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October 1, 2024

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

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:

As explained in Delfin’s prior semi-annual reports, Delfin has been diligently working for years with the Maritime Administration (“MARAD”) to satisfy the conditions for final License issuance under the Deepwater Port Act (“DWPA”) established in the “Secretary’s Decision on the Deepwater Port License Application of Delfin LNG, LLC,” issued in 2017 in Docket USCG-2015-0472. MARAD informed Delfin on April 17, 2024, that it will not issue Delfin its DWPA license based on that 2017 record of decision (“ROD”) that conditionally authorized the Project, and directed Delfin to amend its application for further interagency review, with a Supplemental Environmental Assessment (“EA”) or Supplemental Environmental Impact Statement (“EIS”) to be made available to the public for comment.¹

¹ MARAD April 17, 2023 letter to Delfin is publicly available at:
<https://www.regulations.gov/document/USCG-2015-0472-0121>.

To the extent that this development is seen as inconsistent with Delfin’s statements in its prior semi-annual status reports, that is because it was wholly unexpected by Delfin and, at least from Delfin’s perspective, inconsistent with indications from MARAD over the more than two years that Delfin had already been engaged with the agency pursuing license issuance. Notably, Delfin provided MARAD in April 2023 with an EA that demonstrated that there are no substantial changes to the Project or significant new circumstances relevant to environmental concerns that require supplemental NEPA analysis, and that Delfin’s engineering refinements use the best available technology, as required under the DWPA and the ROD, and result in equal or lesser level environmental impacts than those analyzed in the prior final EIS. Moreover, MARAD included the EA prepared by Delfin as an attachment to its letters reinitiating consultation under Section 7 of the Endangered Species Act sent to the U.S. Fish & Wildlife Service (“FWS”) on August 17, 2023, and to National Marine Fisheries Service (“NMFS”) on October 27, 2023, that requested expedited concurrence with MARAD’s conclusion that Delfin’s Project is not likely to adversely affect any listed species or critical habitat.

Delfin is in the process of preparing materials required by MARAD in its continuing effort to obtain the DWPA license. Delfin is hopeful that MARAD will complete the supplemental NEPA process and issue that license expeditiously.

On March 1, 2024, Delfin submitted to DOE in these proceedings its request for a supplemental order granting a conditional extension of time for it to commence LNG exports, seeking a five-year extension of the commencement deadline in Delfin’s non-FTA export authorization of June 1, 2024. Following the public notice of Delfin’s request, supportive comments were filed by a wide-range of stakeholders while protests were filed by certain environmental activist groups that have long opposed LNG exports. Delfin filed with DOE an answer to the comments and protests on May 14, 2024.² On May 31, 2024, DOE issued an order “tolling” the export commencement deadline, such that the authorization does not expire, while it continues to consider the requested extension of time.

As stated in Delfin’s previous semi-annual report, the Federal Energy Regulatory Commission (“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, 2027.³ As also noted there, in March 2024, Delfin submitted to Region 6 of the Environmental Protection Agency (“EPA”) its application for the air emissions permit for the offshore operation of Delfin’s floating LNG vessels (“FLNGVs”), demonstrating that the operation of the FLNGVs will meet all applicable air quality standards. Delfin is developing responses to EPA’s completeness determination regarding that application issued on April 19, 2024, and making

² Environmental groups opposing the requested extension of time emphasized MARAD’s April 18, 2024 letter to Delfin related to its DWPA license. Delfin addressed that issue in greater depth than provided here in its answer to the protests and included as attachments to that answer the EA and letters from MARAD to the resource agencies referenced above.

³ *Delfin LNG LLC*, 185 FERC ¶ 61,009 (2023).

additional adjustments to the application to reflect updated engineering and project refinements, which it expects to submit during October.

As Delfin explained in support of its requested extension of time, Delfin has negotiated and agreed upon major terms of a near-ready-for-execution EPCI Agreement with Samsung Heavy Industries (“SHI”) (with which it previously finalized the Front-End Engineering and Design for the FLNGVs), with a detailed process for the construction the first FLNGV in the South Korean shipyard, a transit period with the FLNGV sailing under its own power to the Gulf of Mexico for mooring at Delfin’s deepwater port, and then the commencement of testing and commissioning. The parties have refrained from executing the EPCI contract pending greater resolution of regulatory issues and timing.

As also explained in support of the extension request and in prior semi-annual reports, Delfin has significantly advanced its efforts for the financing and final investment decision (“FID”) of its first FLNGV, with particular assistance from the Japanese shipping company Mitsui O.S.K. Lines, Ltd. (“MOL”), which owns the largest LNG shipping fleet in the world, has significant relations with major Japanese banks, and has entered into a strategic investment agreement. Just as with final EPCI contracting, however, finalization of Delfin’s financing awaits the resolution of the pending regulatory issues.

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

Delfin has entered into five binding, long-term LNG Sales and Purchase Agreements (“SPAs”) for a total of 3.3 million metric tonnes per annum (“MTPA”) of the Project’s LNG export capacity (some of which may not be sourced from the first FLNGV). As described in previous semi-annual report and filings of the contracts with DOE, those SPAs are with: Centrica LNG Company Limited (1.0 annum MTPA for 15 years); Vitol Inc. (0.5 MTPA for 15 years); Hartree Partners Power & Gas Company (UK) Limited (0.6 MTPA for 20 years); Gunvor Group Ltd. (0.6 MTPA for 20 years); and Chesapeake Energy Company (0.6 MTPA for 20 years).

Delfin has not entered into any additional SPAs since the submission of its previous semi-annual report, but it continues to negotiate with potential customers for additional LNG offtake agreements, focusing largely on its second and third FLNGVs. Delfin will file any additional long-term, binding contracts associated with the export of LNG from its facility once executed, in accordance with the requirements of its export authorizations.

Delfin also remains in discussion regarding 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 has not entered into any long-term gas supply contracts to date, but will file all long-term, gas supply contracts once executed, in accordance with the requirements of its export authorizations.

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c) Date the Project is expected to be operational:

As a modular project consisting of multiple separate FLNGVs, with the ability and long-standing plan to develop its FLNGVs sequentially, Delfin has sufficient contractual support to support a positive FID to proceed with its first FLNGV, contingent upon the timely resolution of its regulatory issues. Delfin is currently targeting FID on its first FLNGV during 2025, with FID for the second likely to be concurrently or to follow very soon after. With that expectation, Delfin is targeting the start of commercial operations of the first FLNGV in 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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*Counsel to
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