

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2019
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-38790

New Fortress Energy LLC
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

83-1482060
(I.R.S. Employer Identification No.)

111 W. 19th Street, 8th Floor
New York, NY
(Address of principal executive offices)

10011
(Zip Code)

Registrant's telephone number, including area code: (516) 268-7400
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u> <u>on which registered</u>
Class A shares, representing limited liability company interests	NFE	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed as of June 28, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), based on the closing price of the Class A shares on the Nasdaq Global Select Market, was \$165.9 million.

At February 27, 2020, the registrant had 23,607,096 Class A shares and 144,342,572 Class B shares outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the registrant's 2020 annual meeting, to be filed within 120 days after the close of the registrant's fiscal year, are incorporated by reference into Parts II and III of this Annual Report on Form 10-K.

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GLOSSARY OF TERMS

As commonly used in the liquefied natural gas industry, to the extent applicable and as used in this Annual Report on Form 10-K (“Annual Report”), the terms listed below have the following meanings:

ADO	automotive diesel oil
Bcf/yr	billion cubic feet per year
Btu	the amount of heat required to raise the temperature of one avoirdupois pound of pure water from 59 degrees Fahrenheit to 60 degrees Fahrenheit at an absolute pressure of 14.696 pounds per square inch gage
CAA	Clean Air Act
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CWA	Clean Water Act
DOE	U.S. Department of Energy
DOT	U.S. Department of Transportation
EPA	U.S. Environmental Protection Agency
FTA countries	countries with which the United States has a free trade agreement providing for national treatment for trade in natural gas
GAAP	generally accepted accounting principles in the United States
GHG	greenhouse gases
GSA	gas sales agreement
Henry Hub	a natural gas pipeline located in Erath, Louisiana that serves as the official delivery location for futures contracts on the New York Mercantile Exchange
ISO container	International Organization of Standardization, an intermodal container
LNG	natural gas in its liquid state at or below its boiling point at or near atmospheric pressure
MMBtu	one million Btus, which corresponds to approximately 12.1 LNG gallons
mtpa	million tons per annum
MW	megawatt. We estimate 2,500 LNG gallons would be required to produce one megawatt.
NGA	Natural Gas Act of 1938, as amended
non-FTA countries	countries without a free trade agreement with the United States providing for national treatment for trade in natural gas and with which trade is permitted
OPA	Oil Pollution Act
OUR	Office of Utilities Regulation (Jamaica)
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	power purchase agreement
SSA	steam supply agreement
TBtu	one trillion Btus, which corresponds to approximately 12,100,000 LNG gallons

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2019 (this “Annual Report”) contains forward-looking statements regarding, among other things, our plans, strategies, prospects and projections, both business and financial. All statements contained in this Annual Report other than historical information are forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance or our projected business results. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “targets,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- our limited operating history;
- loss of one or more of our customers;
- inability to procure LNG on a fixed-price basis, or otherwise to manage LNG price risks, including hedging arrangements;
- the completion of construction on our LNG terminals, facilities, power plants or Liquefaction Facilities and the terms of our construction contracts for the completion of these assets;
- cost overruns and delays in the completion of one or more of our LNG terminals, facilities, power plants or Liquefaction Facilities, as well as difficulties in obtaining sufficient financing to pay for such costs and delays;
- our ability to obtain additional financing to effect our strategy;
- failure to produce or purchase sufficient amounts of LNG or natural gas at favorable prices to meet customer demand;
- hurricanes or other natural or manmade disasters;
- failure to obtain and maintain approvals and permits from governmental and regulatory agencies;
- operational, regulatory, environmental, political, legal and economic risks pertaining to the construction and operation of our facilities;
- inability to contract with suppliers and tankers to facilitate the delivery of LNG on their chartered LNG tankers;
- cyclical or other changes in the demand for and price of LNG and natural gas;
- failure of natural gas to be a competitive source of energy in the markets in which we operate, and seek to operate;
- competition from third parties in our business;
- inability to re-finance our outstanding indebtedness;
- changes to environmental and similar laws and governmental regulations that are adverse to our operations;
- inability to enter into favorable agreements and obtain necessary regulatory approvals;
- the tax treatment of us or of an investment in our Class A shares;
- a major health and safety incident relating to our business;
- increased labor costs, and the unavailability of skilled workers or our failure to attract and retain qualified personnel; and
- risks related to the jurisdictions in which we do, or seek to do, business, particularly Florida, Jamaica, Puerto Rico, Angola, Nicaragua and other jurisdictions in the Caribbean.

When considering forward-looking statements, you should keep in mind the risks set forth under “Item 1A. Risk Factors” and other cautionary statements included in this Annual Report. The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, projections or achievements.

PART I

Items 1 and 2. Business and Properties

Unless the context otherwise requires, references in this Annual Report to the “Company,” “NFE,” “we,” “our,” “us” or like terms refer to New Fortress Energy LLC and its subsidiaries. When used in a historical context, “our,” “us,” “we” or like terms refer to New Fortress Energy Holdings LLC, a Delaware limited liability company (“New Fortress Energy Holdings”), our predecessor for financial reporting purposes. References in this Annual Report to “NFI” refer to New Fortress Intermediate Holdings LLC, which following the closing of the initial public offering (the “IPO”), owns our operating subsidiaries, as well as limited assets or liabilities of New Fortress Energy Holdings held prior to the completion of the IPO.

Overview

We are a global integrated gas-to-power infrastructure company that seeks to use natural gas to satisfy the world’s large and growing power needs. We deliver targeted energy solutions to customers around the world, thereby reducing their energy costs and diversifying their energy resources, while also reducing pollution and generating compelling margins. Our near-term mission is to provide modern infrastructure solutions to create cleaner, reliable energy while generating a positive economic impact worldwide. Our long-term mission is to become one of the world’s leading carbon emission-free independent power providing companies. We discuss this important goal in more detail below under “Toward a Carbon-Free Future”.

We deliver targeted energy solutions by employing a four-part integrated LNG supply and delivery model:

LNG Supply and Liquefaction – We supply LNG to our customers by entering into long-term, largely fixed-price LNG supply contracts. We have successfully capitalized on current market conditions to secure long-term LNG contracts with attractive terms. In addition, we supply LNG to our customers from our existing liquefaction and storage facility in Miami, Florida (the “Miami Facility”).

Shipping – We have long-term charters for liquefied natural gas carriers (“LNGCs”) and floating storage and regasification units (“FSRUs”). These assets transport LNG from ports to our downstream terminals and gasify LNG for ultimate delivery to our customers.

Logistics – We own or control the logistics assets necessary to deliver LNG to our customers through our “logistics pipeline”, which enables us to transport LNG from our downstream terminals and facilities to our customers.

Terminals – Through our network of current and planned downstream terminals and facilities, we are strategically positioned to deliver gas and power solutions to our customers seeking either to transition from environmentally dirtier distillate fuels such as ADO and heavy fuel oil (“HFO”) or to purchase natural gas to meet their current fuel needs.

Our Business Model

As an integrated gas-to-power energy infrastructure company, our business model spans the entire production and delivery chain from natural gas procurement and liquefaction to logistics, shipping, terminals and conversion or development of natural gas-fired generation. While historically, natural gas procurement or liquefaction, transportation, regasification and power generation have been financed separately, the segregation of such projects has inhibited the development of natural gas-fired power in many developing countries. In executing this business model, we have the capability to build or arrange any necessary infrastructure ourselves without reliance on multilateral financing sources or traditional project finance structures, so that we maintain our strategic flexibility.

We currently conduct our operations at our LNG storage and regasification terminal at the Port of Montego Bay, Jamaica (the “Montego Bay Terminal”), our marine LNG storage and regasification terminal in Old Harbour, Jamaica (the “Old Harbour Terminal” and, together with the Montego Bay Terminal, the “Jamaica Terminals”), and at our Miami Facility. In addition, we are currently developing Terminals in Puerto Rico, Mexico, Ireland, Nicaragua and Angola, as described below in more detail. We are in active discussions with additional customers in multiple regions around the world who may have significant demand for additional LNG, although there can be no assurance that these discussions will result in additional contracts or the terms of such contracts or that we will be able to achieve our target pricing or margins.

Our Terminals

Downstream, we have seven terminals and fuel handling facilities operational or under development. Our Terminals (defined herein) position us to acquire and supply LNG to customers in a number of attractive markets around the world.

We look to build terminals in locations where the need for LNG is significant. In these markets, we first seek to identify and establish “beachhead” target markets for the sale of LNG, natural gas or natural gas-fired power. We then seek to convert and supply natural gas to additional power customers. Finally, our goal is to expand within the market by supplying additional industrial and transportation customers.

We currently have two operational terminals and five under development, as described below. We design and construct terminals to meet the supply and demand specifications of our current and potential future customers in the applicable region. Our Terminals currently operating or under development are expected to be capable of receiving between 740,000 and 6 million LNG gallons (61,000 and 500,000 MMBtu) per day depending upon the needs of our customers and potential demand in the region. Set forth below is additional detail regarding each terminal:

Montego Bay, Jamaica – Our Montego Bay Terminal commenced commercial operations in October 2016. The Montego Bay Terminal is capable of processing up to 740,000 LNG gallons (61,000 MMBtu) per day and features approximately 7,000 cubic meters of onsite storage. It supplies natural gas to the 145 MW power station operated by Jamaican Public Service Company Limited (“JPS”) pursuant to a long-term contract for natural gas equivalent to approximately 310,000 gallons of LNG (25,600 MMBtu) per day. The Montego Bay Terminal also supplies numerous on-island industrial users with natural gas or LNG pursuant to numerous offtake contracts of various durations, some of which contain take-or-pay provisions. We have total aggregate contracted volumes of approximately 405,000 gallons of LNG (33,470 MMBtu) per day at our Montego Bay Terminal with a weighted average remaining contract length of 16.2 years as of December 31, 2019. We have the ability to service other potential customers with the excess capacity of the Montego Bay Terminal, and we are seeking to enter into long-term contracts with new customers for such purposes. We deliver LNG to the Montego Bay Terminal via small LNGCs.

Old Harbour, Jamaica – Our Old Harbour Terminal commenced commercial operations in June 2019. It is capable of processing approximately 6 million gallons of LNG (500,000 MMBtu) per day. The Old Harbour Terminal is supplying gas to a new 190 MW Old Harbour gas-fired power plant (the “Old Harbour Power Plant”) operated by South Jamaica Power Company Limited (“JPC”) pursuant to a long-term contract for natural gas equivalent to approximately 380,000 gallons of LNG (31,400 MMBtu) per day. The Old Harbour Terminal is also supplying gas to the dual-fired combined heat and power (“CHP”) facility in Clarendon, Jamaica (the “CHP Plant”) that we constructed and which commenced commercial operations on March 3, 2020. See “—Our Current Customers—Jamalco CHP Plant.” We have total aggregate contracted volumes of approximately 760,000 gallons of LNG (62,810 MMBtu) per day at our Old Harbour Terminal with an average contract length of 20.0 years as of December 31, 2019. We have the ability to service other potential customers with the excess capacity of the Old Harbour Terminal, and we are seeking to enter into long-term contracts with new customers for such purposes. The Old Harbour Terminal is an offshore terminal with storage and regasification equipment provided via FSRU. The offshore design eliminates the need for expensive storage tanks and permanent, onshore infrastructure.

San Juan, Puerto Rico – Our San Juan Facility is expected to commence commercial operations in the first quarter of 2020. It is designed as a landed micro-fuel handling facility located in the Port of San Juan, Puerto Rico (the “San Juan Facility”). We have leased the land under a long-term agreement. The San Juan Facility has multiple truck loading bays to provide LNG to on-island industrial users. In addition it will supply natural gas to Units 5 and 6 of the San Juan Combined Cycle Power Plant (the “San Juan Power Plant”), which are owned and operated by the Puerto Rico Electric Power Authority (“PREPA”). We are converting Units 5 and 6, which together have a capacity of 440 MW, to use natural gas as fuel and expect to supply both Units 5 and 6 with approximately 26 TBtu of natural gas per year, which would equal approximately 863,000 gallons of LNG (70,000 MMBtu) per day.

La Paz, Baja California Sur, Mexico – We were awarded a public tender to build, own and operate an LNG regasification terminal (the “La Paz Terminal”) on July 18, 2018. Our La Paz Terminal is currently under development and is expected to commence commercial operations in the fourth quarter of 2020. It is being designed as an LNG receiving terminal located at the Port of Pichilingue in Baja California Sur, Mexico, where LNG will be delivered via a small LNGC vessel or barge from a mothership moored nearby. Initially, the La Paz Terminal is expected to supply approximately 332,000 gallons of LNG (27,400 MMBtu) per day under an intercompany GSA for up to 135 MW of power supplied by three gas-fired mobile power units that we plan to develop, own and operate. Similarly, we expect that we will use the La Paz Terminal infrastructure, which includes truckloading bays, to facilitate the conversion of, and supply of approximately 123,000 gallons of LNG (10,165 MMBtu) per day to local power plants owned by the Comisión Federal de Electricidad, as well as additional volumes to regional industrial users and hotels.

Shannon, Ireland – We have entered into an agreement to purchase all of the ownership interests in a project company that owns the rights to develop and operate an LNG terminal and a CHP plant on the Shannon Estuary near Ballylongford, Ireland. We intend for this terminal to include a storage facility with onshore regasification equipment and pipeline connection into the distribution system of Gas Networks Ireland, Ireland’s national gas network (the “Ireland Terminal” and, together with the Jamaica Terminals, the San Juan Facility, the La Paz Terminal, the Puerto Sandino Terminal, and the Angola Terminal, our “Terminals”). We are in the process of obtaining final planning permission from the Commission for Regulation of Utilities in Ireland and we intend to begin construction of the Ireland Terminal after we have obtained such permission and secured contracts with downstream customers with volumes sufficient to support the development. We plan to deliver LNG to the Ireland Terminal via a traditional size LNGC. The equipment on site is expected to have the capacity to import and regasify more than 6 million gallons of LNG (500,000 MMBtu) per day, which is approximately the equivalent of Ireland’s total foreign natural gas imports. Additionally, we have planning permission approval to build an integrated 500 MW power plant on site with priority dispatch.

Puerto Sandino, Nicaragua – We are designing and developing an offshore liquefied natural gas receiving, storage and regasification terminal off the coast of Puerto Sandino, Nicaragua (the “Puerto Sandino Terminal”). The Puerto Sandino Terminal is expected to supply gas to a new approximately 300 MW natural gas-fired power plant (the “Nicaragua Power Plant”) that we will own and operate. We have entered into a 25-year power purchase agreement with Nicaragua’s electricity distribution companies, and under the terms of such agreement we expect to provide approximately 700,000 gallons of LNG (60,000 MMBtu) per day.

Angola – Our terminal in Angola (the “Angola Terminal”) is under development. In June 2019, we signed a memorandum of understanding to develop the Angola Terminal to supply natural gas to Angola for power generation. We are currently in active discussions to reach a definitive agreement.

Our LNG Supply Contracts and Liquefaction Assets

LNG Supply Contracts

On February 7, 2020, we entered into a long-term natural gas supply agreement with an established international gas supplier for the purchase of 27.5 TBtus per annum of liquefied natural gas at a price indexed to Henry Hub. This agreement, together with our existing gas supply agreements, provides us with a long-term committed supply of LNG for our increasing customer LNG demand.

Liquefaction Assets

We constructed the Miami Facility, which commenced full commercial operations in 2016, in under 12 months at a cost to build of approximately \$70 million. The Miami Facility has one liquefaction train, with liquefaction production capacity of approximately 100,000 gallons of LNG (8,300 MMBtu) per day and was 97.7% dispatchable during 2019. The Miami Facility also has three LNG storage tanks, with total capacity of approximately 1,000 cubic meters. The Miami Facility also includes two separate LNG transfer areas capable of serving both truck and rail. We are currently delivering approximately 31,000 gallons of LNG (2,560 MMBtu) per day from the Miami Facility pursuant to long-term, take-or-pay contracts.

We are currently evaluating the timing of the development of a natural gas liquefaction plant on land we have purchased in the Marcellus area of Pennsylvania (the “Pennsylvania Facility”, and together with the Miami Facility, the “Liquefaction Facilities”) and any required amendments to the engineering, procurement and construction contract or other agreements related to the development of the Pennsylvania Facility. In December 2019, the Pipeline and Hazardous Materials Safety Administration granted a special permit to one of our subsidiaries to ship LNG by rail, which would allow us to transport the LNG produced by the Pennsylvania Facility to a port for transloading onto marine vessels.

Our Current Customers

Our downstream customers are, and we expect future customers to be, a mix of power, transportation and industrial users of natural gas and LNG. We seek to substantially reduce our customers’ fuel costs while providing them with a cleaner-burning, more environmentally friendly fuel source. We also intend to sell power and steam directly to some of our customers. In addition, we provide development services to some customers for the conversion or development of natural gas-fired power generation in connection with long-term agreements to supply natural gas or LNG to the customer.

We seek to enter into long-term, take-or-pay contracts to deliver natural gas or LNG. Pricing for any particular customer depends on the size of the customer, purchased volume, the customer’s credit profile, the complexity of the delivery and the infrastructure required to deliver it.

A limited number of customers currently represent a large percentage of our income. For the year ended December 31, 2019, revenue from two significant customers constituted 86% of total revenues.

We have several contracts with government affiliated entities in Jamaica, including contracts with JPS, JPC and Jamalco (as defined below and collectively, the “Jamaica GSAs”). The Jamaica GSAs represent approximately 50% of Jamaica’s installed power capacity and sales of approximately 955,000 gallons of LNG (79,000 MMBtu) per day. The Jamaica GSAs have remaining terms of approximately 20 years, with mutual options to extend, subject to certain conditions.

The aggregate minimum quantities we are required to deliver, and our counterparties are required to purchase, under the Jamaica GSAs initially, total approximately 56,200 MMBtu per day.

Bogue Power Plant

We have executed a 22-year agreement to supply JPS's 145 MW Bogue power plant (the "Bogue Power Plant") in Montego Bay, Jamaica with natural gas. The Bogue Power Plant has been converted to run on natural gas as well as ADO as backup fuel.

Old Harbour Power Plant

We have also executed an agreement to supply JPC's Old Harbour Power Plant in Old Harbour, Jamaica with natural gas and back-up ADO for 20 years. The Old Harbour Power Plant is an approximately 190 MW capacity dual fuel plant owned by JPC.

Jamalco CHP Plant

We have also executed a suite of agreements, including a 20-year SSA to supply a joint venture between General Alumina Jamaica ("GAJ"), a subsidiary of Noble Group, and Clarendon Alumina Production Limited, an entity owned by the Government of Jamaica, with a focus on bauxite mining and alumina production in Jamaica ("Jamalco") with steam for use in its alumina refinery operations and a 20-year PPA to supply electricity to JPS. The CHP Plant is a 150 MW capacity combined heat and power plant and is fueled by natural gas with the ability to run on ADO as a backup fuel source.

PREPA San Juan Power Plant

On March 5, 2019 we entered into an agreement with PREPA, under which we are providing development services to convert Units 5 and 6 of the San Juan Power Plant, which together have a capacity of 440 MW, and we are supplying natural gas fuel to Units 5 and 6. The natural gas supply agreement has an initial natural gas supply term of 5 years from the beginning of commercial operations of the Units on natural gas and has three separate 5-year extensions that are exercisable at PREPA's option.

Nicaragua Power Plant

On February 13, 2020, we entered into a 25-year power purchase agreement to supply electricity to Nicaragua's electricity distribution companies. Under the terms of the agreement, we will construct a natural gas-fired power plant with a capacity of approximately 300 MW.

Industrial End-User Sales

We have entered into multiple long-term contracts to sell LNG and natural gas directly to industrial end-users in Jamaica and Puerto Rico. To fulfill the requirements of our end-user customers, we transport LNG through our Terminals (either from our Liquefaction Facilities in the United States or from third parties in market purchases) and deliver such LNG directly to customers' facilities.

Competition

In marketing LNG and natural gas, we compete for sales of LNG and natural gas with a variety of competitors, including: major integrated marketers who have large amounts of capital to support their marketing operations and offer a full-range of services and market numerous products other than natural gas; producer marketers who sell their own natural gas production or the production of an affiliated natural gas production company; small geographically focused marketers who focus on marketing natural gas for the geographic area in which their affiliated distributor operates; and aggregators who gather small volumes of natural gas from various sources, combine them and sell the larger volumes for more favorable prices and terms than would be possible selling the smaller volumes separately.

However, we do not expect to experience significant competition for our LNG logistics services with respect to the Terminals to the extent we have entered into fixed GSAs or other long-term agreements we serve through the Terminals. If and when we have to replace our agreements with our counterparties, we may compete with other then-existing LNG logistics companies for these customers.

There are no other liquefaction terminals currently in operation in Southern Florida.

In purchasing LNG as part of our logistics business, we will compete for supplies of LNG with:

- large, multinational and national companies with longer operating histories, more development experience, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources;
- oil and gas producers who sell or control LNG derived from their international oil and gas properties; and
- purchasers located in other countries where prevailing market prices can be substantially different from those in the United States.

Government Regulation

Our LNG infrastructure is, and operations are, subject to extensive regulation under federal, state and local statutes, rules, regulations and laws, as well as foreign regulations and laws. These laws require, among other things, consultations with appropriate federal, state and other agencies and that we obtain, maintain and comply with applicable permits, approvals and other authorizations for the siting and conduct of our business. These regulatory requirements increase our costs of operations and construction, and failure to comply with such laws could result in consequences such as substantial penalties and/or the issuance of administrative orders to cease or restrict operations until we are in compliance.

DOE Export

The DOE issued orders authorizing us, through our subsidiary, American LNG Marketing LLC or its designee, to export up to a combined total of the equivalent of 60,000 mtpa (approximately 3.02 Bcf/yr) of domestically produced LNG by tanker from the Miami Facility to FTA countries for a 20-year term and to non-FTA countries for a 20-year term under contracts with terms of two years or longer. The 20-year term of the authorizations commenced on February 5, 2016, the date of first export from the Miami Facility. The DOE has also authorized American LNG Marketing LLC to export LNG from the Miami Facility to FTA and non-FTA countries under short-term (less than two years) agreements or on a spot cargo basis. Any LNG exported under the short-term authorization would be counted toward the quantity authorized under the long-term authorizations. These authorizations from the DOE are only applicable to exports of LNG produced at our Miami Facility, and exports of LNG from a liquefaction facility other than the Miami Facility (such as the Pennsylvania Facility) to FTA and/or non-FTA countries will require us to obtain new authorizations from the DOE.

Exports of natural gas to FTA countries are “deemed to be consistent with the public interest” and authorization to export LNG to FTA countries shall be granted by the DOE without “modification or delay.” FTA countries that import LNG now or will do so in the near future include Chile, Mexico, Singapore, South Korea and the Dominican Republic. Exports of natural gas to non-FTA countries are considered by the DOE in the context of a comment period whereby interveners are provided the opportunity to assert that such authorization would not be consistent with the public interest.

Pipelines and Hazardous Materials Safety Administration

Many LNG facilities are also subject to regulation by the DOT, through the PHMSA; PHMSA has established requirements relating to the design, installation, testing, construction, operation, replacement and management of “pipeline facilities,” which PHMSA has defined to include LNG facilities that liquefy, store, transfer or vaporize natural gas transported by pipeline in interstate or foreign commerce. PHMSA has promulgated detailed, comprehensive regulations governing LNG facilities under its jurisdiction at Title 49, Part 193 of the United States Code of Federal Regulations. These regulations address LNG facility siting, design, construction, equipment, operations, maintenance, personnel qualifications and training, fire protection and security. Variances from these regulations may require obtaining a special permit from PHMSA, the issuance of which is subject to public notice and comment and consultation with other federal agencies, which could result in delays, perhaps substantial in length, to the construction of our facilities where such variances are needed; additionally, PHMSA may condition, revoke, suspend or modify the special permits it issues.

In recent years, PHMSA’s regulation of pipeline facilities has become more stringent. For example, in October 2019, PHMSA published two final rules on gas pipeline safety. The Enhanced Emergency Order Procedures rule (effective December 2, 2019) implements an existing statutory authorization for PHMSA to issue emergency orders related to pipeline safety if unsafe conditions or practices, or a combination thereof, constitutes or causes an imminent hazard. The Safety of Gas Transmission Pipelines rule (effective July 1, 2020) requires operators of certain gas transmission pipelines to reconfirm the Maximum Allowable Operating Pressure of their lines and establishes a new “Moderate Consequence Area” (“MCA”) for determining regulatory requirements for gas transmission pipeline segments outside of HCAs. An MCA for gas pipelines is also based on population totals in addition to the existence of certain principal, high-capacity roadways, but an MCA does not meet the relative higher population totals required to be deemed an HCA and therefore such areas are located outside of HCA coverages.

PHMSA is working on two additional rules related to gas pipeline safety. The rule entitled “Pipeline Safety: Safety of Gas Transmission Pipelines, Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments” is expected to adjust the repair criteria for pipelines in HCAs, create new criteria for pipelines in non-HCAs, and strengthen integrity management assessment requirements. The rule entitled “Safety of Gas Gathering Pipelines” is expected to require all gas gathering pipeline operators to report incidents and annual pipeline data and to extend regulatory safety requirements to certain gas gathering pipelines in rural areas. These additional rulemakings are expected to be published and effective by mid-2020. Similar to these efforts, PHMSA’s regulation of LNG facilities could become more stringent in the future.

In December 2019, the Pipeline and Hazardous Materials Safety Administration granted a special permit to one of our subsidiaries to ship LNG by rail, which would allow us to ship the LNG produced by the Pennsylvania Facility to a port for transloading onto marine vessels.

Environmental Regulation

Our LNG infrastructure and operations are subject to various international, federal, state and local laws and regulations as well as foreign laws and regulations relating to the protection of the environment, natural resources and human health. These laws and regulations may require the installation of controls on emissions and structures to prevent or mitigate any potential harm to human health and the environment or require certain protocols to be in place for mitigating or responding to accidental or intentional incidents at certain facilities. These laws and regulations may also lead to substantial penalties for noncompliance and substantial liabilities for incidents arising out of the operation of our facilities. Many of these laws and regulations restrict or prohibit the types, quantities and concentration of substances that can be released into the environment and can lead to substantial civil and criminal fines and penalties for non-compliance.

