

U.S. Department of Energy
Magnolia LNG LLC
FE Docket Nos. 12-183-LNG, 13-131-LNG, and 13-132-LNG
DOE/FE Order Nos. 3245, 3406, and 3909
Semi-Annual Report for the Period Ending March 31, 2023

Pursuant to Ordering Paragraph I of DOE/FE Order 3245, Ordering Paragraph J of DOE/FE Order 3406, and Ordering Paragraph O of DOE/FE Order 3909, below is the semi-annual progress report for Magnolia LNG LLC covering the period October 1, 2022, through March 31, 2023.

Background

Magnolia LNG LLC (“Magnolia LNG”) filed its formal application to site, construct and operate an LNG export facility pursuant to Section 3 of the Natural Gas Act with the Federal Energy Regulatory Commission (“FERC”) on April 30, 2014, after completing FERC’s mandatory pre-filing process for LNG facilities. FERC issued its Order Granting Authorization Under Section 3 of the Natural Gas Act and Granting Certificates approving the Magnolia LNG project and related KMLP pipeline facilities on April 15, 2016 (the “April 15 Order”). FERC denied a request for rehearing on November 23, 2016. FERC authorized Magnolia LNG to commence initial site preparation on May 4, 2017.

Regulatory Status – FERC

Since the last semi-annual report, there are no new FERC-related regulatory developments.

Regulatory Status – DOE

Magnolia LNG submitted an application to the Department of Energy on December 31, 2018, to amend DOE/FE Order Numbers 3245, 3406, and 3909 to seek an increase of the authorized export volume from 8.0 MTPA to 8.8 MTPA, or approximately 1.23 billion cubic feet per day consistent with the earlier FERC approval of this increased production capacity under Docket Number CP19-19 approved June 18, 2020. DOE issued an order on March 21, 2019, authorizing the increased export volumes to free trade agreement (“FTA”) nations. DOE issued an order on December 10, 2020, extending the export term for authorizations to non-FTA nations through December 31, 2050.

On April 27, 2022, the Department of Energy issued Order Number 3909-C, authorizing the increased export volumes to non-FTA nations. On June 24, 2022, DOE denied Sierra Club’s request for rehearing of Order Number 3909-C. On August 22, 2022, Sierra Club filed a petition for review of Order Number 3909-C with the U.S. Court of Appeals for the D.C. Circuit, assigned case #22-1217. Magnolia LNG intervened in the appeal.

- On February 7, 2023, the Sierra Club filed its Opening Brief in Case #22-1217.

Commercial Developments

In late 2022, the Magnolia LNG re-engaged with the Engineering, Procurement and Construction (EPC) market by resuming the EPC contractor selection process for the construction of the facility.

A shortlisting followed in January 2023, with the intention of selecting a preferred EPC contractor in the near future.

Status of Long-Term LNG Offtake Agreements

Current global energy market conditions have extended the time necessary to obtain additional binding LNG offtake agreements required to underpin the construction program. Consequently, Magnolia LNG has not commenced construction on any of its four trains at this time and Magnolia LNG does not plan to commence any construction activities until it achieves a Final Investment Decision.

Magnolia LNG is actively engaged in discussions with third parties for the offtake of LNG from the Project. Recent global events have led to a rekindling of European interest in U.S.-sourced natural gas, and Magnolia LNG is in active discussions with major European buyers as well as continuing to develop other opportunities in Latin America and Asia. Magnolia LNG believes that the increase in demand for LNG in the global market and the volume and progress of such discussions with potential buyers presents a strong opportunity for Magnolia LNG to achieve Final Investment Decision. Magnolia LNG will file a copy of any long-term contracts, including long-term supply contracts, within 30 days of execution in accordance with DOE/FE Orders 3245, 3406, and 3909.