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April 1, 2024

By Electronic Mail

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

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 Docket No. 13-147-LNG on June 1, 2017, as well as ordering paragraph J of Order No. 3393 issued in 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:

On March 1, 2024, Delfin submitted to DOE in the above-captioned dockets its request for a supplemental order granting a conditional extension of time for it to commence LNG exports. In that filing, Delfin requested that DOE grant the request by June 1, 2024, which is the current commencement deadline in Delfin’s non-FTA export authorization. Public notice of Delfin’s request for an extension of time was published in the Federal Register on March 29, 2024.

In that request for an extension of time, as in Delfin’s prior semi-annual reports, Delfin detailed its on-going engagement with the Maritime Administration (“MARAD”). In March 2017, MARAD authorized the issuance subject to certain conditions of a License for the Port Delfin Project under the Deepwater Port Act. Delfin continues to await its final Deepwater Port License from MARAD and remains confident that it will be issued very soon.

As also stated in Delfin’s prior reports, the Federal Energy Regulatory Commission (“FERC”) in September 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.¹ On October 4, 2023, FERC granted a four-year extension of the condition of its certificate order related to the timing for construction of Delfin’s onshore facilities, with the result that those facilities now are required to be made available for service by September 28, 2027.²

As a final regulatory update, in March 2024, Delfin submitted to Region 6 of the Environmental Protection Agency (“EPA”) its application for the air emissions permit for the operation of Delfin’s offshore floating liquefaction vessels (“FLNGVs”). The application demonstrates that the operation of the FLNGVs will meet all applicable air quality standards. The application will now move forward in the EPA review process.

As explained in prior semi-annual reports, Delfin completed its Front-End Engineering and Design (“FEED”) for a new-build FLNGV in 2020, and continued in 2021-22 with additional optimization and engineering work to enhance and advance the FLNGV design, including a reduction in greenhouse gas emissions. With the new-build FLNGV design finalized, Delfin has negotiated with its FEED contractor Samsung Heavy Industries (“SHI”) of South Korea (the leading shipyard in the world for FLNGV construction) the agreement for the Engineering, Procurement, Construction, Integration and Commissioning of the FLNGV, which it expects to execute soon. In addition, Delfin is negotiating with suppliers for the Engineering, Procurement and Construction of the FLNGV mooring system.

Delfin continues to devote substantial efforts to the financing of its first FLNGV, which is progressing positively, but cannot be finalized in advance of the issuance by MARAD of the final Deepwater Port License. Delfin is working towards a project financing structure similar to that utilized by other U.S. LNG export projects that have reached a final investment decision (“FID”) in recent years, but Delfin’s funding requirement for a single FLNGV is significantly smaller than it was for land-based liquefaction terminals. Delfin’s financing ability is further enhanced by assistance from the Japanese shipping company Mitsui O.S.K. Lines, Ltd. (“MOL”), which owns the largest LNG shipping fleet in the world and has significant relations with major Japanese banks: MOL’s June 2023 strategic investment agreement with Delfin was noted in Delfin’s previous semi-annual report. In addition, Delfin management has extensive experience in financing floating vessels through sale and leaseback structures and asset backed financing, another option for financing its FLNGV. Delfin is also confident in securing the equity required to supplement its debt funding, with contractual agreements allowing existing investors (including MOL) to participate in the equity investment, as well as detailed negotiations with other potential equity investors. While the ultimate financing structure will be

¹ *Delfin LNG LLC, et al.*, 160 FERC ¶ 61,130 (2017), *reh’g denied*, 163 FERC ¶ 61,040 (2018).

² *Delfin LNG LLC*, 185 FERC ¶ 61,009 (2023).

determined by the best available terms, Delfin has high confidence in its ability to reach FID on its first FLNGV, once its pending regulatory matters are resolved.

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

In its previous semi-annual report, Delfin summarized its long-term LNG Sale and Purchase Agreements (“SPAs”) entered into with Centrica LNG Company Limited (for 1.0 million metric tonnes per annum (“MTPA”) for 15 years); Vitol Inc (for 0.5 MTPA for 15 years); and Hartree Partners Power & Gas Company (UK) Limited (for 0.6 MTPA of LNG for a 20-year term). Delfin has submitted to DOE a full and non-redacted copy of all of these executed SPAs on a confidential basis, along with public summary of their material terms.

In November 2023, Delfin entered into two SPAs with a subsidiary of the Gunvor Group Ltd. (“Gunvor”), one of the world’s largest independent commodities trading houses by turnover and the largest independent LNG trading company in the world. The two SPAs are each for 0.6 MTPA for a 20-year term, but one of them allowed Gunvor to assign all (but no less than all) of its rights under the SPA, or to novate the SPA in its entirety. In February 2024, Gunvor exercised that ability and Chesapeake Energy Company (“Chesapeake”), the Oklahoma based leading natural gas producer, has become Delfin’s customer under one of the SPAs, purchasing the LNG produced by Delfin and then delivering it to Gunvor. Delfin submitted to DOE the Gunvor SPAs, and a public summary of their terms, on December 22, 2023, and then filed an update regarding the substitution of Chesapeake as its customer under one of those SPAs on March 8, 2024.

Thus, Delfin has secured long-term SPAs for a total of 3.3 MTPA (some of which may not be sourced from the first FLNGV). In prior semi-annual updates, Delfin has noted an executed Heads of Agreement for LNG off-take and related negotiations of definitive agreements with Devon Energy Corporation (“Devon”). Delfin has not yet finalized a definitive agreement with Devon but still expects to do so, which will result in additional commercial support beyond the existing SPAs. Delfin will file with DOE any final off-take agreement with Devon once it is executed.

Delfin also is engaged in continuing negotiations with other potential customers for additional LNG offtake agreements, focusing largely on its second and third FLNGVs. In addition, Delfin has been discussing its gas supply strategy with potential equity and debt providers, as well as LNG offtakers and upstream pipelines, in order to be able to implement the most efficient approach. 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.

c) Date the Project is expected to be operational:

As a modular project consisting of 4 separate FLNGVs, Delfin requires only 2.5 to 3.0 MTPA of long-term off-take contracts to support a positive FID to proceed with its first FLNGV, and it has reached that level of contracted support. Provided that DOE approves of Delfin’s

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requested extension of time by June 1, 2024, and MARAD issues the Final Deepwater Port License on a similar timeline (if not sooner), Delfin expects to make FID on its first FLNGV during 2004 (with FID for the second likely to follow in 2025). Delfin's negotiated agreement with SHI would then provide for construction of the first FLNGV to be completed in 2028, and for first export of LNG by Delfin in early 2029.

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

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