Clean Air Act

Our LNG infrastructure is subject to the federal CAA and comparable state and local laws. We may be required to incur certain capital expenditures over the next several years for equipment to control air emissions as a condition to maintaining or obtaining permits and approvals. Alternatively, we may be required to restrict or limit the amount of LNG we produce or ship in order to obtain or maintain a permit. We do not believe, however, that our operations, or the construction and operations of our Liquefaction Facilities, will be materially and adversely affected by any such requirements.

In 2009, the EPA promulgated and finalized the Mandatory Greenhouse Gas Reporting Rule for multiple sections of the economy. This rule requires mandatory reporting of GHG emissions from stationary fuel combustion sources as well as all fugitive emissions throughout LNG infrastructure. From time to time, Congress has considered proposed legislation directed at reducing GHG emissions, and the EPA has defined GHG emissions thresholds for requiring certain permits for new and existing industrial sources. In addition, many states have already taken regulatory action to monitor and/or reduce emissions of GHGs, primarily through the development of GHG emission inventories or regional GHG cap and trade programs. It is not possible at this time to predict how future regulations or legislation may address GHG emissions and impact our business. However, future regulations and laws could result in increased compliance costs or additional operating restrictions and could have a material adverse effect on our business, financial position, operating results and cash flows.

Coastal Zone Management Act (“CZMA”)

LNG infrastructure may be subject to the review and requirements of the CZMA when facilities are located within the coastal zone. The CZMA is administered by the states (in Florida, via the Florida Coastal Management Program, which is coordinated by the Florida Department of Environmental Protection). This program is implemented to ensure that impacts to coastal areas are consistent with the intent of the CZMA and each state’s respective CZMA-authorized program to manage the coastal areas.

Clean Water Act

Our LNG infrastructure is also subject to the federal CWA and analogous state and local laws. The CWA imposes strict controls on the discharge of pollutants into the waters of the United States, including discharges of wastewater and storm water runoff and fill/discharges into waters of the United States. Permits must be obtained prior to discharging pollutants into state and federal waters and before constructing infrastructure that requires the dredging and filling of waters of the United States. The CWA is administered by the EPA, the U.S. Army Corps of Engineers (“USACE”) and by the states via the applicable state agency.

We are required to comply with numerous other federal, state and local environmental, health and safety laws and regulations in addition to those previously discussed. These additional laws include, for example, the Rivers and Harbors Act, the federal Resource Conservation and Recovery Act and comparable state statutes, the Endangered Species Act, the National Historic Preservation Act and the Emergency Planning and Community Right-to-Know Act, among others.

Moreover, our current operations and future projects may be subject to additional federal permits, orders, approvals and consultations required by other federal agencies under these and other statutes, including the DOE, Advisory Council on Historic Preservation, the USACE, U.S. Department of Commerce, National Marine Fisheries Services, U.S. Department of the Interior, U.S. Fish and Wildlife Service, the EPA and U.S. Department of Homeland Security. In addition, federal permitting processes may trigger the requirements of the National Environmental Policy Act (“NEPA”), which requires federal agencies to evaluate major agency actions that have the potential to significantly impact the environment. State permitting regimes may require similar consultations with applicable state-level agencies and/or the preparation of a similar assessment of environmental impacts pursuant to state law.

Additional federal permits that may be required to conduct our current operations or pursue future projects include, for example, a USACE Section 404 permit under the CWA and a Section 10 of the Rivers and Harbors Act Permit, a Title V Operating Permit under the CAA, a Prevention of Significant Deterioration Permit under the CAA and, where applicable, Federal Aviation Administration determinations or approvals relating to certain ground construction activities. Certain of these permits would trigger the requirements of the National Environmental Policy Act.

Other local laws and regulations, including local zoning laws, critical infrastructure regulations and fire protection codes, may also affect where and how we operate.

The costs of compliance with these requirements are not expected to have a material adverse effect on our business, financial condition or results of operations.

Environmental Regulation in Ireland

LNG deliveries, storage, regasification and use are extensively regulated in Ireland. Ireland regulates these operations at a national and local level through organic legislation and an array of permits. Ireland’s National Planning Board is the primary regulator for planning and construction, while the Irish Environmental Protection Agency issues industrial emissions licenses that regulate environmental and operational permitting. Safety regulation in Ireland is regulated pursuant to the Control of Major Accidents regime, which sets out various safety criteria that the LNG facility must meet. We are in the process of applying for all necessary permits to build and complete the Ireland Terminal. The issuance of many of these permits will be subject to administrative or judicial challenges, including by non-governmental groups that act on behalf of citizens. For example, in September 2018, an Irish non-governmental organization filed a judicial challenge to the extension of a planning permission associated with our Ireland Terminal. In a February 2019 written decision arising out of this judicial challenge, Ireland’s High Court referred several questions relating to the extensions to the European Court of Justice. In February 2020, the European Parliament voted to retain a group of energy infrastructure projects as eligible for EU funding, including the Shannon LNG project (as defined below). However, this decision may face further challenges and while this judicial review proceeds, we intend to file for a new planning permission that, if approved, would replace the permission whose extension is currently under challenge. We intend to begin construction of the Ireland Terminal after we have obtained a replacement planning permission (or, if earlier, received a favorable resolution to the challenge to the extension of our existing permission) and secured contracts with downstream customers for volumes that are sufficient to support the development.

Environmental Regulation in Mexico

Mexican law comprehensively regulates all aspects of the receipt, delivery, storage and re-vaporization of LNG as well as the generation and transmission of electricity. Various federal agencies in Mexico regulate these activities, including the Department of Environment and Natural Resources, Department of Communication and Transportation, Energy Regulatory Commission, and the Agency for Safety, Energy & Environment, which issues permits for all activities associated with the use of fossil fuels. State and local agencies also regulate these activities, issuing permits and authorizing the use of property for such purposes. In order to be able to obtain various permits for operations under Mexican law, the project must first complete environmental and social impact analyses according to the requirements of Mexican law. Each such impact analysis is subject to further appeal. Mexican law allows the governmental entities and, in certain cases, individuals to pursue claims against violators of environmental laws or permits issued pursuant to such laws.

Environmental Regulation in Jamaica

Our operations in Jamaica are governed by various environmental laws and regulations. These laws and regulations are largely implemented through the National Environmental Protection Agency and cover discharges of pollutants, regulation of air emissions, discharges and treatment of wastewater, storage of fuels, and responses to industrial emergencies involving hazardous materials. The level of environmental regulation in Jamaica has increased in recent years, and the enforcement of environmental laws is becoming more stringent. However, compliance has not had a material adverse effect on our business, operations, or financial condition. Jamaica is also in the process of developing a law to govern the receipt, storage, processing and distribution of natural gas, as well as requirements for the licensing, construction, and operation of natural gas terminals and transportation.

Environmental Regulation in Nicaragua

The regulation of activities with the potential to impact the environment in Nicaragua are largely regulated by the Natural Resource and Environment Ministry. Nicaragua regulates many areas of environmental protection. In order to obtain various permits for operations, a project must complete environmental and social impact analyses according to Nicaraguan law. While Nicaragua does not currently have any legislation specifically addressing the receipt, handling, and distribution of natural gas, such laws may be passed in future.

Environmental Regulation in Angola

Angolan law regulates multiple aspects of activities with the potential to impact the environment in the country. The Ministry of Environment has primary responsibility for the development and implementation of the National Environmental Management Program and is also responsible for the implementation of licensing and approval laws, and associated regulations. In order to obtain various permits for operations, a project must complete environmental and social impact analyses according to Angolan law. While Angola does not currently have any legislation specifically addressing the receipt of natural gas, handling and distribution of natural gas are subject to agency oversight and approval, primarily through the Ministry for Mineral Resources and Petroleum.

U.S. and International Maritime Regulations of LNG Vessels

The International Maritime Organization (“IMO”) is the United Nations agency that provides international regulations governing shipping and international maritime trade. The requirements contained in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”) promulgated by the IMO govern the shipping of our LNG cargoes and the operations of any vessels we use in our operations. Among other requirements, the ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a policy for safety and environmental protection setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies.

Vessels that transport gas, including LNGCs, are also subject to regulation under various international programs such as the International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk (the “IGC Code”) published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. The completely revised and updated IGC Code entered into force on January 1, 2016, with an implementation/application date of July 1, 2016. The amendments were developed following a comprehensive five-year review and are intended to take into account the latest advances in science and technology. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. The IMO International Convention for the Prevention of Pollution from Ships of 1973, as amended from time to time, and generally referred to as “MARPOL,” regulates air emissions through Annex VI regulations for the Prevention of Air Pollution from Ships (“Annex VI”), entered into force on May 19, 2005. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts, emissions of volatile compounds from cargo tanks and incineration of specific substances, and prohibits deliberate emissions of ozone depleting substances.

Additionally, more stringent emission standards apply in coastal areas designated as Emission Control Areas (“ECAs”), such as the U.S. and Canadian coastal areas, which are designated by the Marine Environment Protection Committee. Effective August 1, 2012, certain coastal areas of North America were designated ECAs. Furthermore, as of January 1, 2014, portions of the U.S. Caribbean Sea were designated ECAs. Annex VI Regulation 14, which came into effect on January 1, 2015, set a 0.1% sulfur limit in areas of the Baltic Sea, North Sea, North America and U.S. Caribbean Sea that are ECAs.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The North Sea and Baltic Sea have been formally designated as ECAs for nitrogen oxides effective January 1, 2021. U.S. air emissions standards are now equivalent to these amended Annex VI requirements. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.

We contract with leading vessel providers in the LNG industry and look to them to ensure that each of our chartered vessels is in compliance with applicable international and in-country requirements. Nevertheless, the IMO continues to review and introduce new regulations. For example, the IMO has promulgated regulations limiting the sulfur content of fuel oil for ships to 0.5 weight percent starting January 1, 2020. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

LNG and Natural Gas Marketing Governmental Regulation

Commodity Futures Trading Commission

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provides for federal regulation of the over-the-counter (“OTC”) derivatives market and entities, such as us, that participate in that market. The regulatory regime created by the Dodd-Frank Act is designed primarily to (1) regulate certain participants in the swaps markets, including entities falling within the categories of “Swap Dealer” and “Major Swap Participant,” (2) require clearing and exchange trading of certain classes of swaps as designated by the Commodity Futures Trading Commission (“CFTC”), (3) increase swap market transparency through robust reporting and recordkeeping requirements, (4) reduce financial risks in the derivatives market by imposing margin or collateral requirements on both cleared and, in certain cases, uncleared swaps, (5) provide the CFTC with expanded authority to establish position limits on certain swaps and future products as it finds necessary and appropriate, and (6) otherwise enhance the rulemaking and enforcement authority of the CFTC and the SEC regarding the derivatives markets. As required by the Dodd-Frank Act, the CFTC, the SEC and other regulators have been promulgating rules and regulations implementing the regulatory provisions of the Dodd-Frank Act, although neither the CFTC nor the SEC has yet adopted or implemented all of the rules required by the Dodd-Frank Act. In addition, the CFTC and its staff regularly issue rule amendments and guidance, policy statements and letters interpreting or taking no-action positions, including time-limited no action positions, regarding the derivatives provisions of the Dodd-Frank Act and the rules of the CFTC under these provisions.

A provision of the Dodd-Frank Act requires the CFTC, in order to diminish or prevent excessive speculation in commodity markets, to adopt rules, as it finds necessary and appropriate, imposing new position limits on certain futures contracts, options contracts and economically equivalent physical commodity swaps and on OTC swaps that perform a significant price discovery function with respect to certain markets. In that regard, the CFTC has proposed position limits rules that would modify and expand the applicability of position limits on the amounts of certain core futures contracts and economically equivalent futures contracts, options contracts and swaps for or linked to certain physical commodities, including Henry Hub natural gas, that market participants may hold, subject to limited exemptions for certain bona fide hedging and other types of transactions. It is uncertain at this time whether, when and in what form the CFTC’s proposed new position limits rules may become final and effective.

Pursuant to rules adopted by the CFTC, six classes of OTC interest rate and credit default swaps must be cleared through a derivatives clearing organization and executed on an exchange or swap execution facility. The CFTC has not yet proposed to designate any other classes of swaps, including swaps relating to physical commodities, for mandatory clearing, but could do so in the future. Although we expect to qualify for the “end-user exception” from the mandatory clearing and exchange-trading requirements applicable to any swaps that we enter into to hedge our commercial risks, the mandatory clearing and exchange-trading requirements may apply to other market participants, including our counterparties (who may be registered as Swap Dealers), with respect to other swaps, and the application of such rules may change the cost and availability of the swaps that we could use for hedging.

As required by provisions of the Dodd-Frank Act, the CFTC and federal banking regulators have adopted rules to require Swap Dealers and Major Swap Participants, including those that are regulated financial institutions, to collect initial and variation margin with respect to uncleared swaps from their counterparties that are financial end-users, registered Swap Dealers or Major Swap Participants. These rules do not require collection of margin from commercial end-users who qualify for the end-user exception from the mandatory clearing requirement or certain other counterparties. We expect to qualify as such a commercial end-user with respect to the swaps that we enter into to hedge our commercial risks. However, the Dodd-Frank Act’s swaps regulatory provisions and the related rules may restrict our ability to monetize such contracts, cause us to restructure certain contracts, reduce the availability of derivatives to protect against risks or to optimize assets, adversely affect our ability to execute our hedging strategies and impact the liquidity of certain swaps products, all of which could increase our business costs.

Under the Commodity Exchange Act as amended by the Dodd-Frank Act, the CFTC is directed generally to prevent manipulation, including by fraudulent or deceptive practices, in two markets: (1) physical commodities traded in interstate commerce, including physical energy and other commodities, as well as (2) financial instruments, such as futures, options and swaps. Pursuant to the Dodd-Frank Act, the CFTC has adopted additional anti-manipulation and anti-disruptive trading practices regulations that prohibit, among other things, manipulative or deceptive schemes in the physical commodities, futures, options and swaps markets. Should we violate these laws and regulations, we could be subject to a CFTC enforcement action and material penalties, possibly resulting in changes in the rates we can charge.

European Market Infrastructure Regulation (“EMIR”)

EMIR is a European Union (“EU”) regulation designed to increase the stability of the OTC derivative markets throughout the EU member states. EMIR regulates OTC derivatives, central counterparties and trade repositories and imposes requirements for certain market participants with respect to derivatives reporting, clearing and risk mitigation. In addition, certain market participants are subject to a central counterparty clearing obligation and collateral requirements. All non-cleared derivatives require risk management, including timely confirmations of transactions, portfolio reconciliation, portfolio compression (when there exist 500 or more OTC derivatives outstanding with a counterparty) and dispute resolution. In addition, standards for the imposition of margin requirements under EMIR were proposed in June 2015, under which the exchange of initial and variation margin in respect of certain non-cleared derivatives would be required, including from non-financial counterparties that are above the EMIR clearing threshold for the class of derivatives involved. Further, for non-cleared derivatives, outstanding contracts must be marked to market value daily or marked to model where conditions necessitate. Other EMIR risk management requirements for non-cleared derivatives are being considered, but those requirements have yet to be finalized.

Under EMIR, covered entities must report all derivatives concluded and any modification or termination of a derivative to a registered or recognized trade repository within one business day of the transaction. Records related to derivatives must be retained for at least five years following termination.

Regulation on Wholesale Energy Market Integrity and Transparency (“REMIT”)

REMIT is an EU regulation that prohibits market manipulation and insider trading in European wholesale energy markets and imposes various obligations on participants in these markets. REMIT requires persons who enter into transactions, including the placing of orders to trade, in one or more wholesale energy markets in the EU to notify the applicable national regulatory authority (“NRA”) of suspected breaches and implement procedures to identify breaches. All market participants, such as us, must disclose inside information and cannot use inside information to buy or sell wholesale energy products for their own account or on behalf of a third party, directly or indirectly, induce others to buy or sell wholesale energy products based on inside information, or disclose such inside information to any other person except in the normal course of employment. Market participants must also register with the relevant NRA (the Office of Gas and Electricity Markets is the NRA in the United Kingdom) and provide a record of wholesale energy market transactions to the European Agency for the Cooperation of Energy Regulators (“ACER”) and information on capacity and utilization for production, storage, consumption or transmission.

Market participants and third parties acting on their behalf are required to report transactions in wholesale energy contracts admitted to trading at organized market places and fundamental data from the European Network of Transmission System Operators for Electricity central information transparency platforms to ACER. Additional records of transactions and fundamental data with respect to the remaining wholesale energy contracts (OTC standard and non-standard supply contracts and transportation contracts) and reportable fundamental data from transmission system operators, storage system operators and LNG system operators had to be provided to ACER as of April 7, 2016.

Markets in Financial Instruments Directive and Regulation (“MiFID II”)

MiFID II refers to an EU directive and regulation (together with supplementary delegated acts) that came into effect on January 3, 2018. Under the current regulatory regime, set out in the Markets in Financial Instruments Directive (“MiFID”), we are exempt from needing authorization of any commodity derivative trading activities. MiFID II will narrow the scope of exemptions currently available under MiFID and broaden the directive’s application to the trading of MiFID commodity derivatives that can be physically settled and are traded on an organized trading facility, in addition to those that are traded on regulated markets or multilateral trading facilities.

To the extent that we trade on our own account in MiFID commodity derivatives after MiFID II comes into force, we expect to be able to do so without requiring (i) authorization from any competent authority in the EU or (ii) (if and when available) registration with the European Securities and Markets Authority (“ESMA”) as a third country firm by relying, if needed by the relevant licensing laws of the EU jurisdictions in which our counterparties are based, on the “ancillary activity” exemption under MiFID II on the basis that (1) such activity is ancillary to our main business, when considered on a group basis, and that main business is not the provision of investment services or market making in relation to MiFID commodity derivatives; (2) we do not apply a high-frequency algorithmic trading technique; and (3) (if required to do so) we notify the relevant competent authority on an annual basis that we are relying on this exemption and, upon request, report the basis upon which we fall within the exemption. If, however, (x) no general exemption is available to us in the relevant EU jurisdiction in which any of our counterparties are based, (y) we are unable to meet the ancillary activity exemption, and (z) no other MiFID II exemption is available to us, we will need to become either authorized by the appropriate EU competent authority or (if applicable) register with ESMA as a third country firm in order to trade on our own account in MiFID commodity derivatives. Authorization by an EU competent authority would require our compliance with a variety of prudential and conduct of business rules.

Further, if we were to become authorized under MiFID II, we would be deemed to be a financial counterparty (instead of a non-financial counterparty that is not subject to the EMIR clearing obligation) for the purpose of EMIR. This may require us to clear relevant OTC derivative contracts through a central counterparty and subject us to additional reporting obligations and risk mitigation requirements under EMIR, including collateral exchange and marking transactions either to market or to an approved model.

Irrespective of whether we are required to be authorized or registered under MiFID II we will be directly and indirectly impacted by MiFID II's commodity derivatives position limits and position reporting requirements which include powers given to EU competent authorities to require persons to reduce their commodity derivatives positions.

Market Abuse Regulation ("MAR")

MAR, which came into effect on July 3, 2016, updated and strengthened the previous EU market abuse framework by extending its scope to new markets and by introducing new requirements. MAR's scope was extended to MiFID financial instruments traded on an EU multilateral trading facility and (with effect from MiFID II implementation on January 3, 2018) on an EU organized trading facility as well as other financial instruments the price or value of which depends on, or has an effect on the price or value of financial instruments. The previous EU market abuse framework applied only to financial instruments admitted to trading on formally designated EU regulated markets and their related financial instruments. Further, MAR extends the EU market abuse framework to include behavior in relation to certain EU emission allowances and to certain spot commodity contracts. MAR effectively prohibits market abuse concerning relevant EU securities, derivatives, emission allowance products and certain spot commodity markets. This includes (i) the prohibition of trading in MiFID financial instruments on the basis of inside information, (ii) the improper disclosure of inside information relating to MiFID financial instruments, emission allowances or certain spot commodity contracts and (iii) the manipulation of prices of MiFID financial instruments, certain auctioned emission allowance products and certain spot commodity contracts using a number of prohibited behaviors or techniques.

Local Partners

One of our subsidiaries, Atlantic Distribution Holdings SRL, has entered into a partnership framework agreement (the "PFA"), with DevTech Environment Limited ("DevTech"). We have partnered with DevTech to pursue strategic investment opportunities related to energy, transportation and infrastructure projects in Jamaica with a total projected cost of development, construction or acquisition of no more than \$5 million per project.

Pursuant to the terms of the PFA, when we make an investment related to services provided by DevTech, DevTech will receive 10% of the equity capital in the new investment in exchange for a capital contribution in that proportion. In addition, DevTech will receive profits interests entitling DevTech to 5% of all future distributions once the parties have received a return on the investment equal to their capital contributions. Certain of our subsidiaries have entered into a suite of agreements pursuant to which DevTech became a part owner of our subsidiary NFE North Distribution Limited and received economic interests substantially equivalent to those set forth in the PFA.

Suppliers and Working Capital

We expect to continue to supply our downstream customers with LNG and natural gas sourced from a combination of long-term, LNG contracts with attractive terms, purchases on the open market, and from our Miami Facility.

Due to the nature of our business, we currently carry significant amounts of LNG inventory to meet delivery requirements of customers and assure ourselves of a continuous allotment of goods from suppliers.

Seasonality

Our operations can be affected by seasonal weather, which can temporarily affect our revenues, the delivery of LNG and the construction of our facilities. For example, activity in the Caribbean is often lower during the North Atlantic hurricane season of June through November, although following a hurricane, activity may decrease as there may be business interruptions as a result of damage or destruction to our facilities or the countries in which we operate. Due to these seasonal fluctuations, results of operations for individual quarterly periods may not be indicative of the results that may be realized on an annual basis. In addition, severe winter weather in the Northeast United States may impact the construction of our Pennsylvania Facility and affect the delivery of feedgas to the facility or LNG to and from ports in the region, among other things. Severe weather in Ireland, the Caribbean, Central America or Southern or Western Africa may also delay development of our Terminals under development and related infrastructure.

Our Insurance Coverage

We maintain customary insurance coverage for our business and operations. Our domestic insurance related to property, equipment, automobile, general liability and workers' compensation is provided through policies customary for the business and exposures presented, subject to deductibles typical in the industry. Internationally, we also maintain insurance related to property, equipment, automobile, pollution liability, general liability and the portion of workers' compensation not covered under a governmental program.

We maintain property insurance, including named windstorm and flood, related to the operation of the Miami Facility, the Jamaica Terminals and builders risk insurance at our Terminals and facilities under development. We also maintain pollution liability insurance in the U.S. and other policies in the U.S. and outside of the U.S. customary for our industry. We do not currently maintain political risk insurance in any of the jurisdictions in which we operate.

Our Employees

We had 201 full-time employees as of December 31, 2019.

Property

We lease space for our offices in New York, New York, Miami, Florida and in other regions in which we operate. We own the properties on which our Pennsylvania Facility will be located. Additionally, the properties on which our Terminals, the CHP Plant and Miami Facility are located are generally subject to long-term leases and rights-of-way. Our leased properties are subject to various lease terms and expirations.

Formation Transactions and Structure

NFE was formed as a Delaware limited liability company by New Fortress Energy Holdings on August 6, 2018. NFE is a holding company whose only material asset consists of its indirect membership interests in NFI, which owns all of our operating subsidiaries. NFE is the sole managing member of NFI, is responsible for all operational, management and administrative decisions relating to NFI's business and consolidates financial results of NFI and its subsidiaries.

NFE's initial public offering closed on February 4, 2019 (the "Offering"). In connection with the Offering, NFE issued 20,000,000 Class A shares to the public, representing limited liability company interests with 100% of the economic rights of NFE. In addition, the underwriters of the Offering exercised their option to purchase an additional 837,272 Class A shares. Including the additional Class A shares, NFE issued 20,837,272 Class A shares, representing total proceeds of \$268.0 million, net of underwriting discounts and offering expenses.

Our Class A shares and Class B shares

Our first amended and restated limited liability company agreement (the "operating agreement") provides for two classes of shares, Class A shares and Class B shares, representing limited liability company interests in us. Only the holders of our Class A shares are entitled to participate in any dividends our board of directors may declare. Each Class A share is also entitled to one vote on the limited matters to be voted on by our shareholders.

Class B shares are not entitled to receive dividends but are entitled to vote on the same basis as the Class A shares. Holders of Class A shares and Class B shares vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law. We do not intend to list the Class B shares on any stock exchange. All of our Class B shares are owned by New Fortress Energy Holdings.

Redemption Right

Under the NFI limited liability company agreement (the "NFI LLC Agreement"), New Fortress Energy Holdings and any permitted transferees of New Fortress Energy Holdings' NFI LLC Units, subject to certain limitations, have the right (the "Redemption Right") to cause NFI to acquire all or a portion of their NFI LLC Units for, at NFI's election, (i) Class A shares at a redemption ratio of one Class A share for each NFI LLC Unit redeemed, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (ii) an equivalent amount of cash. As the sole managing member of NFI, our decision to make a cash payment upon the redemption of NFI LLC Units will be made by a committee of disinterested members of our board of directors. Alternatively, upon the exercise of the Redemption Right, NFE (instead of NFI) has the right (the "Call Right") to, for administrative convenience, acquire each tendered NFI LLC Unit directly from the redeeming NFI unitholder for, at its election, (x) one Class A share, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (y) an equivalent amount of cash. In connection with any redemption of NFI LLC Units pursuant to the Redemption Right or our Call Right, the corresponding number of Class B shares will be automatically cancelled.

For purposes of any transfer or exchange of NFI LLC Units initially owned by New Fortress Energy Holdings and our Class B shares, the NFI LLC Agreement and our operating agreement contain provisions effectively linking each NFI LLC Unit with one of our Class B shares. Class B shares cannot be transferred without transferring an equal number of NFI LLC Units and vice versa.

Holding Company Structure

Our post-Offering organizational structure allows New Fortress Energy Holdings to retain a direct equity ownership in NFI, which is classified as a partnership for U.S. federal income tax purposes. Although we were formed as a limited liability company, we have elected to be taxed as a corporation for U.S. federal income tax purposes. Pursuant to our operating agreement and the NFI LLC Agreement, our capital structure and the capital structure of NFI generally replicate one another and provide for customary antidilution mechanisms in order to maintain the one-for-one exchange ratio between the NFI LLC Units and our Class A shares.

