submitted to DOE a full and non-redacted copy of this SPA on a confidential basis, along with public summary of the material terms of the agreement, on August 11, 2022.

On August 9, 2022, Delfin announced the signing of a Heads of Agreement ("HOA") with Centrica plc ("Centrica") – a leading international energy services provider and the parent company of British Gas and Bord Gais – to purchase 1.0 MTPA of LNG from the Delfin Deepwater Port for a 15-year term. Delfin is actively engaged in negotiations to progress the Centrica agreement into a final, binding SPA, which it will file with DOE once executed.

On September 5, 2022, Delfin and Devon Energy Corporation ("Devon") – a leading oil and gas producer in the U.S. with a premier multi-basin portfolio headlined by a world-class acreage position in the Delaware Basin – announced that they have entered into an LNG export partnership that includes an HOA providing for Devon to contract for long-term liquefaction capacity and to make a strategic investment in Delfin. More specifically, the recently executed agreement provides for Devon to contract on a long-term basis for 1.0 MTPA of liquefaction capacity in Delfin first FLNGV, with an option to add an another 1.0 MTPA of liquefaction capacity, as well as the opportunity for future equity investments by Devon in Delfin. Delfin is actively engaged in negotiations with Devon to progress the HOA into a final, binding SPA, which it will file with DOE once executed.

Delfin also is engaged in advanced negotiations with other potential customers for additional LNG offtake and expects to announce offtake agreements for subsequent FLNG Vessels this year. In addition, Delfin has been discussing its gas supply strategy with potential equity and debt providers, as well as LNG offtakers, in order to be able to implement the most efficient approach. Delfin is currently finalizing agreements with several pipeline companies for gas transportation services and is negotiating with several traders and producers for long-term gas supply. Delfin expects to enter into its initial binding long-term gas supply agreements over the next few months.. Delfin will submit to DOE all long-term LNG offtake and gas supply contracts once executed in accordance with the terms of its export authorizations.

LATHAM & WATKINS^{LLP}

c) Date the Project is expected to be operational:

As a modular project consisting of 4 separate FLNGVs, Delfin requires only 2.0 to 2.5 MTPA of long-term off-take contracts to support a positive FID and begin construction of its first FLNGV. Given its significant commercial progress explained above, Delfin is on schedule to make FID on its first FLNGV later this year and to lay the foundation for subsequent execution of the following FLNGVs. On that timeline, Delfin could begin exporting LNG in 2027.

We hope this update provides you with sufficient detail regarding the status of the Delfin Project in compliance with Order Nos. 4028 and 3393. Please feel free to contact the undersigned counsel for Delfin if you have any questions or require additional information.

Sincerely,

/s/ J. Patrick Nevins

J. Patrick Nevins
Latham & Watkins LLP
Patrick.Nevins@LW.com
D (202) 637-3363

*Counsel to
Delfin LNG, LLC*