Toward a Carbon-Free Future

As we work to reduce emissions for our customers around the world, our long-term goal is to be one of the world's leading providers of carbon-free energy. Today, we believe that natural gas remains the most cost-effective and environmentally-friendly complement for intermittent renewable energy, aiding the growth of these technologies. Over time, we believe that low-cost renewable hydrogen will play an increasingly significant role as a carbon-free fuel to support renewables and displace fossil fuels. We intend to form a division within NFE, called Zero, to pursue initiatives that will position us to capitalize on this emerging industry. With our customer-centric focus and expertise in energy infrastructure, logistics and power, we believe this is a tremendous opportunity for us to positively impact our planet.

Available Information

We are required to file or furnish any annual, quarterly and current reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC, including this Annual Report, at www.sec.gov.

We also make available free of charge through our website, www.newfortressenergy.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website or any other website is not incorporated by reference into, and does not constitute a part of, this Annual Report.

Item 1A. Risk Factors

You should carefully consider the following risk factors together with all of the other information included in this Annual Report, including the information under "Cautionary Statement on Forward-Looking Statements." If any of the following risks were to occur, our business, financial condition and results of operations could be materially adversely affected. Additional risks not presently known to us or that we currently deem immaterial could also materially affect our business. This Annual Report includes forward-looking statements regarding, among other things, our plans, strategies, prospects and projections, both business and financial. As a result, you should not place undue reliance on any such statements included in this Annual Report.

Risks Related to Our Business

We have not yet completed contracting, construction and commissioning of all of our Terminals and Liquefaction Facilities. There can be no assurance that our Terminals and Liquefaction Facilities will operate as expected, or at all.

We have not yet entered into binding construction contracts, issued "final notice to proceed" or obtained all necessary environmental, regulatory, construction and zoning permissions for all of our Terminals and Liquefaction Facilities. There can be no assurance that we will be able to enter into the contracts required for the development of our Terminals and Liquefaction Facilities on commercially favorable terms, if at all, or that we will be able to obtain all of the environmental, regulatory, construction and zoning permissions we need. In particular, we will require agreements with ports proximate to our Liquefaction Facilities capable of handling the transload of LNG directly from our transportation assets to our occupying vessel. If we are unable to enter into favorable contracts or to obtain the necessary regulatory and land use approvals on favorable terms, we may not be able to construct and operate these assets as expected, or at all. Additionally, the construction of these kinds of facilities is inherently subject to the risks of cost overruns and delays. Additionally, there can be no assurance that we will not need to make adjustments to our Terminals and Liquefaction Facilities as a result of the required testing or commissioning of each development, which could cause delays and be costly. Furthermore, if we do enter into the necessary contracts and obtain regulatory approvals for the construction and operation of the Liquefaction Facilities, there can be no assurance that such operations will allow us to successfully export LNG to our facilities, or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations. If we are unable to construct, commission and operate all of our Terminals and Liquefaction Facilities as expected, or, when and if constructed, they do not accomplish the goals described in this Annual Report or our Quarterly Reports, or if we experience delays or cost overruns in construction, our business, operating results, cash flows and liquidity could be materially and adversely affected. Expenses related to our pursuit of contracts and regulatory approvals related to our Terminals and Liquefaction Facilities still under development may be significant and will be incurred by us regardless of whether these assets are ultimately constructed and operational.

We may experience time delays, unforeseen expenses and other complications while developing our projects. These complications can delay the commencement of revenue-generating activities, reduce the amount of revenue we earn and increase our development costs.

Development projects, including our Terminals, Liquefaction Facilities, power plants, and related infrastructure are often developed in multiple stages involving commercial and governmental negotiations, site planning, due diligence, permit requests, environmental impact studies, permit applications and review, marine logistics planning and transportation and end-user delivery logistics. Projects of this type are subject to a number of risks that may lead to delay, increased costs and decreased economic attractiveness. These risks are often increased in foreign jurisdictions, where legal processes, language differences, cultural expectations, currency exchange requirements, political relations with the U.S. government, regulatory reviews, employment laws and diligence requirements can make it more difficult, time-consuming and expensive to develop a project.

A primary focus of our business is the development of projects in foreign jurisdictions, including in locations where we have no prior development experience, and we expect to continue expanding into new jurisdictions in the future. Our inexperience in these jurisdictions creates a meaningful risk that we may experience delays, unforeseen expenses or other obstacles that will cause the projects we are developing to take longer and be more expensive than our initial estimates.

While we plan our projects carefully and attempt to complete them according to timelines and budgets that we believe are feasible, we have experienced time delays and cost overruns in some projects that we have developed previously and may experience similar issues with future projects given the inherent complexity and unpredictability of developing infrastructure projects. For example, we previously expected to commence operations of our San Juan Facility and the converted Units 5 and 6 of the Combined Cycle San Juan Power Plant in San Juan, Puerto Rico in the third quarter of 2019. However, due to construction complexity, the earthquakes which occurred near Puerto Rico in January 2020, and third party delays which impacted each project. We currently expect to commence commercial operations in the first quarter of 2020. Delays in the development beyond our estimated timelines, or amendments or change orders to the construction contracts we have entered into and will enter into in the future, could increase the cost of completion beyond the amounts that we estimate. Increased costs could require us to obtain additional sources of financing to continue development on our estimated development timeline or to fund our operations during such development. Any delay in completion of a facility could cause a delay in the receipt of revenues estimated therefrom or cause a loss of one or more customers in the event of significant delays. As a result of any one of these factors, any significant development delay, whatever the cause, could have a material adverse effect on our business, operating results, cash flows and liquidity.

Our ability to implement our business strategy may be materially and adversely affected by many known and unknown factors.

Our business strategy relies upon our future ability to successfully market natural gas to end-users, develop and maintain cost-effective logistics in our supply chain and construct, develop and operate energy-related infrastructure in the U.S., Jamaica, Mexico, Puerto Rico, Ireland, Angola, Nicaragua and other countries where we do not currently operate. Our strategy assumes that we will be able to expand our operations into other countries, including countries in the Caribbean, enter into long-term GSAs and/or PPAs with end-users, acquire and transport LNG at attractive prices, develop infrastructure, including the Pennsylvania Facility and the CHP Plant, as well as other future projects, into efficient and profitable operations in a timely and cost-effective way, obtain approvals from all relevant federal, state and local authorities, as needed, for the construction and operation of these projects and other relevant approvals and obtain long-term capital appreciation and liquidity with respect to such investments. We cannot assure you if or when we will enter into contracts for the sale of LNG and/or natural gas, the price at which we will be able to sell such LNG and/or natural gas or our costs for such LNG and/or natural gas. Thus, there can be no assurance that we will achieve our target pricing, costs or margins. Our strategy may also be affected by future governmental laws and regulations. Our strategy also assumes that we will be able to enter into strategic relationships with energy end-users, power utilities, LNG providers, shipping companies, infrastructure developers, financing counterparties and other partners. These assumptions are subject to significant economic, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. Additionally, in furtherance of our business strategy, we may acquire operating businesses or other assets in the future. Any such acquisitions would be subject to significant risks and contingencies, including the risk of integration, and we may not be able to realize the benefits of any such acquisitions.

Additionally, our strategy may evolve over time. Our future ability to execute our business strategy is uncertain, and it can be expected that one or more of our assumptions will prove to be incorrect and that we will face unanticipated events and circumstances that may adversely affect our business. Any one or more of the following factors may have a material adverse effect on our ability to implement our strategy and achieve our targets:

- inability to achieve our target costs for the purchase, liquefaction and export of natural gas and/or LNG and our target pricing for long-term contracts;
- failure to develop cost-effective logistics solutions;
- failure to manage expanding operations in the projected time frame;
- inability to structure innovative and profitable energy-related transactions as part of our sales and trading operations and to optimally price and manage position, performance and counterparty risks;
- inability to develop infrastructure, including our Terminals and Liquefaction Facilities, as well as other future projects, in a timely and cost-effective manner;
- inability to attract and retain personnel in a timely and cost-effective manner;
- failure of investments in technology and machinery, such as liquefaction technology or LNG tank truck technology, to perform as expected;
- increases in competition which could increase our costs and undermine our profits;
- inability to source LNG and/or natural gas in sufficient quantities and/or at economically attractive prices;
- failure to anticipate and adapt to new trends in the energy sector in the U.S., Jamaica, the Caribbean, Mexico, Ireland, Nicaragua, Angola and elsewhere;
- increases in operating costs, including the need for capital improvements, insurance premiums, general taxes, real estate taxes and utilities, affecting our profit margins;
- inability to raise significant additional debt and equity capital in the future to implement our strategy as well as to operate and expand our business;
- general economic, political and business conditions in the U.S., Jamaica, the Caribbean, Mexico, Ireland, Nicaragua Angola and in the other geographic areas in which we intend to operate;
- public health crises, such as the coronavirus outbreak beginning in early 2020, which could impact global economic conditions
- inflation, depreciation of the currencies of the countries in which we operate and fluctuations in interest rates;
- failure to win new bids or contracts on the terms, size and within the time frame we need to execute our business strategy;
- failure to obtain approvals from governmental regulators and relevant local authorities for the construction and operation of potential future projects and other relevant approvals;
- existing and future governmental laws and regulations; or
- inability, or failure, of any customer or contract counterparty to perform their contractual obligations to us (for further discussion of counterparty risk, see “—Our current ability to generate cash is substantially dependent upon the entry into and performance by customers under long-term contracts that we have entered into or will enter into in the near future, and we could be materially and adversely affected if any customer fails to perform its contractual obligations for any reason, including nonpayment and nonperformance, or if we fail to enter into such contracts at all.”).

If we experience any of these failures, such failure may adversely affect our financial condition, results of operations and ability to execute our business strategy.

When we invest significant capital to develop a project, we are subject to the risk that the project is not successfully developed and that our customers do not fulfill their payment obligations to us following our capital investment in a project.

A key part of our business strategy is to attract new customers by agreeing to finance and develop new terminals, power plants, liquefaction facilities and related infrastructure in order to win new customer contracts for the supply of natural gas, LNG or power. This strategy requires us to invest capital and time to develop a project in exchange for the ability to sell natural gas, LNG or power and generate fees from customers in the future. When we develop large projects such as terminals, power plants and large liquefaction facilities, our required capital expenditure may be significant, and we typically do not generate meaningful fees from customers until the project has commenced commercial operations, which may take a year or more to achieve. If the project is not successfully developed for any reason, we face the risk of not recovering some or all of our invested capital, which may be significant. If the project is successfully developed, we face the risks that our customers may not fulfill their payment obligations or may not fulfill other performance obligations that impact our ability to collect payment. Our customer contracts and development agreements do not fully protect us against this risk, and in some instances, may not provide any meaningful protection from this risk. This risk is heightened in foreign jurisdictions, particularly if our counterparty is a government or government-related entity because any attempt to enforce our contractual or other rights may involve long and costly litigation where the ultimate outcome is uncertain.

If we invest capital in a project where we do not receive the payments we expect, we will have less capital to invest in other projects, our liquidity, results of operations and financial condition could be materially and adversely affected, and we could face the inability to comply with the terms of our existing debt or other agreements, which would exacerbate these adverse effects.

We have a limited operating history, which may not be sufficient to evaluate our business and prospects.

We have a limited operating history and track record. As a result, our prior operating history and historical financial statements may not be a reliable basis for evaluating our business prospects or the future value of our Class A shares. We commenced operations on February 25, 2014, and we had net losses of approximately \$31.7 million in 2017, \$78.2 million in 2018, and \$204.3 million in 2019. Our strategy may not be successful, and if unsuccessful, we may be unable to modify it in a timely and successful manner. We cannot give you any assurance that we will be able to implement our strategy on a timely basis, if at all, or achieve our internal model or that our assumptions will be accurate. Our limited operating history also means that we continue to develop and implement various policies and procedures including those related to project development planning, operational supply chain planning, data privacy and other matters. We will need to continue to build our team to develop and implement our strategies.

We will continue to incur significant capital and operating expenditures while we develop infrastructure for our supply chain, including for the completion of our Terminals and Liquefaction Facilities under construction, as well as other future projects. We will need to invest significant amounts of additional capital to implement our strategy. We have not yet completed constructing all of our Terminals and Liquefaction Facilities and our strategy includes the construction of additional facilities. Any delays beyond the expected development period for these assets would prolong, and could increase the level of, operating losses and negative operating cash flows. Our future liquidity may also be affected by the timing of construction financing availability in relation to the incurrence of construction costs and other outflows and by the timing of receipt of cash flows under our customer contracts in relation to the incurrence of project and operating expenses. Our ability to generate any positive operating cash flow and achieve profitability in the future is dependent on, among other things, our ability to develop an efficient supply chain and successfully and timely complete necessary infrastructure, including our Terminals and Liquefaction Facilities under construction, and fulfill our gas delivery obligations under our customer contracts.

Our business is dependent upon obtaining substantial additional funding from various sources, which may not be available or may only be available on unfavorable terms.

We believe we will have sufficient liquidity, cash flow from operations and access to additional capital sources to fund our capital expenditures and working capital needs for the next 12 months. In the future, we expect to incur additional indebtedness to assist us in developing our operations and we are considering alternative financing options, including in specific markets, or the opportunistic sale of one of our non-core assets. See “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report for more information on our Credit Agreement, Senior Secured Bonds and Senior Unsecured Bonds. If we are unable to obtain additional funding, approvals or amendments to our existing financings, or if additional funding is only available on terms that we determine are not acceptable to us, we may be unable to fully execute our business plan and our business, financial condition or results of operations may be materially adversely affected. Additionally, we may need to adjust the timing of our planned capital expenditures and facilities development depending on the requirements of our existing financing and availability of such additional funding. Our ability to raise additional capital will depend on financial, economic and market conditions, our progress in executing our business strategy and other factors, many of which are beyond our control. We cannot assure you that such additional funding will be available on acceptable terms, or at all. To the extent that we raise additional equity capital by issuing additional securities at any point in the future, our then-existing shareholders may experience dilution. Debt financing, if available, may subject us to restrictive covenants that could limit our flexibility in conducting future business activities and could result in us expending significant resources to service our obligations. If we are unable to comply with our existing covenants or any additional covenants and service our debt, we may lose control of our business and be forced to reduce or delay planned investments or capital expenditures, sell assets, restructure our operations or submit to foreclosure proceedings, all of which could result in a material adverse effect upon our business.

A variety of factors beyond our control could impact the availability or cost of capital, including domestic or international economic conditions, increases in key benchmark interest rates and/or credit spreads, the adoption of new or amended banking or capital market laws or regulations, the repricing of market risks and volatility in capital and financial markets, risks relating to the credit risk of our customers and the jurisdictions in which we operate, as well as general risks applicable to the energy sector. Our financing costs could increase or future borrowings or equity offerings may be unavailable to us or unsuccessful, which could cause us to be unable to pay or refinance our indebtedness or to fund our other liquidity needs. We also rely on borrowings under our debt instruments to fund our capital expenditures. If any of the lenders in the syndicates backing these debt instruments were unable to perform on its commitments, we may need to seek replacement financing, which may not be available as needed, or may be available in more limited amounts or on more expensive or otherwise unfavorable terms.

We may not be profitable for an indeterminate period of time.

We have a limited operating history and did not commence revenue-generating activities until 2016, and therefore did not achieve profitability as of December 31, 2019. We will need to make a significant initial investment to complete construction and begin operations of each of our Terminals, power plants and Liquefaction Facilities, and we will need to make significant additional investments to develop, improve and operate them, as well as all related infrastructure. We also expect to make significant expenditures and investments in identifying, acquiring and/or developing other future projects. We also expect to incur significant expenses in connection with the launch and growth of our business, including costs for LNG purchases, rail and truck transportation, shipping and logistics and personnel. We will need to raise significant additional debt capital to achieve our goals.

We may not be able to achieve profitability, and if we do, we cannot assure you that we would be able to sustain such profitability in the future. Our failure to achieve or sustain profitability would have a material adverse effect on our business.

Our business is heavily dependent upon our international operations, particularly in Jamaica, and any disruption to those operations would adversely affect us.

Our operations in Jamaica began in October 2016, when our Montego Bay Terminal commenced commercial operations, and continue to grow. Jamaica is subject to political instability, acts of terrorism, natural disasters, in particular hurricanes, extreme weather conditions, crime and similar other risks which may negatively impact our operations in the region. We may also be affected by trade restrictions, such as tariffs or other trade controls. Additionally, tourism is a significant driver of economic activity in the Caribbean. As a result, tourism directly and indirectly affects local demand for our LNG and therefore our results of operations. Trends in tourism in the Caribbean are primarily driven by the economic condition of the tourists' home country or territory, the condition of their destination, and the affordability and desirability of air travel and cruises. Additionally, unexpected factors could reduce tourism at any time, including, local or global economic recessions, terrorism, pandemics, severe weather or natural disasters. If we are unable to continue to leverage on the skills and experience of our international workforce and members of management with experience in the jurisdictions in which we operate to manage such risks, we may be unable to provide LNG at an attractive price and our business could be materially affected.

Because we are currently dependent upon a limited number of customers, the loss of a significant customer could adversely affect our operating results.

A limited number of customers currently represent a substantial majority of our income. Our operating results are currently contingent on our ability to maintain LNG, natural gas, steam and power sales to these customers. At least in the short term, we expect that a substantial majority of our sales will continue to arise from a concentrated number of customers, such as power utilities, railroad companies and industrial end-users. We expect the substantial majority of our revenue for the near future to be from customers in the Caribbean, and as a result, are subject to any risks specific to those customers and the jurisdictions and markets in which they operate. We may be unable to accomplish our business plan to diversify and expand our customer base by attracting a broad array of customers, which could negatively affect our business, results of operations and financial condition.

Our current ability to generate cash is substantially dependent upon the entry into and performance by customers under long-term contracts that we have entered into or will enter into in the near future, and we could be materially and adversely affected if any customer fails to perform its contractual obligations for any reason, including nonpayment and nonperformance, or if we fail to enter into such contracts at all.

Our current results of operations and liquidity are, and will continue to be in the near future, substantially dependent upon performance by JPS, JPC and PREPA, which have each entered into long-term GSAs and, in the case of JPS, a PPA in relation to the power produced at the CHP Plant, with us, and Jamalco, which has entered into a long-term SSA with us. While certain of our long-term contracts contain minimum volume commitments, our expected sales to customers under existing contracts are substantially in excess of such minimum volume commitments. Our near term ability to generate cash is dependent on these customers' continued willingness and ability to continue purchasing our products and services and to perform their obligations under their respective contracts. Their obligations may include certain nomination or operational responsibilities, construction or maintenance of their own facilities which are necessary to enable us to deliver and sell natural gas or LNG, and compliance with certain contractual representations and warranties.

Our credit procedures and policies may be inadequate to sufficiently eliminate risks of nonpayment and nonperformance. In assessing customer credit risk, we use various procedures including background checks which we perform on our potential customers before we enter into a long-term contract with them. As part of the background check, we assess a potential customer's credit profile and financial position, which can include their operating results, liquidity and outstanding debt, and certain macroeconomic factors regarding the region(s) in which they operate. These procedures help us to appropriately assess customer credit risk on a case-by-case basis, but these procedures may not be effective in assessing credit risk in all instances. As part of our business strategy, we intend to target customers who have not been traditional purchasers of natural gas, including customers in developing countries, and these customers may have greater credit risk than typical natural gas purchasers. Therefore, we may be exposed to greater customer credit risk than other companies in the industry. Additionally, we may face difficulties in enforcing our contractual rights against contractual counterparties that have not submitted to the jurisdiction of U.S. courts. Further, adverse economic conditions in our industry increase the risk of nonpayment and nonperformance by customers, particularly customers that have sub-investment grade credit ratings.

In particular, JPS and JPC, which are public utility companies in Jamaica, could be subject to austerity measures imposed on Jamaica by the International Monetary Fund (the "IMF") and other international lending organizations. Jamaica is currently subject to certain public spending limitations imposed by agreements with the IMF, and any changes under these agreements could limit JPS's and JPC's ability to make payments under their long-term GSAs and, in the case of JPS, its ability to make payments under its PPA, with us. In addition, our ability to operate the CHP Plant is dependent on our ability to enforce the related lease. GAJ, one of the lessors, is a subsidiary of Noble Group, which completed a financial restructuring in 2018. If GAJ is involved in a bankruptcy or similar proceeding, such proceeding could negatively impact our ability to enforce the lease. If we are unable to enforce the lease due to the bankruptcy of GAJ or for any other reason, we could be unable to operate the CHP Plant or to execute on our contracts related thereto, which could negatively affect our business, results of operations and financial condition. In addition, PREPA is currently subject to bankruptcy proceedings pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations under its contracts will be largely dependent upon funding from the Federal Emergency Management Agency or other sources. PREPA's contracting practices in connection with restoration and repair of PREPA's electrical grid in Puerto Rico, and the terms of certain of those contracts, have been subject to comment and are the subject of review and hearings by U.S. federal and Puerto Rican governmental entities. In the event that PREPA does not have or does not obtain the funds necessary to satisfy obligations to us under our agreement with PREPA or terminates our agreement prior to the end of the agreed term, our financial condition, results of operations and cash flows could be materially and adversely affected.

If any of these customers fails to perform its obligations under its contract for the reasons listed above or for any other reason, our ability to provide products or services and our ability to collect payment could be negatively impacted, which could materially adversely affect our operating results, cash flow and liquidity, even if we were ultimately successful in seeking damages from such customer for a breach of contract.

Our contracts with our customers are subject to termination under certain circumstances.

Our contracts with our customers contain various termination rights. For example, each of our long-term customer contracts, including the contracts with JPS, JPC, Jamalco and PREPA, contain various termination rights allowing our customers to terminate the contract, including, without limitation:

- upon the occurrence of certain events of force majeure;
- if we fail to make available specified scheduled cargo quantities;
- the occurrence of certain uncured payment defaults;

- the occurrence of an insolvency event;
- the occurrence of certain uncured, material breaches; and
- if we fail to commence commercial operations or achieve financial close within the agreed timeframes.

We may not be able to replace these contracts on desirable terms, or at all, if they are terminated. Contracts that we enter into in the future may contain similar provisions. If any of our current or future contracts are terminated, such termination could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects.

Cyclical or other changes in the demand for and price of LNG and natural gas may adversely affect our business and the performance of our customers and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects.

Our business and the development of energy-related infrastructure and projects generally is based on assumptions about the future availability and price of natural gas and LNG and the prospects for international natural gas and LNG markets. Natural gas and LNG prices have at various times been and may become volatile due to one or more of the following factors:

- additions to competitive regasification capacity in North America, Europe, Asia and other markets, which could divert LNG or natural gas from our business;
- imposition of tariffs by China or any other jurisdiction on imports of LNG from the United States;
- insufficient or oversupply of natural gas liquefaction or export capacity worldwide;
- insufficient LNG tanker capacity;
- weather conditions and natural disasters;
- reduced demand and lower prices for natural gas;
- increased natural gas production deliverable by pipelines, which could suppress demand for LNG;
- decreased oil and natural gas exploration activities, which may decrease the production of natural gas;
- cost improvements that allow competitors to offer LNG regasification services at reduced prices;
- changes in supplies of, and prices for, alternative energy sources such as coal, oil, nuclear, hydroelectric, wind and solar energy, which may reduce the demand for natural gas;
- changes in regulatory, tax or other governmental policies regarding imported or exported LNG, natural gas or alternative energy sources, which may reduce the demand for imported or exported LNG and/or natural gas;
- political conditions in natural gas producing regions;
- adverse relative demand for LNG compared to other markets, which may decrease LNG imports into or exports from North America; and
- cyclical trends in general business and economic conditions that cause changes in the demand for natural gas.

Adverse trends or developments affecting any of these factors, including the timing of the impact of these factors in relation to our purchases and sales of natural gas and LNG – in particular prior to our Pennsylvania Facility becoming operational - could result in increases in the prices we have to pay for natural gas or LNG, which could materially and adversely affect the performance of our customers, and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects. Additionally, in situations where our supply chain has capacity constraints and as a result we are unable to receive all volumes under firm purchase commitments, our supplier may sell volumes of LNG in a mitigation sale to third parties. In these cases, the factors above may impact the price and amount we receive under mitigation sales and we may incur losses that would have an adverse impact on our financial condition, results of operations and cash flows. There can be no assurance we will achieve our target cost or pricing goals. In particular, because we have not currently procured fixed-price, long-term LNG supply to meet all future customer demand, increases in LNG prices and/or shortages of LNG supply could adversely affect our profitability. Additionally, we intend to rely on long-term, largely fixed-price contracts for the feedgas that we need in order to manufacture and sell our LNG. Our actual costs and any profit realized on the sale of our LNG may vary from the estimated amounts on which our contracts for feedgas were originally based. There is inherent risk in the estimation process, including significant changes in the demand for and price of LNG as a result of the factors listed above, many of which are outside of our control.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our existing or future debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness. As of December 31, 2018, we had \$280.0 million of total indebtedness outstanding, excluding deferred financing costs. On January 10, 2020, the Company entered into a Credit Agreement to borrow \$800 million in term loans (the “Credit Agreement”). On January 15, 2020, all outstanding principal and interest under the Term Loan Facility was paid in full, and the remainder of the proceeds of the Credit Agreement increased the Company’s cash on hand available to invest in our development projects. See “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report for more information on our Term Loan Facility, Credit Agreement, Senior Secured Bonds and Senior Unsecured Bonds.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness or operations. We may not be able to implement any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The agreements that govern our indebtedness restrict our ability to dispose of assets and use the proceeds from any such dispositions and our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, lenders under any of our existing and future indebtedness could declare all outstanding principal and interest to be due and payable, the lenders under our debt instruments could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational and financing flexibility and creating default risks.

The agreements governing our indebtedness, including, but not limited to, the Credit Agreement, entered into on January 10, 2020, contain covenants that place restrictions on us and our subsidiaries. The terms governing the Credit Agreement restrict among other things, our and certain of our subsidiaries’ ability to:

- merge, consolidate or transfer all, or substantially all, of our assets;
- incur additional debt or issue preferred shares;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries’ assets;
- sell assets;
- make distributions on or repurchase our shares;
- enter into transactions with affiliates; and
- create dividend restrictions and other payment restrictions that affect our subsidiaries.

In addition, our failure to satisfy certain covenants and tests can result in an event of default. These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. In addition, these covenants could restrict our ability to optimize our capital structure with asset-level debt or equity financings. A breach of any of these covenants could result in an event of default. Cross-default provisions in certain of our agreements mean that an event of default under certain of our commercial agreements could trigger an event of default under one of our other agreements, including our debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable, the lenders under our debt instruments could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

Failure to maintain sufficient working capital could limit our growth and harm our business, financial condition and results of operations.

We have significant working capital requirements, primarily driven by the delay between the purchase of and payment for natural gas and the extended payment terms that we offer our customers. Differences between the date when we pay our suppliers and the date when we receive payments from our customers may adversely affect our liquidity and our cash flows. We expect our working capital needs to increase as our total business increases. If we do not have sufficient working capital, we may not be able to pursue our growth strategy, respond to competitive pressures or fund key strategic initiatives, such as the development of our facilities, which may harm our business, financial condition and results of operations.

Operation of our LNG infrastructure and other facilities that we may construct involves significant risks.

As more fully discussed elsewhere in this Annual Report, our existing facilities and expected future facilities face operational risks, including, but not limited to, the following: performing below expected levels of efficiency, breakdowns or failures of equipment, operational errors by trucks, including trucking accidents while transporting natural gas, tankers or tug operators, operational errors by us or any contracted facility operator, labor disputes and weather-related or natural disaster interruptions of operations.

Any of these risks could disrupt our operations and increase our costs, which would adversely affect our business, operating results, cash flows and liquidity.

The operation of the CHP Plant and other power plants will involve particular, significant risks.

The operation of the CHP Plant and other power plants that we operate in the future will involve particular, significant risks, including, among others: failure to maintain the required power generation license(s) or other permits required to operate the power plants; pollution or environmental contamination affecting operation of the power plants; the inability, or failure, of any counterparty to any plant-related agreements to perform their contractual obligations to us including, but not limited to, the lessor's obligations to us under the CHP Plant lease; and planned and unplanned power outages due to maintenance, expansion and refurbishment. We cannot assure you that future occurrences of any of the events listed above or any other events of a similar or dissimilar nature would not significantly decrease or eliminate the revenues from, or significantly increase the costs of operating, the CHP Plant or other power plants. If the CHP Plant or other power plants are unable to generate or deliver power or steam, as applicable, to our customers, such customers may not be required to make payments under their respective agreements so long as the event continues. Certain customers may have the right to terminate those agreements for certain failures to generate or deliver power or steam, as applicable, and we may not be able to enter into a replacement agreement on terms as favorable as the terminated agreement. In addition, such termination may give rise to termination or other rights under related agreements including related leases. As a consequence, there may be reduced or no revenues from one or more of our power plants, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. .

Global climate change may in the future increase the frequency and severity of weather events and the losses resulting therefrom, which could have a material adverse effect on the economies in the markets in which we operate or plan to operate in the future and therefore on our business.

Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the markets in which we operate and intend to operate, and have created additional uncertainty as to future trends. There is a growing consensus today that climate change increases the frequency and severity of extreme weather events and, in recent years, the frequency of major weather events appears to have increased. We cannot predict whether or to what extent damage that may be caused by natural events, such as severe tropical storms and hurricanes, will affect our operations or the economies in our current or future market areas, but the increased frequency and severity of such weather events could increase the negative impacts to economic conditions in these regions and result in a decline in the value or the destruction of our liquefiers and downstream facilities or affect our ability to transmit LNG. In particular, if one of the regions in which our Terminals are operating or under development is impacted by such a natural catastrophe in the future, it could have a material adverse effect on our business. Further, the economies of such impacted areas may require significant time to recover and there is no assurance that a full recovery will occur. Even the threat of a severe weather event could impact our business, financial condition or the price of our Class A shares.

Hurricanes or other natural or manmade disasters could result in an interruption of our operations, a delay in the completion of our infrastructure projects, higher construction costs or the deferral of the dates on which payments are due under our customer contracts, all of which could adversely affect us.

Storms and related storm activity and collateral effects, or other disasters such as explosions, fires, seismic events, floods or accidents, could result in damage to, or interruption of operations in our supply chain, including at our facilities or related infrastructure, as well as delays or cost increases in the construction and the development of our proposed facilities or other infrastructure. Changes in the global climate may have significant physical effects, such as increased frequency and severity of storms, floods and rising sea levels; if any such effects were to occur, they could have an adverse effect on our marine and coastal operations. Due to the concentration of our current and anticipated operations in Southern Florida and the Caribbean, we are particularly exposed to the risks posed by hurricanes, tropical storms and their collateral effects. For example, the 2017 Atlantic hurricane season caused extensive and costly damage across Florida and the Caribbean, including Puerto Rico. In addition, earthquakes which occurred near Puerto Rico in January 2020 resulted in a temporary delay of development of our Puerto Rico projects. We are unable to predict with certainty the impact of future storms on our customers, our infrastructure or our operations.

If one or more tankers, terminals, pipelines, facilities, equipment or electronic systems that we own, lease or operate or that deliver products to us or that supply our facilities and customers' facilities are damaged by severe weather or any other disaster, accident, catastrophe, terrorist or cyber-attack or event, our operations and construction projects could be delayed and our operations could be significantly interrupted. These delays and interruptions could involve significant damage to people, property or the environment, and repairs could take a week or less for a minor incident to six months or more for a major interruption. Any event that interrupts the revenues generated by our operations or that causes us to make significant expenditures not covered by insurance could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We do not, nor do we intend to, maintain insurance against all of these risks and losses. We may not be able to maintain desired or required insurance in the future at rates that we consider reasonable. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Information technology failures and cyberattacks could affect us significantly.

We rely on electronic systems and networks to communicate, control and manage our operations and prepare our financial management and reporting information. If we record inaccurate data or experience infrastructure outages, our ability to communicate and control and manage our business could be adversely affected.

We face various security threats, including cybersecurity threats from third parties and unauthorized users to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. Our implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to our operations. If we were to experience an attack and our security measures failed, the potential consequences to our business and the communities in which we operate could be significant and could harm our reputation and lead to financial losses from remedial actions, loss of business or potential liability.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.

Our current operations and future projects are subject to the inherent risks associated with LNG, natural gas and power operations, including explosions, pollution, release of toxic substances, fires, seismic events, hurricanes and other adverse weather conditions, and other hazards, each of which could result in significant delays in commencement or interruptions of operations and/or result in damage to or destruction of the our facilities and assets or damage to persons and property. In addition, such operations and the vessels of third parties on which our current operations and future projects may be dependent face possible risks associated with acts of aggression or terrorism. Some of the regions in which we operate are affected by hurricanes or tropical storms. We do not, nor do we intend to, maintain insurance against all of these risks and losses. In particular, we do not carry business interruption insurance for hurricanes and other natural disasters. Therefore, the occurrence of one or more significant events not fully insured or indemnified against could create significant liabilities and losses which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic release of natural gas, marine disaster or natural disasters could result in losses that exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions.

We intend to operate in jurisdictions that have experienced and may in the future experience significant political volatility. Our projects and developments could be negatively impacted by political disruption including risks of delays to our development timelines and delays related to regime change in the jurisdictions in which we intend to operate. We do not carry political risk insurance today. If we choose to carry political risk insurance in the future, it may not be adequate to protect us from loss, which may include losses as a result of project delays or losses as a result of business interruption related to a political disruption. Any attempt to recover from loss from political disruption may be time-consuming and expensive, and the outcome may be uncertain.

Changes in the insurance markets attributable to terrorist attacks or political change may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available may be significantly more expensive than our existing coverage.

From time to time, we may be involved in legal proceedings and may experience unfavorable outcomes.

In the future we may be subject to material legal proceedings in the course of our business, including, but not limited to, actions relating to contract disputes, business practices, intellectual property and other commercial and tax matters. Such legal proceedings may involve claims for substantial amounts of money or for other relief or might necessitate changes to our business or operations, and the defense of such actions may be both time-consuming and expensive. Further, if any such proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations.

Our success depends on key members of our management, the loss of any of whom could disrupt our business operations.

We depend to a large extent on the services of our chief executive officer, Wesley R. Edens, and some of our other executive officers. Mr. Edens does not have an employment agreement with us. The loss of the services of Mr. Edens or one or more of our other key executives could disrupt our operations and increase our exposure to the other risks described in this “Item 1A. Risk Factors.” We do not maintain key man insurance on Mr. Edens or any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

Our construction of energy-related infrastructure is subject to operational, regulatory, environmental, political, legal and economic risks, which may result in delays, increased costs or decreased cash flows.

The construction of energy-related infrastructure, including our Terminals and Liquefaction Facilities, as well as other future projects, involves numerous operational, regulatory, environmental, political, legal and economic risks beyond our control and may require the expenditure of significant amounts of capital during construction and thereafter. These potential risks include, among other things, the following:

- we may be unable to complete construction projects on schedule or at the budgeted cost due to the unavailability of required construction personnel or materials, accidents or weather conditions;
- we may issue change orders under existing or future engineering, procurement and construction (“EPC”) contracts resulting from the occurrence of certain specified events that may give our customers the right to cause us to enter into change orders or resulting from changes with which we otherwise agree;
- we will not receive any material increase in operating cash flows until a project is completed, even though we may have expended considerable funds during the construction phase, which may be prolonged;
- we may construct facilities to capture anticipated future energy consumption growth in a region in which such growth does not materialize;
- the completion or success of our construction projects may depend on the completion of a third-party construction project (e.g., additional public utility infrastructure projects) that we do not control and that may be subject to numerous additional potential risks, delays and complexities;

- the purchase of the project company holding the rights to develop and operate the Ireland Terminal is subject to a number of contingencies, many of which are beyond our control and could cause us not to acquire the remaining interests of the project company or cause a delay in the construction of our Ireland Terminal;
- we may not be able to obtain key permits or land use approvals including those required under environmental laws on terms that are satisfactory for our operations and on a timeline that meets our commercial obligations, and there may be delays, perhaps substantial in length, such as in the event of challenges by citizens groups or non-governmental organizations, including those opposed to fossil fuel energy sources;
- we may be (and have been in select circumstances) subject to local opposition, including the efforts by environmental groups, which may attract negative publicity or have an adverse impact on our reputation; and
- we may be unable to obtain rights-of-way to construct additional energy-related infrastructure or the cost to do so may be uneconomical.

A materialization of any of these risks could adversely affect our ability to achieve growth in the level of our cash flows or realize benefits from future projects, which could have a material adverse effect on our business, financial condition and results of operations.

We expect to be dependent on our primary building contractor and other contractors for the successful completion of our energy-related infrastructure.

Timely and cost-effective completion of our energy-related infrastructure, including our Terminals and Liquefaction Facilities, as well as future projects, in compliance with agreed specifications is central to our business strategy and is highly dependent on the performance of our primary building contractor and our other contractors under our agreements with them. The ability of our primary building contractor and our other contractors to perform successfully under their agreements with us is dependent on a number of factors, including their ability to:

- design and engineer each of our facilities to operate in accordance with specifications;
- engage and retain third-party subcontractors and procure equipment and supplies;
- respond to difficulties such as equipment failure, delivery delays, schedule changes and failures to perform by subcontractors, some of which are beyond their control;
- attract, develop and retain skilled personnel, including engineers;
- post required construction bonds and comply with the terms thereof;
- manage the construction process generally, including coordinating with other contractors and regulatory agencies; and
- maintain their own financial condition, including adequate working capital.

Until and unless we have entered into an EPC contract for a particular project, in which the EPC contractor agrees to meet our planned schedule and projected total costs for a project, we are subject to potential fluctuations in construction costs and other related project costs. Although some agreements may provide for liquidated damages if the contractor fails to perform in the manner required with respect to certain of its obligations, the events that trigger a requirement to pay liquidated damages may delay or impair the operation of the applicable facility, and any liquidated damages that we receive may be delayed or insufficient to cover the damages that we suffer as a result of any such delay or impairment. The obligations of our primary building contractor and our other contractors to pay liquidated damages under their agreements with us are subject to caps on liability, as set forth therein. Furthermore, we may have disagreements with our contractors about different elements of the construction process, which could lead to the assertion of rights and remedies under their contracts and increase the cost of the applicable facility or result in a contractor's unwillingness to perform further work. We may hire contractors to perform work in jurisdictions where they do not have previous experience, or contractors we have not previously hired to perform work in jurisdictions we are beginning to develop, which may lead to such contractors being unable to perform according to its respective agreement. If any contractor is unable or unwilling to perform according to the negotiated terms and timetable of its respective agreement for any reason or terminates its agreement for any reason, we would be required to engage a substitute contractor, which could be particularly difficult in certain of the markets in which we plan to operate. This would likely result in significant project delays and increased costs, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

In addition, if our contractors are unable or unwilling to perform according to their respective agreements with us, our projects may be delayed and we may face contractual consequences in our agreements with our customers, including for development services, the supply of natural gas, LNG or steam and the supply of power. We may be required to pay liquidated damages, face increased expenses or reduced revenue, and may face issues complying with certain covenants in such customer agreements or in our financings. We may not have full protection to seek payment from our contractors to compensate us for such payments and other consequences.

We are relying on third-party engineers to estimate the future rated capacity and performance capabilities of our existing and future facilities, and these estimates may prove to be inaccurate.

We are relying on third parties for the design and engineering services underlying our estimates of the future rated capacity and performance capabilities of our Terminals and Liquefaction Facilities, as well as other future projects. If any of these facilities, when actually constructed, fails to have the rated capacity and performance capabilities that we intend, our estimates may not be accurate. Failure of any of our existing or future facilities to achieve our intended future capacity and performance capabilities could prevent us from achieving the commercial start dates under our customer contracts and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We perform development or construction services from time to time, which are subject to a variety of risks unique to these activities.

From time to time, we may agree to provide development or construction services as part of our customer contracts and such services are subject to a variety of risks unique to these activities. If construction costs of a project exceed original estimates, such costs may have to be absorbed by us, thereby making the project less profitable than originally estimated, or possibly not profitable at all. In addition, a construction project may be delayed due to government or regulatory approvals, supply shortages, or other events and circumstances beyond our control, or the time required to complete a construction project may be greater than originally anticipated. For example, the conversion of Unit 5 and 6 in the Combined Cycle Power Plant in San Juan, Puerto Rico was delayed in part due to the earthquakes that occurred near Puerto Rico in January 2020 and third party delays.

We rely on third-party subcontractors and equipment manufacturers to complete many of our projects. To the extent that we cannot engage subcontractors or acquire equipment or materials in the amounts and at the costs originally estimated, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price contracts, we could experience losses in the performance of these contracts. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason including, but not limited to, the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed.

If any such excess costs or project delays were to be material, such events may adversely affect our cash flow and liquidity.

We may not be able to purchase or receive physical delivery of natural gas in sufficient quantities and/or at economically attractive prices to satisfy our delivery obligations under the GSAs, PPA and SSA, which could have a material adverse effect on us.

Under the GSAs with JPS, JPC and PREPA, we are required to deliver to JPS, JPC and PREPA specified amounts of natural gas at specified times, while under the SSA with Jamalco, we are required to deliver steam, and under the PPA with JPS, we are required to deliver power, each of which also requires us to obtain sufficient amounts of LNG. However, we may not be able to purchase or receive physical delivery of sufficient quantities of LNG to satisfy those delivery obligations, which may provide JPS or JPC or PREPA or Jamalco with the right to terminate its GSA, PPA or SSA, as applicable. In addition, price fluctuations in natural gas and LNG may make it expensive or uneconomical for us to acquire adequate supply of these items or to sell our inventory of natural gas or LNG at attractive prices.

We are dependent upon third-party LNG suppliers and shippers and other tankers and facilities to provide delivery options to and from our tankers and energy-related infrastructure. If LNG were to become unavailable for current or future volumes of natural gas due to repairs or damage to supplier facilities or tankers, lack of capacity, impediments to international shipping or any other reason, our ability to continue delivering natural gas, power or steam to end-users could be restricted, thereby reducing our revenues. Additionally, under tanker charters, we will be obligated to make payments for our chartered tankers regardless of use. We may not be able to enter into contracts with purchasers of LNG in quantities equivalent to or greater than the amount of tanker capacity we have purchased. If any third parties, such as the affiliate of Chesapeake that is party to our Chesapeake GSA, were to default on their obligations under our contracts or seek bankruptcy protection, we may not be able to purchase or receive a sufficient quantity of natural gas in order to satisfy our delivery obligations under our GSAs, PPA and SSA with LNG produced at our own Liquefaction Facilities. Any permanent interruption at any key LNG supply chains that caused a material reduction in volumes transported on or to our tankers and facilities could have a material adverse effect on our business, financial condition, operating results, cash flow, liquidity and prospects.

While we have entered into contracts with a third party to purchase a substantial portion of our currently contracted and expected LNG volumes through 2030, we will need to purchase significant additional LNG volumes to meet our delivery obligations to our downstream customers. Failure to secure contracts for the purchase of a sufficient amount of natural gas could materially and adversely affect our business, operating results, cash flows and liquidity.

Recently, the LNG industry has experienced increased volatility. If market disruptions and bankruptcies of third-party LNG suppliers and shippers negatively impacts our ability to purchase a sufficient amount of LNG or significantly increases our costs for purchasing LNG, our business, operating results, cash flows and liquidity could be materially and adversely affected. There can be no assurances that we will complete the Pennsylvania Facility or be able to supply our facilities with LNG produced at our own facilities. Even if we do complete the Pennsylvania Facility, there can be no assurance that it will operate as we expect or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations.

We face competition based upon the international market price for LNG or natural gas.

Our business is subject to the risk of natural gas and LNG price competition at times when we need to replace any existing customer contract, whether due to natural expiration, default or otherwise, or enter into new customer contracts. Factors relating to competition may prevent us from entering into new or replacement customer contracts on economically comparable terms to existing customer contracts, or at all. Such an event could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. Factors which may negatively affect potential demand for natural gas from our business are diverse and include, among others:

- increases in worldwide LNG production capacity and availability of LNG for market supply;
- increases in demand for natural gas but at levels below those required to maintain current price equilibrium with respect to supply;
- increases in the cost to supply natural gas feedstock to our liquefaction projects;
- increases in the cost to supply LNG feedstock to our facilities;
- decreases in the cost of competing sources of natural gas, LNG or alternate fuels such as coal, heavy fuel oil and ADO;
- decreases in the price of LNG; and
- displacement of LNG or fossil fuels more broadly by alternate fuels or energy sources or technologies (including but not limited to nuclear, wind, solar, biofuels and batteries) in locations where access to these energy sources is not currently available or prevalent.

In addition, we may not be able to successfully execute on our strategy to supply our existing and future customers with LNG produced primarily at our own facilities upon completion of the Pennsylvania Facility. See “—We have not yet completed contracting, construction and commissioning of all of our Terminals and Liquefaction Facilities. There can be no assurance that our Terminals and Liquefaction Facilities will operate as expected, or at all.”

Technological innovation may impair the economic attractiveness of our projects.

The success of our current operations and future projects will depend in part on our ability to create and maintain a competitive position in the natural gas liquefaction industry. In particular, although we plan to build out our delivery logistics chain in Northern Pennsylvania using proven technologies such as those currently in operation at our Miami Facility, we do not have any exclusive rights to any of these technologies. In addition, such technologies may be rendered obsolete or uneconomical by legal or regulatory requirements, technological advances, more efficient and cost-effective processes or entirely different approaches developed by one or more of our competitors or others, which could materially and adversely affect our business, ability to realize benefits from future projects, results of operations, financial condition, liquidity and prospects.

Changes in legislation and regulations could have a material adverse impact on our business, results of operations, financial condition, liquidity and prospects.

Our business is subject to numerous governmental laws, rules, regulations and requires permits that impose various restrictions and obligations that may have material effects on our results of operations. In addition, each of the applicable regulatory requirements and limitations is subject to change, either through new regulations enacted on the federal, state or local level, or by new or modified regulations that may be implemented under existing law. The nature and extent of any changes in these laws, rules, regulations and permits may be unpredictable and may have material effects on our business. Future legislation and regulations or changes in existing legislation and regulations, or interpretations thereof, such as those relating to the liquefaction, storage, or regasification of LNG, or its transportation could cause additional expenditures, restrictions and delays in connection with our operations as well as other future projects, the extent of which cannot be predicted and which may require us to limit substantially, delay or cease operations in some circumstances. Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating costs and restrictions could have an adverse effect on our business, the ability to expand our business, including into new markets, results of operations, financial condition, liquidity and prospects.

Increasing trucking regulations may increase our costs and negatively impact our results of operations.

We are developing a transportation system specifically dedicated to transporting LNG from our Liquefaction Facilities to a nearby port, from which our LNG can be transported to our operations in the Atlantic Basin and elsewhere. This transportation system may include trucks that we or our affiliates own and operate. Any such operations would be subject to various trucking safety regulations, including those which are enacted, reviewed and amended by the Federal Motor Carrier Safety Administration (“FMCSA”). These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, driver licensing, insurance requirements, financial reporting and review of certain mergers, consolidations and acquisitions, and transportation of hazardous materials. To a large degree, intrastate motor carrier operations are subject to state and/or local safety regulations that mirror federal regulations but also regulate the weight and size dimensions of loads.

All federally regulated carriers’ safety ratings are measured through a program implemented by the FMCSA known as the Compliance Safety Accountability (“CSA”) program. The CSA program measures a carrier’s safety performance based on violations observed during roadside inspections as opposed to compliance audits performed by the FMCSA. The quantity and severity of any violations are compared to a peer group of companies of comparable size and annual mileage. If a company rises above a threshold established by the FMCSA, it is subject to action from the FMCSA. There is a progressive intervention strategy that begins with a company providing the FMCSA with an acceptable plan of corrective action that the company will implement. If the issues are not corrected, the intervention escalates to on-site compliance audits and ultimately an “unsatisfactory” rating and the revocation of the company’s operating authority by the FMCSA, which could result in a material adverse effect on our business and consolidated results of operations and financial position.

Any trucking operations would be subject to possible regulatory and legislative changes that may increase our costs. Some of these possible changes include changes in environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive or work in any specific period, onboard black box recorder device requirements or limits on vehicle weight and size.

We may not be able to renew or obtain new or favorable charters or leases, which could adversely affect our business, prospects, financial condition, results of operations and cash flows.

We have obtained long-term leases and corresponding rights-of-way agreements with respect to the land on which the Jamaica Terminals, the pipeline connecting the Montego Bay Terminal to the Bogue Power Plant, the Miami Facility, the San Juan Facility and the CHP Plant are situated. However, we do not own the land. As a result, we are subject to the possibility of increased costs to retain necessary land use rights as well as local law. If we were to lose these rights or be required to relocate, our business could be materially and adversely affected. The Miami Facility is currently located on land we are leasing from an affiliate. Any payments under the existing lease or future modifications or extensions to the lease could involve transacting with an affiliate. We have also entered into LNG tanker charters in order to secure shipping capacity for our import of LNG to the Jamaica Terminals.

Our ability to renew existing charters or leases for our current projects or obtain new charters or leases for our future projects will depend on prevailing market conditions upon expiration of the contracts governing the leasing or charter of the applicable assets. Therefore, we may be exposed to increased volatility in terms of rates and contract provisions. Likewise, our counterparties may seek to terminate or renegotiate their charters or leases with us. If we are not able to renew or obtain new charters or leases in direct continuation, or if new charters or leases are entered into at rates substantially above the existing rates or on terms otherwise less favorable compared to existing contractual terms, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

We may not be able to successfully enter into contracts or renew existing contracts to charter tankers in the future, which may result in us not being able to meet our obligations.

We enter into time charters of ocean-going tankers for the transportation of LNG, which extend for varying lengths of time. We may not be able to successfully enter into contracts or renew existing contracts to charter tankers in the future, which may result in us not being able to meet our obligations. We are also exposed to changes in market rates and availability for tankers, which may affect our earnings. Fluctuations in rates result from changes in the supply of and demand for capacity and changes in the demand for seaborne carriage of commodities. Because the factors affecting the supply and demand are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

We rely on the operation of tankers under our time charters and ship-to-ship kits to transfer LNG between ships. The operation of ocean-going tankers and kits carries inherent risks. These risks include the possibility of:

- natural disasters;
- mechanical failures;
- grounding, fire, explosions and collisions;
- piracy;
- human error; and
- war and terrorism.

We do not currently maintain a redundant supply of ships, ship-to-ship kits or other equipment. As a result, if our current equipment fails, is unavailable or insufficient to service our LNG purchases, production, or delivery commitments we may need to procure new equipment, which may not be available or be expensive to obtain. Any such occurrence could delay the start of operations of facilities we intend to commission, interrupt our existing operations and increase our operating costs. Any of these results could have a material adverse effect on our business, financial condition and operating results.

The operation of LNG carriers is inherently risky, and an incident resulting in significant loss or environmental consequences involving an LNG vessel could harm our reputation and business.

Cargoes of LNG and our chartered vessels are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;
- bad weather;
- mechanical failures;
- environmental accidents;
- grounding, fire, explosions and collisions;
- human error; and
- war and terrorism.

An accident involving our cargoes or any of our chartered vessels could result in any of the following:

- death or injury to persons, loss of property or environmental damage;
- delays in the delivery of cargo;
- loss of revenues;

- termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these circumstances or events could increase our costs or lower our revenues.

If our chartered vessels suffer damage as a result of such an incident, they may need to be repaired. The loss of earnings while these vessels are being repaired would decrease our results of operations. If a vessel we charter were involved in an accident with the potential risk of environmental impacts or contamination, the resulting media coverage could have a material adverse effect on our reputation, our business, our results of operations and cash flows and weaken our financial condition.

Our chartered vessels operating in international waters, now or in the future, will be subject to various international and local laws and regulations relating to protection of the environment.

Our chartered vessels' operations in international waters and in the territorial waters of other countries are regulated by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those governing oil spills, discharges to air and water and the handling and disposal of hazardous substances and wastes. The International Maritime Organization ("IMO") International Convention for the Prevention of Pollution from Ships of 1973, as amended from time to time, and generally referred to as "MARPOL," can affect operations of our chartered vessels. In addition, our chartered LNG vessels may become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea (the "HNS Convention"), adopted in 1996 and subsequently amended by a Protocol to the HNS Convention in April 2010. Other regulations include, but are not limited to, the designation of Emission Control Areas under MARPOL, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended from time to time, the International Convention on Civil Liability for Bunker Oil Pollution Damage, the IMO International Convention for the Safety of Life at Sea of 1974, as amended from time to time, the International Safety Management Code for the Safe Operations of Ships and for Pollution Prevention, the IMO International Convention on Load Lines of 1966, as amended from time to time and the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004.

Moreover, the overall trends are towards more regulations and more stringent requirements which are likely to add to our costs of doing business. For example, the IMO has promulgated regulations limiting the sulfur content of fuel oil for ships to 0.5 weight percent starting January 1, 2020. Likewise, the European Union is considering extending its emissions trading scheme to maritime transport to reduce GHG emissions from vessels. We contract with leading vessel providers in the LNG market and look for them to take the lead in maintaining compliance with all such requirements, although the terms of our charter agreements may call for us to bear some or all of the associated costs. While we believe we are similarly situated with respect to other companies that charter vessels, we cannot assure you that these requirements will not have a material effect on our business.

Our chartered vessels operating in U.S. waters, now or in the future, will also be subject to various federal, state and local laws and regulations relating to protection of the environment, including the OPA, the CERCLA, the CWA and the CAA. In some cases, these laws and regulations require governmental permits and authorizations before conducting certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our chartered vessels' operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, may increase our overall cost of business.

There may be shortages of LNG tankers worldwide, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We rely on ocean-going LNG tankers and freight carriers (for ISO containers) for the movement of LNG. Consequently, our ability to provide services to our customers could be adversely impacted by shifts in tanker market dynamics, shortages in available cargo capacity, changes in policies and practices such as scheduling, pricing, routes of service and frequency of service, or increases in the cost of fuel, taxes and labor, and other factors not within our control. The construction and delivery of LNG tankers require significant capital and long construction lead times, and the availability of the tankers could be delayed to the detriment of our LNG business and our customers because of:

- an inadequate number of shipyards constructing LNG tankers and a backlog of orders at these shipyards;
- political or economic disturbances in the countries where the tankers are being constructed;
- changes in governmental regulations or maritime self-regulatory organizations;
- work stoppages or other labor disturbances at the shipyards;
- bankruptcy or other financial crisis of shipbuilders;
- quality or engineering problems;
- weather interference or a catastrophic event, such as a major earthquake, tsunami or fire; or
- shortages of or delays in the receipt of necessary construction materials.

Changes in ocean freight capacity, which are outside our control, could negatively impact our ability to provide natural gas if LNG shipping capacity is adversely impacted and LNG transportation costs increase because we may bear the risk of such increases and may not be able to pass these increases on to our customers. Material interruptions in service or stoppages in LNG transportation could adversely impact our business, results of operations and financial condition.

Competition in the LNG industry is intense, and some of our competitors have greater financial, technological and other resources than we currently possess.

We operate in the highly competitive area of LNG production and face intense competition from independent, technology-driven companies as well as from both major and other independent oil and natural gas companies and utilities, many of which have been in operation longer than us.

Many competing companies have secured access to, or are pursuing development or acquisition of, LNG facilities in North America. We may face competition from major energy companies and others in pursuing our proposed business strategy to provide liquefaction and export products and services. In addition, competitors have and are developing LNG terminals in other markets, which will compete with our LNG facilities. Some of these competitors have longer operating histories, more development experience, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources than we currently possess. We also face competition for the contractors needed to build our facilities. The superior resources that some of these competitors have available for deployment could allow them to compete successfully against us, which could have a material adverse effect on our business, ability to realize benefits from future projects, results of operations, financial condition, liquidity and prospects.

Failure of LNG to be a competitive source of energy in the markets in which we operate, and seek to operate, could adversely affect our expansion strategy.

Our operations are, and will be, dependent upon LNG being a competitive source of energy in the markets in which we operate. In the United States, due mainly to a historic abundant supply of natural gas and discoveries of substantial quantities of unconventional, or shale, natural gas, imported LNG has not developed into a significant energy source. The success of the domestic liquefaction component of our business plan is dependent, in part, on the extent to which natural gas can, for significant periods and in significant volumes, be produced in the United States at a lower cost than the cost to produce some domestic supplies of other alternative energy sources, and that it can be transported at reasonable rates through appropriately scaled infrastructure.

Potential expansion in the Caribbean and other parts of world where we may operate is primarily dependent upon LNG being a competitive source of energy in those geographical locations. For example, in the Caribbean, due mainly to a lack of regasification infrastructure and an underdeveloped international market for natural gas, natural gas has not yet developed into a significant energy source. The success of our operations in the Caribbean is dependent, in part, on the extent to which LNG can, for significant periods and in significant volumes, be produced internationally and delivered to Caribbean customers at a lower cost than the cost to deliver other alternative energy sources.

Political instability in foreign countries that export LNG, or strained relations between such countries and countries in the Caribbean, may also impede the willingness or ability of LNG suppliers and merchants in such countries to export LNG to the Caribbean. Furthermore, some foreign suppliers of LNG may have economic or other reasons to direct their LNG to non-Caribbean markets or from or to our competitors' LNG facilities. Natural gas also competes with other sources of energy, including coal, oil, nuclear, hydroelectric, wind and solar energy, which may become available at a lower cost in certain markets.

As a result of these and other factors, natural gas may not be a competitive source of energy in the markets we intend to serve or elsewhere. The failure of natural gas to be a competitive supply alternative to oil and other alternative energy sources could adversely affect our ability to deliver LNG or natural gas to our customers in the Caribbean or other locations on a commercial basis.

Any use of hedging arrangements may adversely affect our future operating results or liquidity.

To reduce our exposure to fluctuations in the price, volume and timing risk associated with the purchase of natural gas, we may enter into futures, swaps and option contracts traded or cleared on the Intercontinental Exchange and the New York Mercantile Exchange or over-the-counter (“OTC”) options and swaps with other natural gas merchants and financial institutions. Hedging arrangements would expose us to risk of financial loss in some circumstances, including when:

- expected supply is less than the amount hedged;
- the counterparty to the hedging contract defaults on its contractual obligations; or
- there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received.

The use of derivatives also may require the posting of cash collateral with counterparties, which can impact working capital when commodity prices change. However, we do not currently have any hedging arrangements, and failure to properly hedge our positions against changes in natural gas prices could also have a material adverse effect on our business, financial condition and operating results.

Our risk management strategies cannot eliminate all LNG price and supply risks. In addition, any non-compliance with our risk management strategies could result in significant financial losses.

Our strategy is to maintain a manageable balance between LNG purchases, on the one hand, and sales or future delivery obligations, on the other hand. Through these transactions, we seek to earn a margin for the LNG purchased by selling LNG for physical delivery to third-party users, such as public utilities, shipping/marine cargo companies, industrial users, railroads, trucking fleets and other potential end-users converting from traditional ADO or oil fuel to natural gas. These strategies cannot, however, eliminate all price risks. For example, any event that disrupts our anticipated supply chain could expose us to risk of loss resulting from price changes if we are required to obtain alternative supplies to cover these transactions. We are also exposed to basis risks when LNG is purchased against one pricing index and sold against a different index. Moreover, we are also exposed to other risks, including price risks on LNG we own, which must be maintained in order to facilitate transportation of the LNG to our customers or to our facilities. In addition, our marketing operations involve the risk of non-compliance with our risk management policies. We cannot assure you that our processes and procedures will detect and prevent all violations of our risk management strategies, particularly if deception or other intentional misconduct is involved. If we were to incur a material loss related to commodity price risks, including non-compliance with our risk management strategies, it could have a material adverse effect on our financial position, results of operations and cash flows. There can be no assurance that we will complete the Pennsylvania Facility or be able to supply our facilities and the CHP Plant with LNG produced at our own facilities. Even if we do complete the Pennsylvania Facility, there can be no assurance that it will operate as expected or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations.

We may experience increased labor costs, and the unavailability of skilled workers or our failure to attract and retain qualified personnel could adversely affect us.

We are dependent upon the available labor pool of skilled employees, including truck drivers. We compete with other energy companies and other employers to attract and retain qualified personnel with the technical skills and experience required to construct and operate our energy-related infrastructure and to provide our customers with the highest quality service. In addition, the tightening of the transportation related labor market due to the shortage of skilled truck drivers may affect our ability to hire and retain skilled truck drivers and require us to pay increased wages. Our affiliates in the United States who hire personnel on our behalf are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions. We are also subject to applicable labor regulations in the other jurisdictions in which we operate, including Jamaica. We may face challenges and costs in hiring, retaining and managing our Jamaican and other employee base. A shortage in the labor pool of skilled workers, particularly in Jamaica or the United States, or other general inflationary pressures or changes in applicable laws and regulations, could make it more difficult for us to attract and retain qualified personnel and could require an increase in the wage and benefits packages that we offer, thereby increasing our operating costs. Any increase in our operating costs could materially and adversely affect our business, financial condition, operating results, liquidity and prospects.

Our current lack of asset and geographic diversification could have an adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

The substantial majority of our anticipated revenue in 2020 will be dependent upon our assets and customers in Jamaica and Puerto Rico. Jamaica and Puerto Rico have historically experienced economic volatility and the general condition and performance of their economies, over which we have no control, may affect our business, financial condition and results of operations. Due to our current lack of asset and geographic diversification, an adverse development at the Jamaica Terminals or our San Juan Facility, in the energy industry or in the economic conditions in Jamaica or Puerto Rico, would have a significantly greater impact on our financial condition and operating results than if we maintained more diverse assets and operating areas.

We may incur impairments to long-lived assets.

We test our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Significant negative industry or economic trends, and decline of our market capitalization, reduced estimates of future cash flows for our business segments or disruptions to our business could lead to an impairment charge of our long-lived assets. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance. Projections of future operating results and cash flows may vary significantly from results. In addition, if our analysis results in an impairment to our long-lived assets, we may be required to record a charge to earnings in our consolidated financial statements during a period in which such impairment is determined to exist, which may negatively impact our operating results.

A major health and safety incident involving LNG or the energy industry more broadly or relating to our business may lead to more stringent regulation of LNG operations or the energy business generally, could result in greater difficulties in obtaining permits, including under environmental laws, on favorable terms, and may otherwise lead to significant liabilities and reputational damage.

Health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance from our operations may result in an event that causes personal harm or injury to our employees, other persons, and/or the environment, as well as the imposition of injunctive relief and/or penalties for non-compliance with relevant regulatory requirements or litigation. Any such failure that results in a significant health and safety incident may be costly in terms of potential liabilities, and may result in liabilities that exceed the limits of our insurance coverage. Such a failure, or a similar failure elsewhere in the energy industry (including, in particular, LNG liquefaction, storage, transportation or regasification operations), could generate public concern, which may lead to new laws and/or regulations that would impose more stringent requirements on our operations, have a corresponding impact on our ability to obtain permits and approvals, and otherwise jeopardize our reputation or the reputation of our industry as well as our relationships with relevant regulatory agencies and local communities. Individually or collectively, these developments could adversely impact our ability to expand our business, including into new markets. Similarly, such developments could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

The swaps regulatory and other provisions of the Dodd-Frank Act and the rules adopted thereunder and other regulations, including EMIR and REMIT, could adversely affect our ability to hedge risks associated with our business and our operating results and cash flows.

Title VII of the Dodd-Frank Act established federal regulation of the OTC derivatives market and made other amendments to the Commodity Exchange Act that are relevant to our business. The provisions of Title VII of the Dodd-Frank Act and the rules adopted thereunder by the CFTC, the SEC and other federal regulators may adversely affect our ability to manage certain of our risks on a cost-effective basis. Such laws and regulations may also adversely affect our ability to execute our strategies with respect to hedging our exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory and to price risk attributable to future purchases of natural gas to be utilized as fuel to operate our facilities, our CHP Plant and to secure natural gas feedstock for our Liquefaction Facilities.

The CFTC has proposed new rules setting limits on the positions in certain core futures contracts, economically equivalent futures contracts, options contracts and swaps for or linked to certain physical commodities, including natural gas, held by market participants, with limited exemptions for certain bona fide hedging and other types of transactions. The CFTC has also adopted final rules regarding aggregation of positions, under which a party that controls the trading of, or owns 10% or more of the equity interests in, another party will have to aggregate the positions of the controlled or owned party with its own positions for purposes of determining compliance with position limits unless an exemption applies. The CFTC's aggregation rules are now in effect, though CFTC staff have granted relief—until August 12, 2022—from various conditions and requirements in the final aggregation rules. With the implementation of the final aggregation rules and upon the adoption and effectiveness of final CFTC position limits rules, our ability to execute our hedging strategies described above could be limited. It is uncertain at this time whether, when and in what form the CFTC's proposed new position limits rules may become final and effective.

Under the Dodd-Frank Act and the rules adopted thereunder, we may be required to clear through a derivatives clearing organization any swaps into which we enter that fall within a class of swaps designated by the CFTC for mandatory clearing and we could have to execute trades in such swaps on certain trading platforms. The CFTC has designated six classes of interest rate swaps and credit default swaps for mandatory clearing, but has not yet proposed rules designating any other classes of swaps, including physical commodity swaps, for mandatory clearing. Although we expect to qualify for the end-user exception from the mandatory clearing and trade execution requirements for any swaps entered into to hedge our commercial risks, if we fail to qualify for that exception and have to clear such swaps through a derivatives clearing organization, we could be required to post margin with respect to such swaps, our cost of entering into and maintaining such swaps could increase and we would not enjoy the same flexibility with the cleared swaps that we enjoy with the uncleared OTC swaps we may enter. Moreover, the application of the mandatory clearing and trade execution requirements to other market participants, such as Swap Dealers, may change the cost and availability of the swaps that we may use for hedging.

As required by the Dodd-Frank Act, the CFTC and the federal banking regulators have adopted rules requiring certain market participants to collect initial and variation margin with respect to uncleared swaps from their counterparties that are financial end-users and certain registered Swap Dealers and Major Swap Participants. The requirements of those rules are subject to a phased-in compliance schedule, which commenced on September 1, 2016. Although we believe we will qualify as a non-financial end user for purposes of these rules, were we not to do so and have to post margin as to our uncleared swaps in the future, our cost of entering into and maintaining swaps would be increased. In June 2011, the Basel Committee on the Banking Supervision, an international trade body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States and the European Union, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as "Basel III." Our counterparties that are subject to the Basel III capital requirements may increase the cost to us of entering into swaps with them or, although not required to collect margin from us under the margin rules, require us to post collateral with them in connection with such swaps in order to offset their increased capital costs or to reduce their capital costs to maintain those swaps on their balance sheets.

The Dodd-Frank Act also imposes regulatory requirements on swaps market participants, including Swap Dealers and other swaps entities as well as certain regulations on end-users of swaps, including regulations relating to swap documentation, reporting and recordkeeping, and certain business conduct rules applicable to Swap Dealers and other swaps entities. Together with the Basel III capital requirements on certain swaps market participants, these regulations could significantly increase the cost of derivative contracts (including through requirements to post margin or collateral), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against certain risks that we encounter, and reduce our ability to monetize or restructure derivative contracts and to execute our hedging strategies. If, as a result of the swaps regulatory regime discussed above, we were to forgo the use of swaps to hedge our risks, such as commodity price risks that we encounter in our operations, our operating results and cash flows may become more volatile and could be otherwise adversely affected.

EMIR may result in increased costs for OTC derivative counterparties and also lead to an increase in the costs of, and demand for, the liquid collateral that EMIR requires central counterparties to accept. Although we expect to qualify as a non-financial counterparty under EMIR and thus not be required to post margin under EMIR, our subsidiaries and affiliates operating in the Caribbean may still be subject to increased regulatory requirements, including recordkeeping, marking to market, timely confirmations, derivatives reporting, portfolio reconciliation and dispute resolution procedures. Regulation under EMIR could significantly increase the cost of derivatives contracts, materially alter the terms of derivatives contracts and reduce the availability of derivatives to protect against risks that we encounter. The increased trading costs and collateral costs may have an adverse impact on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Our subsidiaries and affiliates operating in the Caribbean may be subject to REMIT as wholesale energy market participants. This classification imposes increased regulatory obligations on our subsidiaries and affiliates, including a prohibition to use or disclose insider information or to engage in market manipulation in wholesale energy markets, and an obligation to report certain data. These regulatory obligations may increase the cost of compliance for our business and if we violate these laws and regulations, we could be subject to investigation and penalties.

Failure to obtain and maintain permits, approvals and authorizations from governmental and regulatory agencies on favorable terms with respect to the design, construction and operation of our facilities could impede operations and construction and could have a material adverse effect on us.

The design, construction and operation of energy-related infrastructure, including our existing and proposed facilities, the import and export of LNG and the transportation of natural gas, are highly regulated activities at the federal, state and local levels. Approvals of the DOE under Section 3 of the NGA, as well as several other material governmental and regulatory permits, approvals and authorizations, including under the CAA and the CWA and their state analogues, may be required in order to construct and operate an LNG facility and export LNG. Permits, approvals and authorizations obtained from the DOE and other federal and state regulatory agencies also contain ongoing conditions, and additional requirements may be imposed. Certain federal permitting processes may trigger the requirements of the National Environmental Policy Act (“NEPA”), which requires federal agencies to evaluate major agency actions that have the potential to significantly impact the environment. Compliance with NEPA may extend the time and/or increase the costs for obtaining necessary governmental approvals associated with our operations and create independent risk of legal challenges to the adequacy of the NEPA analysis, which could result in delays that may adversely affect our business, contracts, financial condition, operating results, cash flow, liquidity and profitability. In January 2020, the White House Council on Environmental Quality issued a proposed revision to NEPA regulations; however, the final form or impacts of any such revisions are uncertain at this time and any such regulations are likely to be challenged in court. We may also be subject to additional requirements in Jamaica, Mexico, Ireland, Nicaragua, Angola or other jurisdictions, including with respect to land use approvals needed to construct and operate our facilities.

We cannot control the outcome of any review and approval process, including whether or when any such permits, approvals and authorizations will be obtained, the terms of their issuance, or possible appeals or other potential interventions by third parties that could interfere with our ability to obtain and maintain such permits, approvals and authorizations or the terms thereof. If we are unable to obtain and maintain such permits, approvals and authorizations on favorable terms, we may not be able to recover our investment in our projects and may be subject to financial penalties under our customer and other agreements. Many of these permits, approvals and authorizations require public notice and comment before they can be issued, which can lead to delays to respond to such comments, and even potentially to revise the permit application. There is no assurance that we will obtain and maintain these governmental permits, approvals and authorizations on favorable terms, or that we will be able to obtain them on a timely basis, and failure to obtain and maintain any of these permits, approvals or authorizations could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects. Moreover, many of these permits, approvals and authorizations are subject to administrative and judicial challenges, which can delay and protract the process for obtaining and implementing permits and can also add significant costs and uncertainty.

Existing and future environmental, health and safety laws and regulations could result in increased compliance costs or additional operating costs or construction costs and restrictions.

Our business is now and will in the future be subject to extensive federal, state and local laws and regulations both in the United States and in other jurisdictions where we operate. These requirements regulate and restrict, among other things: the siting and design of our facilities; discharges to air, land and water, with particular respect to the protection of human health, the environment and natural resources and safety from risks associated with storing, receiving and transporting LNG; the handling, storage and disposal of hazardous materials, hazardous waste and petroleum products; and remediation associated with the release of hazardous substances. For example, PHMSA has promulgated detailed regulations governing LNG facilities under its jurisdiction to address siting, design, construction, equipment, operations, maintenance, personnel qualifications and training, fire protection and security. While the Miami Facility is subject to these regulations, none of our LNG facilities currently under development are subject to PHMSA’s jurisdiction, but state and local regulators can impose similar siting, design, construction and operational requirements. In addition, the U.S. Coast Guard regulations require certain security and response plans, protocols and trainings to mitigate and reduce the risk of intentional or accidental impacts to energy transportation and production infrastructure located in certain domestic ports.

Federal and state laws impose liability, without regard to fault or the lawfulness of the original conduct, for the release of certain types or quantities of hazardous substances into the environment. As the owner and operator of our facilities, we could be liable for the costs of cleaning up any such hazardous substances that may be released into the environment at or from our facilities and for any resulting damage to natural resources.

Many of these laws and regulations, such as the CAA and the CWA, and analogous state laws and regulations, restrict or prohibit the types, quantities and concentrations of substances that can be emitted into the environment in connection with the construction and operation of our facilities, and require us to obtain and maintain permits and provide governmental authorities with access to our facilities for inspection and reports related to our compliance. For example, the Pennsylvania Department of Environmental Protection laws and regulations will apply to the construction and operation of the Pennsylvania Facility. Relevant local authorities may also require us to obtain and maintain permits associated with the construction and operation of our facilities, including with respect to land use approvals. Failure to comply with these laws and regulations could lead to substantial liabilities, fines and penalties or capital expenditures related to pollution control equipment and restrictions or curtailment of our operations, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Other future legislation and regulations could cause additional expenditures, restrictions and delays in our business and to our proposed construction, the extent of which cannot be predicted and which may require us to limit substantially, delay or cease operations in some circumstances. In October 2017, the U.S. Government Accountability Office issued a legal determination that a 2013 interagency guidance document was a “rule” subject to the Congressional Review Act (“CRA”). This legal determination could open a broader set of agency guidance documents to potential disapproval and invalidation under the CRA, potentially increasing the likelihood that laws and regulations applicable to our business will become subject to revised interpretations in the future that we cannot predict. Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating or construction costs and restrictions could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Greenhouse Gases/Climate Change. The threat of climate change continues to attract considerable attention in the United States and in foreign countries. Numerous proposals have been made and could continue to be made at the international, national, regional and state government levels to monitor and limit existing and future GHG emissions. As a result, our operations are subject to a series of risks associated with the processing, transportation, and use of fossil fuels and emission of GHGs.

In the United States to date, no comprehensive climate change legislation has been implemented at the federal level, although various individual states and state coalitions have adopted or are considering adopting legislation, regulations or other regulatory initiatives, including GHG cap and trade programs, carbon taxes, reporting and tracking programs, and emission restrictions, pollution reduction incentives, or renewable energy or low-carbon replacement fuel quotas. At the international level, the United Nations-sponsored “Paris Agreement” was signed by 195 countries who agreed to limit their GHG emissions through non-binding, individually-determined reduction goals every five years after 2020. Although the United States has announced its withdrawal from such agreement, effective November 4, 2020, other countries where we operate or plan to operate, including Angola, Jamaica, Ireland, Mexico, and Nicaragua, have signed or acceded to this agreement. However, the scope of future domestic climate and GHG emissions-focused regulatory requirements, if any, remain uncertain.

Governmental, scientific, and public concern over the threat of climate change arising from GHG emissions has resulted in increasing political uncertainty in the United States, including climate change related pledges made by certain candidates seeking the office of the President of the United States in 2020. Two critical declarations made by one or more candidates running for the Democratic nomination for President include proposals to take actions banning hydraulic fracturing of oil and natural gas wells and banning new leases for production of minerals on federal properties, including onshore lands and offshore waters. A change in administration as a result of the domestic 2020 Presidential election may lead to legislation, rulemaking, or executive orders that ban or restrict the exploration and production of fossil fuels. Other actions that could be pursued by presidential candidates may include more restrictive requirements for the establishment of pipeline infrastructure or the permitting of LNG export facilities, as well as the reversal of the United States’ withdrawal from the Paris Agreement.

Climate-related litigation and permitting risks are also increasing, as a number of cities, local governments and private organizations have sought to either bring suit against oil and natural gas companies in state or federal court, alleging various public nuisance claims, or seek to challenge permits required for infrastructure development. Fossil fuel producers are also facing general risks of shifting capital availability due to shareholder concern over climate change and potentially stranded assets in the event of future, comprehensive climate and GHG-related regulation. While several of these cases have been dismissed, there is no guarantee how future lawsuits might be resolved.

The adoption and implementation of new or more comprehensive international, federal or state legislation, regulations or other regulatory initiatives that impose more stringent restrictions on GHG emissions could result in increased compliance costs, and thereby reduce demand for or erode value for, the natural gas that we process and market. Additionally, political, litigation, and financial risks may result in reduced natural gas production activities, increased liability for infrastructure damages as a result of climatic changes, or an impaired ability to continue to operate in an economic manner. One or more of these developments could have a material adverse effect on our business, financial condition and results of operation.

The adoption and implementation of any U.S. federal, state or local regulations or foreign regulations imposing obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur significant costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for natural gas and natural gas products. The potential increase in our operating costs could include new costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our GHG emissions, pay taxes related to our GHG emissions, and administer and manage a GHG emissions program. We may not be able to recover such increased costs through increases in customer prices or rates. In addition, changes in regulatory policies that result in a reduction in the demand for hydrocarbon products that are deemed to contribute to GHGs, or restrict their use, may reduce volumes available to us for processing, transportation, marketing and storage. These developments could have a material adverse effect on our financial position, results of operations and cash flows.

Fossil Fuels. Our business activities depend upon a sufficient and reliable supply of natural gas feedstock, and are therefore subject to concerns in certain sectors of the public about the exploration, production and transportation of natural gas and other fossil fuels and the consumption of fossil fuels more generally. Legislative and regulatory action, and possible litigation, in response to such public concerns may also adversely affect our operations. We may be subject to future laws, regulations, or actions to address such public concern with fossil fuel generation, distribution and combustion, greenhouse gases and the effects of global climate change. Our customers may also move away from using fossil fuels such as LNG for their power generation needs for reputational or perceived risk-related reasons. These matters represent uncertainties in the operation and management of our business, and could have a material adverse effect on our financial position, results of operations and cash flows.

Hydraulic Fracturing. Certain of our suppliers of natural gas and LNG employ hydraulic fracturing techniques to stimulate natural gas production from unconventional geological formations (including shale formations), which currently entails the injection of pressurized fracturing fluids (consisting of water, sand and certain chemicals) into a well bore. Moreover, hydraulically fractured natural gas wells account for a significant percentage of the natural gas production in the U.S.; the U.S. Energy Information Administration reported in 2016 that hydraulically fractured wells provided two-thirds of U.S. marketed gas production in 2015. The requirements for permits or authorizations to conduct these activities vary depending on the location where such drilling and completion activities will be conducted. Several states have adopted or are considering adopting regulations to impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing operations, or to ban hydraulic fracturing altogether. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and any conditions which may be imposed in connection with the granting of the permit. Certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. In addition to state laws, some local municipalities have adopted or are considering adopting land use restrictions, such as city ordinances, that may restrict the performance of or prohibit the well drilling in general and/or hydraulic fracturing in particular.

Hydraulic fracturing activities are typically regulated at the state level, but federal agencies have asserted regulatory authority over certain hydraulic fracturing activities and equipment used in the production, transmission and distribution of oil and natural gas, including such oil and natural gas produced via hydraulic fracturing. Federal and state legislatures and agencies may seek to further regulate or even ban such activities. For example, the Delaware River Basin Commission (“DRBC”), a regional body created via interstate compact responsible for, among other things, water quality protection, water supply allocation, regulatory review, water conservation initiatives, and watershed planning in the Delaware River Basin, has implemented a de facto ban on hydraulic fracturing activities in that basin since 2010 pending the approval of new regulations governing natural gas production activity in the basin. More recently, the DRBC has stated that it will consider new regulations that would ban natural gas production activity, including hydraulic fracturing, in the basin. If additional levels of regulation or permitting requirements were imposed on hydraulic fracturing operations, natural gas prices in North America could rise, which in turn could materially adversely affect the relative pricing advantage that has existed in recent years in favor of domestic natural gas prices (based on Henry Hub pricing). Increased regulation or difficulty in permitting of hydraulic fracturing, and any corresponding increase in domestic natural gas prices, could materially adversely affect demand for LNG and our ability to develop commercially viable LNG facilities.

We are subject to numerous governmental export laws and trade and economic sanctions laws and regulations. Our failure to comply with such laws and regulations could subject us to liability and have a material adverse impact on our business, results of operations or financial condition.

We conduct business throughout the world, and our business activities and services are subject to various applicable import and export control laws and regulations of the United States and other countries, particularly countries in the Caribbean, Ireland, Mexico, Angola, Nicaragua and the other countries in which we seek to do business. We must also comply with U.S. trade and economic sanctions laws, including the U.S. Commerce Department’s Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department’s Office of Foreign Assets Control. Although we take precautions to comply with all such laws and regulations, violations of governmental export control and economic sanctions laws and regulations could result in negative consequences to us, including government investigations, sanctions, criminal or civil fines or penalties, more onerous compliance requirements, loss of authorizations needed to conduct aspects of our international business, reputational harm and other adverse consequences. Moreover, it is possible that we could invest both time and capital into a project involving a counterparty who may become subject to sanctions. If any of our counterparties becomes subject to sanctions as a result of these laws and regulations or otherwise, we may face an array of issues, including, but not limited to: having to abandon the related project, being unable to recuperate prior invested time and capital or being subject to law suits, investigations or regulatory proceedings that could be time-consuming and expensive to respond to and which could lead to criminal or civil fines or penalties.

We are also subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (“FCPA”), which generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Some of the jurisdictions in which we currently, or may in the future, operate may present heightened risks for FCPA issues, such as Angola, Nicaragua, Jamaica, Mexico and Puerto Rico. Although we have adopted policies and procedures that are designed to ensure that we, our employees and other intermediaries comply with the FCPA, it is highly challenging to adopt policies and procedures that ensure compliance in all respects with the FCPA, particularly in high-risk jurisdictions. Developing and implementing policies and procedures is a complex endeavor. There is no assurance that these policies and procedures will work effectively all of the time or protect us against liability under anti-corruption laws and regulations, including the FCPA, for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire.

If we are not in compliance with anti-corruption laws and regulations, including the FCPA, we may be subject to costly and intrusive criminal and civil investigations as well significant potential criminal and civil penalties and other remedial measures, including changes or enhancements to our procedures, policies and control, as well as potential personnel change and disciplinary actions. In addition, non-compliance with anti-corruption laws could constitute a breach of certain covenants in operational or debt agreements, and cross-default provisions in certain of our agreements could mean that an event of default under certain of our commercial agreements could trigger an event of default under our other agreements, including our debt agreements. Any adverse finding against us could also negatively affect our relationship and reputation with current and potential customers. The occurrence of any of these events could have a material adverse impact on our business, results of operations, financial condition, liquidity and future business prospects.

In addition, in certain countries we serve or expect to serve our customers through third-party agents and other intermediaries, such as customs agents. Violations of applicable import, export, trade and economic sanctions laws and regulations by these third-party agents or intermediaries may also result in adverse consequences and repercussions to us. There can be no assurance that we and our agents and other intermediaries will be in compliance with export control and economic sanctions laws and regulations in the future. In such event of non-compliance, our business and results of operations could be adversely impacted.

Risks Relating to the Jurisdictions in Which We Operate

We are currently highly dependent upon economic, political and other conditions and developments in the Caribbean, particularly Jamaica, Puerto Rico and the other jurisdictions in which we operate.

We currently conduct a meaningful portion of our business in Jamaica. As a result, our current business, results of operations, financial condition and prospects are materially dependent upon economic, political and other conditions and developments in Jamaica.

We currently have interests and operations in Jamaica and the United States and currently intend to expand into additional markets in the Caribbean (including Puerto Rico), Mexico, Ireland, Angola, Nicaragua and other geographies, and such interests are subject to governmental regulation in each market. The governments in these markets differ widely with respect to structure, constitution and stability and some countries lack mature legal and regulatory systems. To the extent that our operations depend on governmental approval and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in each of the markets in which we operate. Recent political, security and economic changes have resulted in political and regulatory uncertainty in certain countries in which we operate or may pursue operations. Some of these markets have experienced political, security and economic instability in the recent past and may experience instability in the future. In 2019, public demonstrations in Puerto Rico led to the governor’s resignation and the political change interrupted the bidding process for the privatization of PREPA’s transmission and distribution systems. While our operations have not, to date, been impacted by the demonstrations or changes in Puerto Rico’s administration, any cancellation related to or substantial disruption in the development of our San Juan Facility or in our ability to perform our obligations under the Fuel Sale and Purchase Agreement with PREPA could have a material adverse effect on our financial condition, results of operations and cash flows. Furthermore, we cannot predict how our relationship with PREPA could change if PREPA selects a winner in its bidding process for its transmission and distribution system and the system were to become privatized. If such an event were to occur, PREPA may seek to find alternative power sources or purchase substantially less natural gas from us than what we currently expect to sell to PREPA.

Any slowdown or contraction affecting the local economy in a jurisdiction in which we operate could negatively affect the ability of our customers to purchase LNG, natural gas, steam or power from us or to fulfill their obligations under their contracts with us. If the economy in Jamaica or other jurisdictions in which we operate worsens because of, for example:

- lower economic activity;
- an increase in oil, natural gas or petrochemical prices;
- devaluation of the applicable currency;
- higher inflation; or
- an increase in domestic interest rates,

then our business, results of operations, financial condition and prospects may also be significantly affected by actions taken by the government in the jurisdictions in which we operate. Caribbean governments traditionally have played a central role in the economy and continue to exercise significant influence over many aspects of it. They may make changes in policy, or new laws or regulations may be enacted or promulgated, relating to, for example, monetary policy, taxation, exchange controls, interest rates, regulation of banking and financial services and other industries, government budgeting and public sector financing. These and other future developments in the Jamaican economy or in the governmental policies in our Caribbean markets may reduce demand for our products and adversely affect our business, financial condition, results of operations or prospects.

For example, JPS and JPC are subject to the mandate of the OUR. The OUR regulates the amount of money that power utilities in Jamaica, including JPS and JPC, can charge their customers. Though the OUR cannot impact the fixed price we charge our customers for LNG, pricing regulations by the OUR and other similar regulators could negatively impact our customers' ability to perform their obligations under our GSAs and, in the case of JPS, the PPA, which could adversely affect our business, financial condition, results of operations or prospects.

Our development activities and future operations in Nicaragua may be materially affected by political, economic and other uncertainties.

Nicaragua has recently experienced political and economic challenges. Specifically, in 2018, U.S. legislation was approved to restrict U.S. aid to Nicaragua. In 2018 and 2019, U.S. and European governmental authorities imposed a number of sanctions against entities and individuals in or associated with the government of Nicaragua and Venezuela. If any of our counterparties becomes subject to sanctions as a result of these laws and regulations, changes thereto or otherwise, we may face an array of issues, including, but not limited to: having to suspend our development or operations on a temporary or permanent basis, being unable to recuperate prior invested time and capital or being subject to lawsuits, investigations or regulatory proceedings that could be time-consuming and expensive to respond to and which could lead to criminal or civil fines or penalties. There is also a risk of civil unrest, strikes or political turmoil in Nicaragua, and the outcome of any such unrest cannot be predicted.

Our financial condition and operating results may be adversely affected by foreign exchange fluctuations.

Our consolidated financial statements are presented in U.S. dollars. Therefore, fluctuations in exchange rates used to translate other currencies into U.S. dollars will impact our reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the value of our investments and the return on our investments. Additionally, some of the jurisdictions in which we operate may limit our ability to exchange local currency for U.S. dollars.

A portion of our cash flows and expenses may in the future be incurred in currencies other than the U.S. dollar. Our material counterparties' cash flows and expenses may be incurred in currencies other than the U.S. dollar. There can be no assurance that non-U.S. currencies will not be subject to volatility and depreciation or that the current exchange rate policies affecting these currencies will remain the same. We may choose not to hedge, or we may not be effective in efforts to hedge, this foreign currency risk. Depreciation or volatility of the Jamaican dollar against the U.S. dollar or other currencies could cause counterparties to be unable to pay their contractual obligations under our agreements or to lose confidence in us and may cause our expenses to increase from time to time relative to our revenues as a result of fluctuations in exchange rates, which could affect the amount of net income that we report in future periods.

We have operations in multiple jurisdictions and may expand our operations to additional jurisdictions, including jurisdictions in which the tax laws, their interpretation or their administration may change. As a result, our tax obligations and related filings are complex and subject to change, and our after-tax profitability could be lower than anticipated.

We are subject to income, withholding and other taxes in the United States on a worldwide basis and in numerous state, local and foreign jurisdictions with respect to our income and operations related to those jurisdictions. Our after-tax profitability could be affected by numerous factors, including the availability of tax credits, exemptions and other benefits to reduce our tax liabilities, changes in the relative amount of our earnings subject to tax in the various jurisdictions in which we operate, the potential expansion of our business into or otherwise becoming subject to tax in additional jurisdictions, changes to our existing businesses and operations, the extent of our intercompany transactions and the extent to which taxing authorities in the relevant jurisdictions respect those intercompany transactions.

Our after-tax profitability may also be affected by changes in the relevant tax laws and tax rates, regulations, administrative practices and principles, judicial decisions, and interpretations, in each case, possibly with retroactive effect.

Risks Inherent in Owning Class A shares

We are a “controlled company” within the meaning of NASDAQ rules and, as a result, qualify for and intend to rely on exemptions from certain corporate governance requirements.

New Fortress Energy Holdings currently holds a majority of the voting power of our shares. As a result, we are a controlled company within the meaning of NASDAQ corporate governance standards. Under NASDAQ rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors as defined under the rules of NASDAQ;
- the nominating and governance committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

These requirements will not apply to us as long as we remain a controlled company. A controlled company does not need its board of directors to have a majority of independent directors or to form independent compensation and nominating and governance committees. We intend to utilize some or all of these exemptions. Accordingly, shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

New Fortress Energy Holdings has the ability to direct the voting of a majority of our shares, and its interests may conflict with those of our other shareholders.

As of February 27, 2020, New Fortress Energy Holdings owns an aggregate of approximately 144,342,572 Class B shares representing 85.9% of our voting power. In addition, Wesley R. Edens and Randal A. Nardone, who are members of New Fortress Energy Holdings, own 3,278,199 Class A shares and 3,080,000 Class A shares, respectively, representing 13.9% and 13.0% voting power of the Class A shares, respectively. The beneficial ownership of greater than 50% of our voting shares means New Fortress Energy Holdings will be able to control matters requiring shareholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our Class A shares will be able to affect the way we are managed or the direction of our business. The interests of New Fortress Energy Holdings with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other shareholders.

Given this concentrated ownership, New Fortress Energy Holdings would have to approve any potential acquisition of us. The existence of a significant shareholder may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other shareholders to approve transactions that they may deem to be in the best interests of our company. Moreover, New Fortress Energy Holdings’ concentration of share ownership may adversely affect the trading price of our Class A shares to the extent investors perceive a disadvantage in owning shares of a company with a significant shareholder.

Furthermore, in connection with the IPO, we entered into a shareholders' agreement (the "Shareholders' Agreement") with New Fortress Energy Holdings and its affiliates. The Shareholders' Agreement provides New Fortress Energy Holdings or its assignee with the right to designate a certain number of nominees to our board of directors so long as New Fortress Energy Holdings and its affiliates collectively beneficially own at least 5% of the outstanding Class A shares and Class B shares. In addition, our operating agreement provides the Consenting Entities the right to approve certain material transactions so long as the Consenting Entities and their affiliates collectively, directly or indirectly, own at least 30% of the outstanding Class A shares and Class B shares.

In addition, New Fortress Energy Holdings may have different tax positions from us that could influence its decisions regarding whether and when to support the disposition of assets and the incurrence or refinancing of new or existing indebtedness. In addition, the determination of future tax reporting positions, the structuring of future transactions and the handling of any challenge by any taxing authority to our tax reporting positions may take into consideration New Fortress Energy Holdings' tax or other considerations, which may differ from the considerations of NFE or our other shareholders.

Our operating agreement, as well as Delaware law, contains provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A shares and could deprive our investors of the opportunity to receive a premium for their shares.

Our operating agreement authorizes our board of directors to issue preferred shares without shareholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred shares, it could be more difficult for a third party to acquire us. In addition, some provisions of our operating agreement could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our shareholders. These provisions include:

- dividing our board of directors into three classes of directors, with each class serving staggered three-year terms;
- providing that all vacancies, including newly created directorships, may, except as otherwise required by law, or, if applicable, the rights of holders of a series of preferred shares, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- permitting any action by shareholders to be taken only at an annual meeting or special meeting rather than by a written consent of the shareholders, subject to the rights of any series of preferred shares with respect to such rights;
- permitting special meetings of our shareholders to be called only by our board of directors pursuant to a resolution adopted by the affirmative vote of a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships;
- prohibiting cumulative voting in the election of directors;
- establishing advance notice provisions for shareholder proposals and nominations for elections to the board of directors to be acted upon at meetings of the shareholders; and
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our operating agreement.

There are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law ("DGCL") in a manner that may be less protective of the interests of our Class A shareholders.

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. By contrast, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividends, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. By contrast, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

Our operating agreement designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our operating agreement provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is, to the fullest extent permitted by applicable law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders, (iii) any action asserting a claim against us or any of our directors, officers or employees arising pursuant to any provision of the Delaware Limited Liability Company Act or our operating agreement, or (iv) any action asserting a claim against us or any of our directors, officers or employees that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in our Class A shares will be deemed to have notice of, and consented to, the provisions of our operating agreement described in the preceding sentence. This choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it considers more likely to be favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our operating agreement inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, results of operations or prospects.

We do not currently plan to pay cash dividends on our Class A shares. Consequently, a shareholder's only opportunity to achieve a return on its investment is if the price of our Class A shares appreciates.

We do not currently plan to declare regular cash dividends on our Class A shares in the foreseeable future. Consequently, a shareholder's only opportunity to achieve a return on investment in us will be if the shareholder sells its Class A shares at a price greater than it paid for such Class A shares. There is no guarantee that the price of our Class A shares that will prevail in the market will ever exceed the price paid to purchase such Class A shares.

We may issue preferred shares, the terms of which could adversely affect the voting power or value of our Class A shares.

Our operating agreement authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred shares having such designations, preferences, limitations and relative rights, including preferences over our Class A shares respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred shares could adversely impact the voting power or value of our Class A shares. For example, we might grant holders of preferred shares the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred shares could affect the residual value of the Class A shares.

The market price of our Class A shares could be adversely affected by sales of substantial amounts of our Class A shares in the public or private markets or the perception in the public markets that these sales may occur, including sales by New Fortress Energy Holdings after the exercise of the redemption right pursuant to NFI's limited liability company agreement (the "NFI LLC Agreement") or other large holders.

As of February 27, 2020, we have 23,607,096 Class A shares outstanding and 144,342,572 Class B shares outstanding. The Class A shares sold in the IPO are freely tradable without restriction under the Securities Act except for any Class A shares that may be held or acquired by our directors, officers or affiliates, which will be restricted securities under the Securities Act. Under the NFI LLC Agreement, New Fortress Energy Holdings and any permitted transferees of New Fortress Energy Holdings' NFI LLC Units, subject to certain limitations, have the right (the "Redemption Right") to cause NFI to acquire all or a portion of their NFI LLC Units for, at NFI's election, (i) Class A shares at a redemption ratio of one Class A share for each NFI LLC Unit redeemed, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (ii) an equivalent amount of cash. Sales by New Fortress Energy Holdings after the exercise of the Redemption Right or other large holders of a substantial number of our Class A shares in the public markets, or the perception that such sales might occur, could have a material adverse effect on the price of our Class A shares or could impair our ability to obtain capital through an offering of equity securities. In addition, we have agreed to provide registration rights to New Fortress Energy Holdings. Alternatively, we may be required to undertake a future public or private offering of Class A shares and use the net proceeds from such offering to purchase an equal number of NFI LLC Units from New Fortress Energy Holdings.

An active, liquid and orderly trading market for our Class A shares may not be maintained and the price of our Class A shares may fluctuate significantly.

Prior to January 2019, there was no public market for our Class A shares. An active, liquid and orderly trading market for our Class A shares may not be maintained. Active, liquid and orderly trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our Class A shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our Class A shares, you could lose a substantial part or all of your investment in our Class A shares.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements that apply to other public companies, including those relating to auditing standards and disclosure about our executive compensation.

The Jumpstart Our Business Startups Act, or “JOBS Act,” contains provisions that, among other things, relax certain reporting requirements for “emerging growth companies,” including certain requirements relating to auditing standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things, (i) provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (iii) provide certain disclosures regarding executive compensation required of larger public companies, or (iv) hold nonbinding advisory votes on executive compensation. We currently intend to take advantage of the exemptions described above. We have also elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(2) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result, our financial statements may not be comparable to companies that comply with public company effective dates, and our shareholders and potential investors may have difficulty in analyzing our operating results if comparing us to such companies. We will remain an emerging growth company for up to five years, although we will lose that status sooner if we have more than \$1.07 billion of revenues in a fiscal year, have more than \$700.0 million in market value of our Class A shareholders held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our Class A shares to be less attractive as a result, there may be a less active trading market for our Class A shares and our Class A share price may be more volatile.

If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our Class A shares.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a publicly traded company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We cannot be certain that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of the Sarbanes-Oxley Act. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our Class A shares.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company with shares listed on NASDAQ, we are and will be subject to an extensive body of regulations that did not apply to us previously, including certain provisions of the Sarbanes-Oxley Act, the Dodd-Frank Act, regulations of the SEC and NASDAQ requirements. Compliance with these rules and regulations increase our legal, accounting, compliance and other expenses that we did not incur prior to the IPO and has made some activities more time-consuming and costly. For example, as a result of becoming a public company, we added independent directors and created additional board committees. We entered into an administrative services agreement with FIG LLC, an affiliate of Fortress, in connection with the IPO, pursuant to which FIG LLC provides us with certain back-office services and charges us for selling, general and administrative expenses incurred to provide these services. FIG LLC will also continue to provide compliance services for the foreseeable future and any transition will take place over time. In addition, we may incur additional costs associated with our public company reporting requirements and maintaining directors’ and officers’ liability insurance. Because of the limitations in coverage for directors, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. It is possible that our actual incremental costs of being a publicly traded company will be higher than we currently estimate, and the incremental costs may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Class A shares or if our operating results do not meet their expectations, our share price could decline.

The trading market for our Class A shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose viability in the financial markets, which in turn could cause our share price or trading volume to decline.

NFE is a holding company. NFE's sole material asset is its equity interest in NFI, and accordingly, NFE is dependent upon distributions from NFI to pay taxes and cover its corporate and other overhead expenses.

NFE is a holding company and has no material assets other than its equity interest in NFI. NFE has no independent means of generating revenue. To the extent NFI has available cash and subject to the terms of NFI's credit agreements and any other debt instruments, we will cause NFI to make (i) pro rata distributions to holders of NFI LLC Units, including NFE, in an amount sufficient to allow NFE to pay its taxes, (ii) additional pro rata distributions to all holders of NFI LLC Units in an amount generally intended to allow holders of NFI LLC Units (other than NFE) to satisfy their respective income tax liabilities with respect to their allocable share of the income of NFI (based on certain assumptions and conventions and as determined by an entity controlled by Wesley R. Edens and Randal A. Nardone ("NFI Holdings")) and (iii) non pro rata distributions to NFE in an amount at least sufficient to reimburse NFE for its corporate and other overhead expenses. To the extent that NFE needs funds and NFI or its subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of their financing arrangements or are otherwise unable to provide such funds, NFE's liquidity and financial condition could be adversely affected.

In certain circumstances, NFI is required to make tax distributions to holders of NFI LLC Units, and such tax distributions may be substantial. To the extent NFE receives tax distributions in excess of its actual tax liabilities and retains such excess cash, the holders of NFI LLC Units would benefit from such accumulated cash balances if they exercise their Redemption Right.

Pursuant to the NFI LLC Agreement, NFI must make generally pro rata distributions to the holders of NFI LLC Units, including NFE, in an amount sufficient to allow NFE to satisfy its actual tax liabilities. In addition, to the extent NFI has available cash, NFI is required to make additional pro rata tax distributions to all holders of NFI LLC Units in an amount generally intended to allow the holders of NFI LLC Units (other than NFE) to satisfy their assumed tax liabilities with respect to their allocable share of the income of NFI (based on certain assumptions and conventions and as determined by NFI Holdings). For this purpose, the determination of available cash takes into account, among other factors, (i) the existing indebtedness and other obligations of NFI and its subsidiaries and their anticipated borrowing needs, (ii) the ability of NFI and its subsidiaries to take on additional indebtedness on commercially reasonable terms and (iii) any necessary or appropriate reserves.

The amount of such additional tax distributions is determined based on certain assumptions, including assumed income tax rates, and is calculated after taking into account other distributions (including other tax distributions) made by NFI. Additional tax distributions may significantly exceed the actual tax liability for many of the holders of NFI LLC Units, including NFE. If NFE retains the excess cash it receives from such distributions, the holders of NFI LLC Units would benefit from any value attributable to such accumulated cash balances as a result of their exercise of the Redemption Right. However, we intend to take steps to eliminate any material excess cash balances, which could include, but is not necessarily limited to, a distribution of the excess cash to holders of our Class A shares or the reinvestment of such cash in NFI for additional NFI LLC Units.

In addition, the tax distributions that NFI may be required to make may be substantial. In addition, the amount of any additional tax distributions NFI is required to make likely will exceed the tax liabilities that would be owed by a corporate taxpayer similarly situated to NFI. Funds used by NFI to satisfy its obligation to make tax distributions will not be available for reinvestment in our business, except to the extent NFE or certain other holders of NFI LLC Units use any excess cash received to reinvest in NFI for additional NFI LLC Units. In addition, because cash available for additional tax distributions is determined taking into account the ability of NFI and its subsidiaries to take on additional borrowing, NFI may be required to increase its indebtedness in order to fund additional tax distributions. Such additional borrowing may adversely affect our financial condition and business operations by, without limitation, limiting our ability to borrow in the future for other purposes, such as capital expenditures, and increasing our interest expense and leverage ratios.

If NFI were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, significant tax inefficiencies might result.

We intend to operate such that NFI does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A "publicly traded partnership" is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of NFI LLC Units pursuant to the Redemption Right (or, the right of NFE (instead of NFI) upon the exercise of the Redemption Right to, for administrative convenience, acquire each tendered NFI LLC Unit directly from the redeeming unitholder for, at its election, (x) one Class A share, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (y) an equivalent amount of cash (our Call Right, which the decision to exercise such right shall be made by a committee of our board of directors)) or other transfers of NFI LLC Units could cause NFI to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that redemptions or other transfers of NFI LLC Units qualify for one or more such safe harbors. For example, we intend to limit the number of unitholders of NFI, and the NFI LLC Agreement provides for limitations on the ability of unitholders of NFI to transfer their NFI LLC Units and provides us, as managing member of NFI, with the right to impose restrictions (in addition to those already in place) on the ability of unitholders of NFI to redeem their NFI LLC Units pursuant to the Redemption Right to the extent we believe it is necessary to ensure that NFI will continue to be treated as a partnership for U.S. federal income tax purposes.

If NFI were to become a publicly traded partnership, significant tax inefficiencies might result for us and for NFI, including as a result of our inability to file a consolidated U.S. federal income tax return with NFI.

Item 1B. Unresolved Staff Comments.

None.

Item 3. Legal Proceedings.

We are not currently a party to any material legal proceedings. In the ordinary course of business, various legal and regulatory claims and proceedings may be pending or threatened against us. If we become a party to proceedings in the future, we may be unable to predict with certainty the ultimate outcome of such claims and proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Class A shares are traded on the NASDAQ Global Select Market under the symbol “NFE.” On February 27, 2020, there was one holder of record of our Class A shares and one shareholder of record of our Class B shares. This number does not include shareholders whose shares are held for them in “street name” meaning that such shares are held for their accounts by a broker or other nominee. The actual number of beneficial shareholders is greater than the number of holders of record.

Dividends

We have not declared or paid any cash dividends since our inception. We currently intend to retain future earnings, if any, to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations and financial condition, capital requirements, business prospects, statutory and contractual restrictions on our ability to pay dividends, including restrictions contained in our debt agreements, and other factors our board of directors may deem relevant.

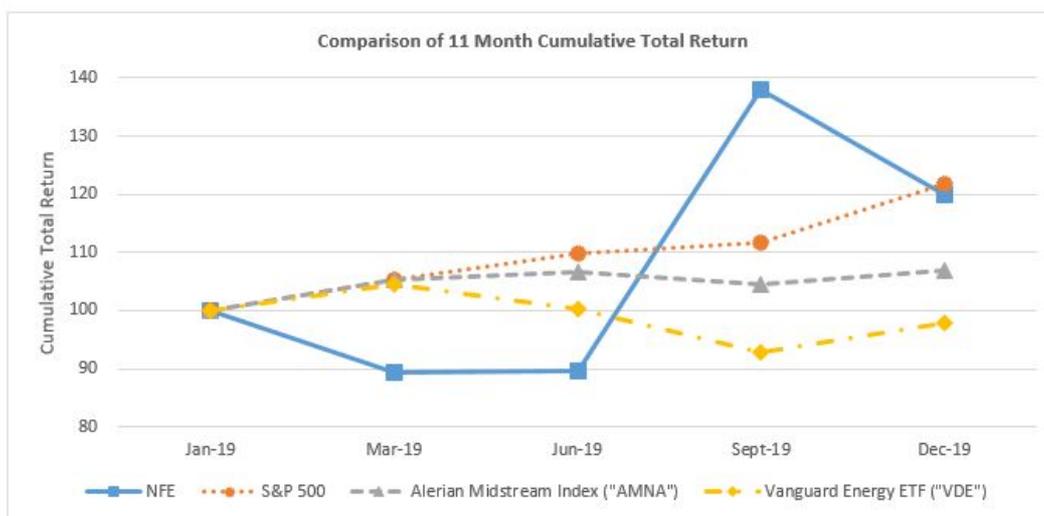
Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item is set forth in the Company’s Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

Share Performance Graph

The following graph compares the cumulative total return to shareholders on our Class A shares relative to the S&P 500, Alerian Midstream Index (“AMNA”) and Vanguard Energy ETF (“VDE”), including reinvestment of dividends. The graph assumes that on January 31, 2019, the date our Class A shares began trading on the NASDAQ, \$100 was invested in our Class A shares and in each index based on the closing market price, and that all dividends were reinvested. The returns shown are based on historical results and are not intended to suggest future performance.

The following Performance Graph and related information is being furnished and shall not be deemed “soliciting material” or “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.



Company / Index	Cumulative Total Return Percentage				
	<u>January 2019(1)</u>	<u>March 2019(1)</u>	<u>June 2019(1)</u>	<u>September 2019(1)</u>	<u>December 2019(1)</u>
NFE	100	89	90	138	120
S&P 500	100	105	110	112	122
Alerian Midstream Index (“AMNA”)	100	105	107	105	107
Vanguard Energy ETF (“VDE”)	100	105	100	93	98

(1) Last trading day of the month

Use of Proceeds from Registered Securities

On February 4, 2019, we completed the IPO of 20,000,000 Class A shares pursuant to our registration statement on Form S-1 (File No. 333-228339) (the “Registration Statement”) declared effective by the SEC on January 30, 2019. In connection with the IPO, Morgan Stanley & Co. LLC, Barclays Capital Inc., Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC acted as representatives of the underwriters; Evercore Group L.L.C. and Allen & Company LLC acted as joint book-running managers; and JMP Securities LLC and Stifel, Nicolaus & Company Incorporated acted as co-managers. The gross proceeds of the IPO, based on a public offering price of \$14.00 per Class A share, were \$280.0 million, which resulted in net proceeds to us of \$257.0 million, after deducting underwriting discounts and commissions and transaction costs. In addition, on March 1, 2019, the underwriters exercised their option to purchase an additional 837,272 Class A shares at the initial offering price of \$14.00 per share, less underwriting discounts, which resulted in \$11.0 million in additional net proceeds after deducting underwriting discounts and commissions, such that there were 20,837,272 outstanding Class A shares. We contributed the net proceeds of the IPO to NFI in exchange for NFI’s issuance to us of 20,837,272 NFI LLC Units. NFI used the net proceeds in connection with the construction of our Terminals, as well as for working capital and general corporate purposes, including the development of future projects. No fees or expenses were paid, directly or indirectly, to any officer, director, 10% unitholder or other affiliate.

Item 6. Selected Financial Data.

The following table presents our selected historical consolidated financial and operating data. NFE was formed on August 6, 2018 and did not have historical financial results. The selected historical financial data as of December 31, 2018, 2017 and 2016 and for the years ended December 31, 2018, 2017 and 2016, prior to the IPO, was derived from the audited historical consolidated financial statements of New Fortress Energy Holdings, our predecessor for financial reporting purposes. Due to the change in organization structure as a result of reorganization transactions completed at the time of our IPO in 2019, the net loss per share and weighted average number of shares outstanding are not presented for the year ended December 31, 2018, 2017 and 2016.

You should read the information set forth below together with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report. The historical financial results are not necessarily indicative of results to be expected for any future periods.

	Year Ended December 31,			
	2019	2018	2017	2016
(In thousands, except share and per share amounts)				
Statements of Operations Data:				
Revenues				
Operating revenue	\$ 145,500	\$ 96,906	\$ 82,104	\$ 18,615
Other revenue	43,625	15,395	15,158	2,780
Total revenues	189,125	112,301	97,262	21,395
Operating expenses				
Cost of sales	183,359	95,742	78,692	22,747
Operations and maintenance	26,899	9,589	7,456	5,205
Selling, general and administrative	152,922	62,137	33,343	18,160
Loss on mitigation sales	5,280	-	-	-
Depreciation and amortization	7,940	3,321	2,761	2,341
Total operating expenses	376,400	170,789	122,252	48,453
Operating loss	(187,275)	(58,488)	(24,990)	(27,058)
Interest expense	19,412	11,248	6,456	5,105
Other income, net	(2,807)	(784)	(301)	(53)
Loss on extinguishment of debt, net	-	9,568	-	1,177
Loss before taxes	(203,880)	(78,520)	(31,145)	(33,287)
Tax expense (benefit)	439	(338)	526	(361)
Net loss	(204,319)	(78,182)	(31,671)	(32,926)
Net loss attributable to non-controlling interest	170,510	106	-	-
Net loss attributable to stockholders	\$ (33,809)	\$ (78,076)	\$ (31,671)	\$ (32,926)
Net loss per share - basic and diluted	\$ (1.62)			
Weighted average number of shares outstanding - basic and diluted	20,862,555			

	As of December 31,			
	2019	2018	2017	2016
Balance Sheet Data (at period end):				
Property, plant and equipment, net	\$ 192,222	\$ 94,040	\$ 69,350	\$ 70,633
Construction in progress	466,587	254,700	35,413	4,668
Total assets	1,123,814	699,402	381,190	389,054
Long-term debt (includes current portion)	619,057	272,192	75,253	80,385
Total liabilities	736,490	416,755	102,280	99,684

	Year Ended December 31,			
	2019	2018	2017	2016
Statements of Cash Flow Data:				
Net cash provided by (used in):				
Operating activities	\$ (234,261)	\$ (93,227)	\$ (54,892)	\$ (43,493)
Investing activities	(376,164)	(184,455)	(29,858)	(98,325)
Financing activities	602,607	260,204	13,960	275,936

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Certain information contained in this discussion and analysis, including information with respect to our plans, strategy, projections and expected timeline for our business and related financing, includes forward-looking statements. Forward-looking statements are estimates based upon current information and involve a number of risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. You should read “Part 1, Item 1A. Risk Factors” and “Cautionary Statement on Forward-Looking Statements” elsewhere in this Annual Report on Form 10-K (“Annual Report”) for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

The comparison of the years ended December 31, 2018 and 2017 can be found in our Annual Report on Form 10-K for the year ended December 31, 2018 located within “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following information should be read in conjunction with our audited consolidated financial statements and accompanying notes included elsewhere in this Annual Report. Our financial statements have been prepared in accordance with GAAP. This information is intended to provide investors with an understanding of our past performance and our current financial condition and is not necessarily indicative of our future performance. Please refer to “—Factors Impacting Comparability of Our Financial Results” for further discussion. Unless otherwise indicated, dollar amounts are presented in thousands.

Unless the context otherwise requires, references to “Company,” “NFE,” “we,” “our,” “us” or like terms refer to New Fortress Energy LLC and its subsidiaries. When used in a historical context that is prior to the completion of NFE’s initial public offering (“IPO”), “Company,” “we,” “our,” “us” or like terms refer to New Fortress Energy Holdings LLC, a Delaware limited liability company (“New Fortress Energy Holdings”), our predecessor for financial reporting purposes.

Overview

We are a global integrated gas-to-power infrastructure company that seeks to use natural gas to satisfy the world’s large and growing power needs. We deliver targeted energy solutions to customers around the world, thereby reducing their energy costs and diversifying their energy resources, while also reducing pollution and generating compelling margins. Our near-term mission is to provide modern infrastructure solutions to create cleaner, reliable energy while generating a positive economic impact worldwide. Our long-term mission is to become one of the world’s leading carbon emission-free independent power providing companies. We discuss this important goal in more detail in “Items 1 and 2: Business and Properties” under “Toward a Carbon-Free Future”.

As an integrated gas-to-power energy infrastructure company, our business model spans the entire production and delivery chain from natural gas procurement and liquefaction to logistics, shipping, terminals and conversion or development of natural gas-fired generation. We currently source LNG from long-term supply agreements with third party suppliers and from our own liquefaction facility in Miami, Florida. We expect that control of our vertical supply chain, from procurement to delivery of LNG, will help to reduce our exposure to future LNG price variations and enable us to supply our existing and future customers with LNG at a price that reinforces our competitive standing in the LNG market. Our strategy is simple: we seek to procure LNG at attractive prices using long-term agreements and through our own production, and we seek to sell natural gas (delivered through LNG infrastructure) or gas-fired power to customers that sign long-term, take-or-pay contracts.

Our Current Operations

Our management team has successfully employed our strategy to secure long-term contracts with significant customers in Jamaica and Puerto Rico, including Jamaica Public Service Company Limited (“JPS”), the sole public utility in Jamaica, South Jamaica Power Company Limited (“JPC”), an affiliate of JPS, Jamalco, a bauxite mining and alumina production in Jamaica, and the Puerto Rico Electric Power Authority (“PREPA”), each of which is described in more detail below. Our assets built to service these significant customers have been designed with capacity to service other customers.

We currently procure our LNG either by purchasing it under a contract from a supplier or by manufacturing it in our natural gas liquefaction and storage facility located in Miami-Dade County, Florida (the “Miami Facility”). Our long-term goal is to develop the infrastructure necessary to supply our existing and future customers with LNG produced primarily at our own facilities, including our expanded delivery logistics chain in Northern Pennsylvania (the “Pennsylvania Facility”).

Montego Bay Terminal

Our storage and regasification terminal in Montego Bay, Jamaica (the “Montego Bay Terminal”) serves as our supply hub for the north side of Jamaica, providing natural gas to JPS to fuel the 145MW Bogue Power Plant in Montego Bay, Jamaica. Our Montego Bay Terminal commenced commercial operations in October 2016 and is capable of processing up to 740,000 LNG gallons (61,000 MMBtu) per day and features approximately 7,000 cubic meters of onsite storage. The Montego Bay Terminal also consists of an ISO loading facility that can transport LNG to numerous on-island industrial users.

Old Harbour Terminal

Our marine LNG storage and regasification terminal in Old Harbour, Jamaica (the “Old Harbour Terminal”) commenced commercial operations in June 2019 and is capable of processing approximately six million gallons of LNG (500,000 MMBtu) per day. The Old Harbour Terminal supplies natural gas to the new 190MW Old Harbour power plant (the “Old Harbour Power Plant”) operated by JPC. The Old Harbour Terminal is also supplying natural gas to our dual-fired combined heat and power facility in Clarendon, Jamaica (the “CHP Plant”). The CHP Plant will supply electricity to JPS under a long-term power purchase agreement. The CHP Plant will also provide steam to Jamalco under a long-term take-or-pay steam supply agreement. We expect that the CHP Plant will begin to deliver energy capacity under the power purchase agreement and steam under the steam supply agreement in the first quarter of 2020.

San Juan Facility

We are finalizing the development of the micro-fuel handling facility in the Port of San Juan, Puerto Rico (the “San Juan Facility”). The San Juan Facility is currently being developed near the San Juan Power Plant and will serve as our supply hub for the San Juan Power Plant and other industrial end-user customers in Puerto Rico. We expect to begin to deliver natural gas under the Fuel Sale and Purchase Agreement with PREPA in the first quarter of 2020.

Miami Facility

Our Miami Facility began operations in April 2016. This facility has liquefaction capacity of approximately 100,000 gallons of LNG (8,300 MMBtu) per day and enables us to produce LNG for sales directly to industrial end-users in southern Florida, including Florida East Coast Railway via our train loading facility, and other customers throughout the Caribbean using ISO containers.

Other Development Projects

We are in the process of developing an LNG regasification terminal at the Port of Pichilingue in Baja California Sur, Mexico (the “La Paz Terminal”). Our La Paz Terminal is expected to supply approximately 455,000 gallons of LNG (37,565 MMBtu) per day, and we have received all necessary permits for onshore construction of the power plant that is expected to produce up to 135 MW.

In February 2020, we entered into a 25-year power purchase agreement with Nicaragua’s electricity distribution companies, and we expect to construct a new approximately 300 MW natural gas-fired power plant that will consume approximately 700,000 gallons of LNG (60,000 MMBtus) per day. In 2019, we signed a memorandum of understanding to develop a terminal in Angola to supply natural gas for power generation, and we are in active discussions to secure a definitive agreement in 2020.

Results of Operations – Year Ended December 31, 2019 compared to Year Ended December 31, 2018 (in thousands)

	Year Ended December 31,		
	2019	2018	Change
Revenues			
Operating revenue	\$ 145,500	\$ 96,906	\$ 48,594
Other revenue	43,625	15,395	28,230
Total revenues	189,125	112,301	76,824
Operating expenses			
Cost of sales	183,359	95,742	87,617
Operations and maintenance	26,899	9,589	17,310
Selling, general and administrative	152,922	62,137	90,785
Loss on mitigation sales	5,280	-	5,280
Depreciation and amortization	7,940	3,321	4,619
Total operating expenses	376,400	170,789	205,611
Operating loss	(187,275)	(58,488)	(128,787)
Interest expense	19,412	11,248	8,164
Other income, net	(2,807)	(784)	(2,023)
Loss on extinguishment of debt	-	9,568	(9,568)
Loss before taxes	(203,880)	(78,520)	(125,360)
Tax expense (benefit)	439	(338)	777
Net loss	\$ (204,319)	\$ (78,182)	\$ (126,137)

Revenues

Operating revenue from LNG and natural gas sales for the year ended December 31, 2019 was \$145,500 which increased by \$48,594 from \$96,906 for the year ended December 31, 2018. The increase was primarily driven by volumes sold from the Old Harbour Terminal and increases in volumes sold to industrial end-users in Jamaica. During the second quarter of 2019, the Old Harbour Terminal commenced commercial operations, and we began to recognize revenue from our contract with JPC, adding \$41,229 in operating revenue for the year ended December 31, 2019.

The increase in operating revenue was also attributable to additional sales at the Montego Bay Terminal. The delivered volume at the Montego Bay Terminal increased by 12.3 million gallons (1.0 TBtu) from 98.2 million gallons (8.1 TBtu) in 2018 to 110.5 million gallons (9.1 TBtu) in 2019. The increase in volumes delivered at the Montego Bay Terminal was primarily attributable to an increase in industrial end-user customers as well as an increase in consumption at an existing customer due to the customer's installation of a new gas turbine that consumes approximately 60,500 gallons (5,000 MMBtu) per day. Of the delivered volumes, 8.8 million gallons (0.8 TBtu) and 3.1 million gallons (0.2 TBtu) were delivered to industrial end-users in 2019 and 2018, respectively.

Other revenue for the year ended December 31, 2019 was \$43,625 which increased \$28,230 from \$15,395 for the year ended December 31, 2018. The increase was primarily due to the recognition of development services revenue of \$27,308 for the year ended December 31, 2019, and this increase included \$11,933 of revenue recognized for the completion of infrastructure projects for customers of the CHP Plant and \$15,375 for the conversion of our customer's infrastructure in Puerto Rico. Development services revenue is recognized from the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities, and such services are included within certain long-term contracts to supply these customers with natural gas or outputs from our gas-fired facilities. We did not have any such projects during the year ended December 31, 2018. The Company also leases certain facilities and equipment, including the Montego Bay Terminal, to its customers which are accounted for either as direct financing leases or operating leases, and the interest recognized from direct financing leases or leasing revenue from operating leases is recognized within Other revenue. The remaining increase in Other revenue for the year ended December 31, 2019 was primarily driven by additional operating leases for equipment by industrial end-users.

Cost of sales

Cost of sales includes the procurement of feedgas or LNG, as well as shipping and logistics costs to deliver LNG or natural gas to our facilities or our customers. Our LNG and natural gas supply are purchased from third parties or converted in our Miami Facility. Costs to convert natural gas to LNG, including labor, depreciation, and other direct costs to operate our Miami Facility are also included in Cost of sales.

Cost of sales for the year ended December 31, 2019 was \$183,359 which increased \$87,617 from \$95,742 for the year ended December 31, 2018. The increase in Cost of sales was primarily attributable to increased costs to purchase LNG from third parties, costs associated with development services, and increased charter costs; costs to produce LNG at our Miami Facility were substantially consistent with the prior year. The weighted-average cost of LNG purchased from third parties increased from \$0.64 per gallon (\$7.72 per MMBtu) in 2018 to \$0.73 per gallon (\$8.81 per MMBtu) in 2019, which is inclusive of boil-off gas. The weighted-average cost of our inventory balance as of December 31, 2019 and 2018 was \$0.64 per gallon (\$7.69 per MMBtu) and \$0.73 per gallon (\$8.84 per MMBtu), respectively. The increase was also attributable to the increase in volumes delivered of 32% compared to the year ended December 31, 2018.

The costs recognized associated with development services were \$24,228 for the year ended December 31, 2019; these costs included \$10,541 of costs associated with the completion of infrastructure projects for customers of the CHP Plant and \$13,687 of costs associated with the conversion of our customer's infrastructure in Puerto Rico. We did not have any such costs during the year ended December 31, 2018.

The Company also incurred an increase in charter costs associated with our expanded charter fleet. Such charter costs increased Cost of sales by \$14,328 for the year ended December 31, 2019 as compared with the year ended December 31, 2018.

Operations and maintenance

Operations and maintenance relates to costs of operating our Montego Bay Terminal, as well as our Miami Facility and Old Harbour Terminal, exclusive of costs to convert that are reflected in Cost of sales. Operations and maintenance for the year ended December 31, 2019 was \$26,899, which increased \$17,310 from \$9,589 for the year ended December 31, 2018. The increase was primarily a result of higher costs associated with the operations of charter vessels, including a storage vessel for Puerto Rico, of \$9,612 in the year ended December 31, 2019, as well as increased operating costs, including higher payroll and insurance expenses, as we continue to expand our operations.

Selling, general and administrative

Selling, general and administrative includes employee travel costs, insurance, and costs associated with development activities for projects that are in initial stages and development is not yet probable. Selling, general and administrative also includes compensation expenses for our corporate employees as well as professional fees for our advisors.

Selling, general and administrative for the year ended December 31, 2019, was \$152,922 which increased \$90,785 from \$62,137 for the year ended December 31, 2018. The increase was primarily attributable to share-based compensation expense of \$40,594, as well as increased headcount as compared to the prior year. The increase was also due to development costs incurred at the Pennsylvania Facility of approximately \$19,500, as well as other development projects that currently do not qualify for capitalization. Such costs incurred in connection with the Pennsylvania Facility may be capitalizable in future periods once we issue a final notice to proceed to our engineering, procurement, and construction contractors. Costs incurred in future periods for other such projects may be capitalizable once we determine that we are fully committed to complete these projects. The remaining change was primarily due to increases in professional fees, payroll, and travel expenses.

Loss on mitigation sales

Loss on mitigation sales for the year ended December 31, 2019 was \$5,280 which was attributable to losses incurred associated with undelivered quantities of LNG under firm purchase commitments due to storage capacity constraints. In these situations, our supplier will attempt to sell the undelivered quantity through a mitigation sale, and the losses incurred under the firm purchases are partially offset by this sale of the undelivered amount to third parties for amounts lower than the contracted price, which resulted in a loss of \$5,280. We did not have such transactions during the year ended December 31, 2018.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2019 was \$7,940, which increased \$4,619 from \$3,321 for the year ended December 31, 2018. The increase is primarily a result of the depreciation of the Old Harbour Terminal which was placed in service in the second quarter of 2019, as well as a full year of amortization of intangible assets from the acquisition of Shannon LNG in November 2018.

Interest expense

Interest expense for the year ended December 31, 2019 was \$19,412, which increased \$8,164 from \$11,248 for the year ended December 31, 2018, primarily as a result of the additional principal balance outstanding since March 2019 under the Term Loan Facility (as defined below). The increase in interest expense was partially offset by an increase in capitalized interest in the amount of \$23,440 for the year ended December 31, 2019 as compared to the year ended December 31, 2018. All additional interest expense incurred in 2019 due to issuance of the Senior Secured Bonds and the Senior Unsecured Bonds (both defined below) was capitalized as part of our construction projects.

Other income, net

Other income, net for the year ended December 31, 2019 was (\$2,807), which increased \$2,023 from (\$784) for the year ended December 31, 2018, primarily as a result of interest income partially offset by the unrealized loss on our investment in equity securities.

Loss on extinguishment of debt, net

Loss on extinguishment of debt was \$0 for the year ended December 31, 2019 as we did not have any such transactions during the year. Loss on extinguishment of debt for the year ended December 31, 2018 was \$9,568 which was primarily a result of the amendment to the Term Loan Facility on December 31, 2018.

Tax expense (benefit)

Tax expense for the year ended December 31, 2019 was \$439, which increased \$777 from a tax benefit of (\$338) for the year ended December 31, 2018 due to decrease in taxable losses in a foreign jurisdiction.

Factors Impacting Comparability of Our Financial Results

Our historical results of operations and cash flows are not indicative of results of operations and cash flows to be expected in the future, principally for the following reasons:

- **Our historical financial results do not include significant projects that are near completion.** Our historical financial statements only include our Montego Bay Terminal, Miami Facility, and certain industrial end-users. The Old Harbour Terminal commenced commercial operations during 2019, and a significant downstream customer of the Old Harbour Terminal, the Old Harbour Power Plant, is expected to be fully operational in 2020. As such, we expect this customer to purchase significant volumes on a take-or-pay basis from the Old Harbour Terminal throughout 2020 and future years. We also expect that the CHP Plant and the San Juan Facility will be fully operational beginning in 2020, and we expect to generate significant revenue from customers of these facilities under long-term contracts beginning in 2020. Our current results also do not include revenue and operating results from other projects under development including the La Paz Terminal, the LNG regasification terminal and power plant in Puerto Sandino, Nicaragua (the “Puerto Sandino Terminal”), the LNG terminal in Angola (the “Angola Terminal”), and the LNG terminal on the Shannon Estuary near Ballylongford, Ireland (the “Ireland Terminal”).
- **Our historical financial results do not reflect the long term LNG supply agreement that will lower the cost of our LNG supply from 2022 to 2030.** We currently purchase the majority of our supply of LNG from third parties. For the years ended December 31, 2019 and 2018, we sourced 93% and 91%, respectively, of our LNG volumes from third parties. Our cost of sales for the year-ended December 31, 2019 reflected an average cost of LNG purchased from third parties of \$0.73 per gallon (\$8.81 per MMBtu), predominately purchased under a firm purchase commitment entered into in December 2018. During 2019, the market price for LNG dropped significantly, and we have executed a firm commitment to purchase 27.5 TBtus annually beginning in 2022 at prices that are expected to be significantly lower than inventory purchased in 2019. Further, we believe that we will take advantage of the current market pricing for LNG to supply our expanding operations, resulting in an overall lower average cost of LNG in future periods.
- **We continue to incur incremental selling, general and administrative expenses related to our transition to a publicly traded company.** We completed our IPO on February 4, 2019, and throughout 2019 we have incurred direct, incremental general and administrative expenses as a result of being a publicly traded company, including costs associated with the employment of additional personnel, compliance with Securities and Exchange Commission rules and regulations, annual and quarterly reports to our common shareholders, registrar and transfer agent fees, national stock exchange fees, audit fees, incremental director and officer liability insurance costs, and director and officer compensation.

Additionally, we have incurred costs associated with the initial implementation of our Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”) Section 404 internal controls. However, at the point that we no longer qualify as an emerging growth company under the JOBS Act (defined below), we expect to incur additional costs associated with providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, as well as additional audit costs resulting from PCAOB requirements.

Liquidity and Capital Resources

We believe we will have sufficient liquidity, cash flow from operations, and access to additional capital sources to fund our capital expenditures and working capital needs for the next 12 months. We expect to fund our current operations and continued development of additional facilities through a combination of cash on hand and additional borrowings from the Senior Secured Bonds, Senior Unsecured Bonds, and the Credit Agreement (all defined below).

Our IPO was completed on February 4, 2019, and we raised net proceeds of \$268,010, inclusive of additional net proceeds raised from the exercise of the underwriter’s option to purchase additional shares and after deducting underwriting discounts and commissions and transaction costs. On March 21, 2019, we drew the remaining availability on our Term Loan Facility (defined below) and had \$495,000 of outstanding principal as of December 31, 2019. On September 5, 2019, we issued approximately \$117,000 in Senior Secured Bonds and Senior Unsecured Bonds, and in December 2019, we issued an additional \$63,000 in Senior Secured Bonds, which was fully funded by January 2020. In January 2020, we borrowed \$800,000 under the Credit Agreement, and repaid the Term Loan Facility in full. No principal payments are due under the Senior Secured and Senior Unsecured Bonds for at least seven years; no principal payments are due under the Credit Agreement until maturity in January 2023.

We have assumed total expenditures for all completed and existing projects to be approximately \$858 million, with approximately \$618 million having already been spent through December 31, 2019. This estimate represents the expenditures necessary to complete construction of the CHP Plant, the San Juan Facility, and the La Paz Terminal, as well as expected expenditures to serve new industrial end-users. We expect to be able to fund all such committed projects with a combination of cash on hand, as well as the proceeds from the Credit Agreement, Senior Secured Bonds, and Senior Unsecured Bonds received after year-end of approximately \$311 million. Through December 31, 2019, we have spent approximately \$165 million to develop the Pennsylvania Facility. Approximately \$20 million of construction and development costs have been expensed as we have not issued a final notice to proceed to our engineering, procurement, and construction contractors. Cost for land, as well as engineering and equipment that could be deployed to other facilities of approximately \$145 million, has been capitalized.

Cash Flows

The following table summarizes the changes to our cash flows for the years ended December 31, 2019 and 2018, respectively:

(in thousands)	Year Ended December 31,		
	2019	2018	Change
Cash flows from:			
Operating activities	\$ (234,261)	\$ (93,227)	\$ (141,034)
Investing activities	(376,164)	(184,455)	(191,709)
Financing activities	602,607	260,204	342,403
Net (decrease) in cash, cash equivalents, and restricted cash	\$ (7,818)	\$ (17,478)	\$ 9,660

Cash (used in) operating activities

Our cash flow used in operating activities was \$234,261 for the year ended December 31, 2019, which increased by \$141,034 from \$93,227 for the year ended December 31, 2018. For both the years ended December 31, 2019 and 2018, we had net losses that comprised a significant portion of cash used in operating activities due to the continued expansion of our business activities. The loss in the year ended December 31, 2019 reflects non-cash share-based compensation expense, which was excluded from the cash used in operating activities. Cash flows used in operating activities for the year ended December 31, 2019 was also significantly impacted by increases in inventories and receivables. The increase in receivables was primarily due to higher LNG and natural gas sales comparing to the year ended December 31, 2018. The remaining increase was mainly attributable to the increases in Other assets related to costs to deliver development services to our customers. These increases were partially offset by increases in other liabilities, partially due to increases in contract liabilities related to a significant customer contract.

Cash (used in) investing activities

Our cash flow used in investing activities was \$376,164 for the year ended December 31, 2019, which increased by \$191,709 from \$184,455 for the year ended December 31, 2018. The increase in cash flow used in investing activities was due to the increase in capital expenditures to complete the Old Harbour Terminal, as well as construction of the CHP Plant, the San Juan Facility, the La Paz Terminal, and the Pennsylvania Facility.

Cash provided by financing activities

Our cash flow provided by financing activities was \$602,607 for the year ended December 31, 2019, which increased by \$342,403 from \$260,204 for the year ended December 31, 2018. The increase in cash flow provided by financing activities is due to the issuance of Senior Secured Bonds and Senior Unsecured Bonds of \$127,856 in September 2019 and December 2019, additional borrowings under the Term Loan Facility of \$220,000 in March 2019, and the net proceeds received from our IPO in February 2019.

Long-Term Debt

The Credit Agreement

On January 10, 2020, the Company entered into a credit agreement to borrow \$800,000 in term loans (the “Credit Agreement”). The Credit Agreement will mature in January 2023 with the full principal balance due upon maturity. Interest is payable quarterly and is based on a LIBOR rate divided by one minus the applicable reserve requirement, subject to a floor of 1.50%, plus a margin of 6.25%. The interest rate margin increases each year of the term by 1.50%. Loans may be prepaid, at the option of the Company, at any time without premium. We have used a portion of the proceeds received to extinguish the Term Loan Facility (defined below).

The Company will be required to comply with certain financial covenants as well as usual and customary affirmative and negative covenants, including limitations on liens and incurring additional indebtedness. The facility also provides for customary events of default and cure provisions.

Proceeds received were net of upfront and structuring fees, which, together with other third party fees and expenses paid in connection with obtaining this financing, will be recorded as a reduction to the principal balance on the consolidated balance sheet.

Term Loan Facility

On August 16, 2018, the Company entered into a credit agreement with a syndicate of two lenders to borrow up to an aggregate principal amount of \$240,000. On December 31, 2018, the Company amended this credit agreement (as amended, the “Term Loan Facility”) to, among other things, (i) increase the amount available for borrowing thereunder from \$240,000 to \$500,000, (ii) extend the initial maturity date to December 31, 2019, (iii) modify certain provisions relating to restrictive covenants and existing financial covenants, and (iv) remove the mandatory prepayment required with the net proceeds received in connection with an IPO. As of December 31, 2018, the outstanding principal balance under the Term Loan Facility was \$280,000.

On March 21, 2019, the Company drew an additional \$220,000, bringing our total outstanding borrowings to \$500,000 under the Term Loan Facility, and as of December 31, 2019, the total principal amount outstanding under the Term Loan Facility was \$495,000.

All borrowings under the Term Loan Facility bore interest at a rate selected by us of either (i) LIBOR divided by one minus the applicable reserve requirement plus a spread of 4% or (ii) subject to a floor of 1%, a Base Rate equal to the higher of (a) the Prime Rate, (b) the Federal Funds Rate plus 1/2 of 1% or (c) the 1-month LIBOR rate plus 1.00% plus a spread of 3.0%. The Term Loan Facility was repayable in quarterly installments of \$1,250 with a balloon payment due at maturity.

The Term Loan Facility was secured by mortgages on certain properties owned by our subsidiaries, in addition to other collateral. The Term Loan Facility was amended in the third quarter of 2019 to allow certain properties of a consolidated subsidiary to secure the Senior Secured Bonds (defined below). We were also required to comply with certain financial covenants and other restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments, and dispositions.

In connection with obtaining the Term Loan Facility and the extinguishment of our prior debt facilities, we recognized a loss on extinguishment of debt of \$9,568 in the consolidated statements of operations and comprehensive loss. The total unamortized deferred financing costs as of December 31, 2018 were \$7,808. In 2019, we paid \$4,400 of additional fees in connection with the \$220,000 draw on the Term Loan Facility. These fees were capitalized as a reduction to the Term Loan Facility on the consolidated balance sheets, and all deferred financing costs associated with the Term Loan Facility were amortized over the term of the Term Loan Facility, through December 31, 2019. As such, there were no unamortized deferred financing costs as of December 31, 2019.

The Term Loan Facility had a maturity date of December 31, 2019 with an option to extend the maturity date for two additional six-month periods. Upon the exercise of each extension option, we would pay a fee equal to 1.0% of the outstanding principal balance at the time of the exercise, and the spread on LIBOR and Base Rate would increase by 0.5%. On December 30, 2019, the Company entered into an amendment with the lenders to extend the maturity to January 21, 2020. Prior to this new maturity date, we repaid the full amount outstanding, using proceeds from the Credit Agreement to extinguish the Term Loan Facility.

South Power Senior Secured Bonds and Senior Unsecured Bonds

On September 2, 2019, NFE South Power Holdings Limited (“South Power”), a consolidated subsidiary of the Company, entered into a facility for the issuance of secured and unsecured bonds (the “Senior Secured Bonds” and “Senior Unsecured Bonds”, respectively) and subsequently issued \$73,317 and \$43,683 in Senior Secured Bonds and Senior Unsecured Bonds, respectively. The Senior Secured Bonds are secured by the CHP Plant and related receivables and assets, and the proceeds will be used to fund the completion of the CHP Plant and to reimburse shareholder advances. In the fourth quarter of 2019, South Power issued an additional \$63,000 in Senior Secured Bonds. We received \$10,856 of the proceeds in 2019 and received the remaining proceeds of \$52,144 in January 2020.

The Senior Secured Bonds bear interest at an annual fixed rate of 8.25% and will mature 15 years from the closing date of each issuance. No principal payments will be due for the first seven years. After seven years, quarterly principal payments of approximately 1.6% of the original principal amount will be due, with a 50% balloon payment due upon maturity. Interest payments on outstanding principal balances will be due quarterly.

The Senior Unsecured Bonds bear interest at an annual fixed rate of 11.00% and will mature in September 2036. No principal payments will be due for the first nine years. Beginning in 2028, principal payments will be due quarterly on an escalating schedule. Interest payments on outstanding principal balances will be due quarterly.

South Power will be required to comply with certain financial covenants as well as customary affirmative and negative covenants, including limitations on incurring additional indebtedness. The facility also provides for customary events of default, prepayment, and cure provisions.

The Company paid approximately \$3,892 of fees in connection with the issuance of Senior Secured Bonds and Senior Unsecured Bonds. These fees were capitalized on a pro-rata basis as a reduction of the Senior Secured Bonds and Senior Unsecured Bonds on the consolidated balance sheets. The total unamortized deferred financing costs as of December 31, 2019 was \$3,799.

Off Balance Sheet Arrangements

As of December 31, 2019 and 2018, we had no transactions that met the definition of off-balance sheet arrangements that may have a current or future material effect on our consolidated financial position or operating results.

Contractual Obligations

We are committed to make cash payments in the future pursuant to certain contracts. The following table summarizes certain contractual obligations in place as of December 31, 2019:

(in thousands)	Total	Less than 1 year	Years 2 to 3	Years 4 to 5	More than 5 years
Long-term debt obligations	\$ 893,308	\$ 512,262	\$ 32,103	\$ 32,103	\$ 316,840
Purchase obligations	541,375	285,618	237,290	12,629	5,838
Operating lease obligations	132,333	37,776	53,865	14,234	26,458
Total	<u>\$ 1,567,016</u>	<u>\$ 835,656</u>	<u>\$ 323,258</u>	<u>\$ 58,966</u>	<u>\$ 349,136</u>

Long-Term debt obligations

For information on our long-term debt obligations, see “—Liquidity and Capital Resources—Long-Term Debt.” The amounts included in the table above are based on the total debt balance, scheduled maturities, and interest rates in effect as of December 31, 2019.

We repaid the Term Loan Facility in January 2020, including the full principal amount outstanding of \$495,000 and accrued interest of \$1,196. The amounts disclosed in the contractual obligations above include the outstanding principal and accrued interest as of the date the Term Loan Facility was extinguished.

In 2019, we issued \$180,000 of Senior Secured Bonds and Senior Unsecured Bonds. Principal payments do not begin to become due until 2026. A portion of the proceeds for bonds issued was not received until January 2020, however, the amounts disclosed in the contractual obligations table above includes the \$180,000 principal balance and associated interest for the Senior Secured Bonds and Senior Unsecured Bonds after the receipt of all proceeds.

On January 10, 2020, the Company borrowed \$800,000 in term loans under the Credit Agreement. The amounts disclosed in the contractual obligations table above do not include the Credit Agreement as we entered into the Credit Agreement subsequent to December 31, 2019.

Purchase obligations

The Company is party to contractual purchase commitments. These contracts are principally take-or-pay contracts, which require the purchase of minimum quantities of LNG and natural gas, and these commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements.

In 2018, the Company entered into a 15-year agreement with an affiliate of Chesapeake Energy Corporation for gas supply to our Pennsylvania Facility. The terms of the agreement are subject to certain conditions precedent under our control before the agreement is effective. These conditions have not yet been met, and as such, this commitment is excluded from the table above.

The Company currently has two contracts in place for the purchase of feedgas under take-or-pay minimum volume obligations. These commitments are structured to assure the Miami Facility has uninterrupted supply and the minimum volumes are not expected to be in excess of normal requirements. Deliveries under these contracts are scheduled between March 2019 and November 2025.

In December 2018, the Company entered into a contract with Centrica LNG Company Limited for the purchase of 29 firm cargoes of 1.1 billion gallons of LNG (86.7 million MMBtu) scheduled for delivery between June 2019 and December 2021. Payment for each cargo is due in advance of each shipment. As of December 31, 2019, the Company is committed to purchase 25 remaining cargoes with 13 scheduled for delivery in 2020 and the remaining 12 cargoes scheduled for delivery in 2021.

On February 7, 2020, the Company entered into a long-term natural gas supply agreement for the purchase of 27.5 TBtu per year of LNG at a price indexed to Henry Hub from January 2022 to January 2030. Using the Henry Hub index as of December 31, 2019, we will be committed to LNG purchases of approximately \$150 million per year from January 2022 to January 2030.

Operating Lease obligations

Future minimum lease payments under non-cancellable operating leases are noted in the above table. The Company's lease obligations are primarily related to LNG vessel time charters, marine port leases, office space, and a land lease.

The Company currently has four vessels under time charter leases with non-cancellable terms ranging from two to seven years. The lease commitments in the table above include only the lease component of these arrangements due over the non-cancellable term and does not include any operating services.

We have leases for port space and a land site for the development of our facilities. Terms for leases of port space range from 20 to 25 years. The land site lease is held with an affiliate of the Company and has a remaining term of approximately five years.

Office space includes a space shared with affiliated companies in New York with a month to month lease, and an office space in downtown Miami with a lease term of 84 months.

Summary of Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ from these estimates. Management evaluates its estimates and related assumptions regularly and will continue to do so as we further grow our business. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue recognition

The Company's primary revenue stream is the sale of LNG and natural gas to customers, which is presented as Operating revenue in the consolidated statements of operations and comprehensive loss. Natural gas is typically delivered by pipeline into the customer's power generation facilities, and LNG is typically delivered in containers transported by truck to customer sites. Revenue from sales of natural gas delivered by pipeline to a power generation facility is recognized over time under the output method, as the customer takes control of the natural gas. Revenue from sales of LNG delivered by truck is recognized at the point in time at which physical possession and the risks and rewards of ownership transfer to the customer, either when the containers are shipped or delivered to the customers' storage facilities, depending on the terms of the contract.

The Company has concluded that variable consideration included in these agreements meets the exception for allocating variable consideration to each unit sold under the contract. As such, the variable consideration for these contracts is allocated to each distinct unit of LNG or natural gas delivered and recognized when that distinct unit of LNG or natural gas is delivered to the customer.

The Company's contracts with customers to supply LNG or natural gas may contain a lease of equipment. The Company allocates consideration received from customers between lease and non-lease components based on the relative fair value of each component. The fair value of the lease component is estimated based on the estimated standalone selling price of the same or similar equipment leased to the customer. The Company estimates the fair value of the non-lease component by forecasting volumes and pricing of gas to be delivered to the customer over the lease term. The estimated fair value of the leased equipment, as a percentage of the estimated total revenue from LNG or natural gas and leased equipment at inception, will establish the allocation percentage to determine the minimum lease payments and the amount to be accounted for under the revenue recognition guidance.

The leases of certain facilities and equipment to customers are accounted for as direct financing or operating leases. Finance leases, net represents the minimum lease payments due, net of unearned revenue. The lease payments are segregated into principal and interest components similar to a loan. Unearned revenue is recognized on an effective interest method over the lease term and is included in Other revenue in the consolidated statements of operations and comprehensive loss. The principal components of the lease payment are reflected as a reduction to the net investment in the finance lease. For the Company's operating leases, the amount allocated to the leasing component is recognized over the lease term as Other revenue in the consolidated statements of operations and comprehensive loss.

In addition to the revenue recognized from the leasing components of agreements with customers, Other revenue includes development services revenue recognized from the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities. Revenue from these development services is recognized over time as the Company transfers control of the asset to the customer, unless the customer is not able to obtain control over the asset under development until such services are completed, in which case, revenue is recognized when the services are completed and the customer has control of the infrastructure. Such agreements may also include a significant financing component, and the Company recognizes revenue for the interest income component over the term of the financing as Other revenue.

Development services are typically included in arrangements that include other distinct performance obligations, and the Company allocates the transaction price to each performance obligation based on its standalone selling price ("SSP") in relation to the aggregate value of the SSP of all performance obligations in the arrangement. Some of our performance obligations have observable inputs that are used to determine the SSP of those distinct performance obligations. Where SSP is not directly observable, the Company primarily determines the SSP using the cost-plus approach. In the circumstances when available information to determine SSP is highly variable or uncertain, the Company uses the residual approach.

Impairment of long-lived assets

We perform a recoverability assessment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators may include, but are not limited to, adverse changes in the regulatory environment in a jurisdiction where we operate, unfavorable events impacting the supply chain for LNG to our operations, a decision to discontinue the development of a long-lived asset, early termination of a significant customer contract, or the introduction of newer technology. We exercise judgment in determining if any of these events represent an impairment indicator requiring a recoverability assessment.

Our business model requires investments in infrastructure often concurrently with our customer's investments in power generation or other assets to utilize LNG. Our costs to transport and store LNG are based upon our customer's contractual commitments once their assets are fully operational. We expect revenue under these contracts to exceed construction and operational costs, based on the expected term and revenue of these contracts. Additionally, our infrastructure assets are strategically located to provide critical inputs to our committed customer's operations and our locations allow us to expand to additional opportunities within existing markets.

We have considered that the market price of LNG can vary widely, including recent decreases throughout 2019. Due to the decline in LNG prices, we executed a firm commitment to purchase 27.5 TBtus annually beginning in 2022 at prices that are expected to be significantly lower than inventory purchased in 2019. Further, we believe that we will take advantage of the current market pricing for LNG to supply our expanding operations, resulting in an overall lower average cost of LNG in future periods. Our long-term, take-or-pay contracts to deliver natural gas or LNG to our customers also limit our exposure to fluctuations in natural gas and LNG as our pricing is based on the Henry Hub index plus a contractual spread. Based on the nature of our contracts and the market value of the underlying assets, we do not believe that changes in the price of LNG indicate that a recoverability assessment of our assets is necessary. Further, we plan to utilize our own liquefaction facilities to manufacture our own LNG at attractive prices, and secure LNG to supply our expanding operations and reduce our exposure to future LNG price variations in the long term.

When performing a recoverability assessment, the Company measures whether the estimated future undiscounted net cash flows expected to be generated by the asset exceeds its carrying value. In the event that an asset does not meet the recoverability test, the carrying value of the asset will be adjusted to fair value resulting in an impairment charge. Management develops the assumptions used in the recoverability assessment based on active contracts, current and future expectations of the global demand for LNG and natural gas, as well as information received from third party industry sources.

Share-based compensation

The Company estimates the fair value of RSUs granted to employees and non-employees on the grant date based on the closing price of the underlying shares on the grant date and other fair value adjustments to account for a post-vesting holding period. These fair value adjustments were estimated based on the Finnerty model.

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company," or EGC, can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have taken advantage of the exemptions discussed above. Accordingly, the information contained herein may be different than the information you receive from other public companies.

Subject to certain conditions, as an EGC, we have elected to rely on certain of these exemptions, including without limitation, (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board, or PCAOB, regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an EGC until the earlier of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of our IPO, December 31, 2024; (iii) the date on which we have issued more than \$1.00 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission or SEC.

Recent Accounting Standards

For descriptions of recently issued accounting standards, see "Note 3 - Adoption of new and revised standards" to our notes to consolidated financial statements included elsewhere in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, the Company encounters several significant types of market risks including commodity and interest rate risks.

Commodity Price Risk

Commodity price risk is the risk of loss arising from adverse changes in market rates and prices. We are able to limit our exposure to fluctuations in natural gas prices as our pricing in contracts with customers is based on the Henry Hub index price plus a contractual spread. Our exposure to market risk associated with LNG price changes may adversely impact our business. We do not currently have any derivative arrangements to protect against fluctuations in commodity prices, but to mitigate the effect of fluctuations in LNG prices on our operations, we may enter into various derivative instruments.

Interest Rate Risk

Debt that we incurred under the Term Loan Facility bore interest at a variable rate and exposed us to interest rate risk. Interest is calculated under the terms of the Term Loan Facility based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. See “—Liquidity and Capital Resources—Long-Term Debt.” As of December 31, 2019, the principal amount outstanding for the Term Loan Facility was \$495,000. The impact on interest expense of a 1% increase or decrease in the interest rate of the Term Loan Facility would be approximately \$4,950 per year.

Subsequent to December 31, 2019, we borrowed \$800,000 in term loans under the Credit Agreement, and the loan proceeds were received in January 2020. The Credit Agreement bears interest based on a LIBOR rate plus a fixed margin. As proceeds from the Credit Agreement were used to repay the Term Loan Facility in full, our future exposure to changes in interest rates will be primarily limited to borrowings outstanding under the Credit Agreement. The impact on interest expense of a 1% increase or decrease in the interest rate of the Credit Agreement would be approximately \$8,000 per year.

The Senior Secured Bonds and Senior Unsecured Bonds were issued with a fixed rate of interest, and as such, a change in interest rates would impact the fair value of the Senior Secured Bonds and Senior Unsecured Bonds but such a change would have no impact on our results of operations or cash flows.

We do not currently have any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

Foreign Currency Exchange Risk

We primarily conduct our operations in U.S. dollars, and as such, our results of operations and cash flows have not materially been impacted by fluctuations due to changes in foreign currency exchange rates. We currently incur a limited amount of costs in foreign jurisdictions that are paid in local currencies, but we expect our international operations to continue to grow in the near term. We do not currently have any derivative arrangements to protect against fluctuations in foreign exchange rates, but to mitigate the effect of fluctuations in exchange rates on our operations, we may enter into various derivative instruments.

Item 8. Financial Statements and Supplementary Data.

Our Consolidated Financial Statements, together with the report of our independent registered public accounting firm, begin on page F-1 of this Annual Report and are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2019. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2019 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during our last quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As of December 31, 2019, our management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control – Integrated Framework (2013)", issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment and those criteria, management determined that we maintained effective internal control over financial reporting as of December 31, 2019.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting for as long as we are an "emerging growth company" pursuant to the provisions of the JOBS Act.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 is set forth in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item 11 is set forth in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 is set forth in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 is set forth in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item 14 is set forth in the Company's Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 in connection with our 2020 annual meeting of shareholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements.

See “Index to Financial Statements” set forth on page F-1.

(2) Financial Statement Schedules.

See Schedule I and Schedule II set forth on page F-31.

(b) Exhibits.

The exhibits required to be filed by this Item 15(b) are set forth in the Exhibit Index included below.

Exhibit Number	Description
3.1	Certificate of Formation of New Fortress Energy LLC (incorporated by reference to Exhibit 3.1 to the Registrant’s Registration Statement on Form S-1 (File No. 333-228339), filed with the Commission on November 9, 2018)
3.2	Certificate of Amendment to Certificate of Formation of New Fortress Energy LLC (incorporated by reference to Exhibit 3.2 to the Registrant’s Registration Statement on Form S-1 (File No. 333-228339), filed with the Commission on November 9, 2018)
3.3	First Amended and Restated Limited Liability Company Agreement of New Fortress Energy LLC, dated February 4, 2019 (incorporated by reference to Exhibit 3.1 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
4.1*	Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Contribution Agreement, dated February 4, 2019, by and among New Fortress Energy LLC, New Fortress Intermediate LLC, New Fortress Energy Holdings LLC, NFE Atlantic Holdings LLC and NFE Sub LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.2	Amended and Restated Limited Liability Company Agreement of New Fortress Intermediate LLC, dated February 4, 2019 (incorporated by reference to Exhibit 10.2 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.3†	New Fortress Energy LLC 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.4 to the Registrant’s Registration Statement on Form S-8 (File No. 333-229507), filed with the Commission on February 4, 2019)
10.4†	Form of Director Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.4 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on December 24, 2018)
10.5†	Offer Letter, dated March 14, 2017, by and between NFE Management LLC and Christopher Guinta (incorporated by reference to Exhibit 10.5 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on January 14, 2019)
10.6†	Offer Letter, dated August 30, 2018, by and between NFE Management LLC and Michael J. Utsler (incorporated by reference to Exhibit 10.6 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on January 14, 2019)
10.7	Shareholders’ Agreement, dated February 4, 2019, by and among New Fortress Energy LLC, New Fortress Energy Holdings LLC, Wesley R. Edens and Randal A. Nardone (incorporated by reference to Exhibit 4.1 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.8	Administrative Services Agreement, dated February 4, 2019, by and between New Fortress Intermediate LLC and FIG LLC (incorporated by reference to Exhibit 10.3 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)

Exhibit Number	Description
10.9	Credit Agreement, dated August 15, 2018, by and between New Fortress Energy Holdings LLC, NFE Atlantic Holdings LLC, as borrower, Morgan Stanley Senior Funding, Inc., as administrative agent and the subsidiary guarantors and lenders parties thereto (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-228339), filed with the Commission on November 9, 2018)
±10.10	Gas Sales Agreement, dated August 5, 2015, by and between New Fortress Energy LLC and Jamaica Public Service Company Limited (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-228339), filed with the Commission on November 9, 2018)
±10.11	First Amendment to Gas Sales Agreement, dated May 23, 2016, by and between NFE North Holdings Limited and Jamaica Public Service Company Limited (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-228339), filed with the Commission on November 9, 2018)
10.12†	Indemnification Agreement (Edens) (incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.13†	Indemnification Agreement (Guinta) (incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.14†	Indemnification Agreement (Utsler) (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.15†	Indemnification Agreement (Catterall) (incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.16†	Indemnification Agreement (Grain) (incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.17†	Indemnification Agreement (Griffin) (incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.18†	Indemnification Agreement (Mack) (incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.19†	Indemnification Agreement (Nardone) (incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.20†	Indemnification Agreement (Wanner) (incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.21†	Indemnification Agreement (Wilkinson) (incorporated by reference to Exhibit 10.13 to the Registrant's Form 8-K (File No. 001-38790), filed with the Commission on February 5, 2019)
10.22	Amendment Agreement to Credit Agreement, dated December 31, 2018, by and among New Fortress Energy Holdings LLC, NFE Atlantic Holdings LLC, as the borrower, Morgan Stanley Senior Funding, Inc., as administrative agent and the subsidiary guarantors and lenders parties thereto (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on January 14, 2019)
10.23	Amendment Agreement, dated as of February 11, 2019 to Credit Agreement, dated as of August 15, 2018 and as amended and restated as of December 31, 2018, among New Fortress Intermediate LLC, NFE Atlantic Holdings LLC, the subsidiary guarantors from time to time party thereto, lenders parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent. (incorporated by reference to Exhibit 10.25 to the Registrant's Form 10-K (File No. 001-38790), filed with the Commission on March 26, 2019)
10.24	Second Amendment Agreement, dated as of March 13, 2019 to the Credit Agreement, dated as of August 15, 2018 and as amended and restated as of December 31, 2018, and as amended as of February 11, 2019, among New Fortress Intermediate LLC, NFE Atlantic Holdings LLC, the subsidiary guarantors from time to time party thereto, lenders parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent. (incorporated by reference to Exhibit 10.26 to the Registrant's Form 10-K (File No. 001-38790), filed with the Commission on March 26, 2019)

Exhibit Number	Description
10.25	Master LNG Sale and Purchase Agreement, dated December 20, 2016, by and between Centrica LNG Company Limited and NFE North Trading Limited (incorporated by reference to Exhibit 10.16 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on January 14, 2019)
10.26	Engineering, Procurement and Construction Agreement for the Marcellus LNG Production Facility I, dated January 8, 2019, by and between Bradford County Real Estate Partners LLC and Black & Veatch Construction, Inc. (incorporated by reference to Exhibit 10.17 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-228339), filed with the Commission on January 25, 2019)
10.27†	Indemnification Agreement, dated as of March 17, 2019, by and between New Fortress Energy LLC and Yunyoung Shin (incorporated by reference to Exhibit 10.29 to the Registrant’s Annual Report on Form 10-K (File 001-38790), filed with the Commission on March 26, 2019)
10.28	Credit Agreement, dated January 10, 2020, by and among New Fortress Intermediate LLC, NFE Atlantic Holdings LLC, each person listed as a guarantor on the signature pages thereto, the lenders from time to time party thereto and Cortland Capital Market Services LLC, as collateral agent and administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on January 13, 2020)
10.29	Third Amendment Agreement, dated as of September 2, 2019, to the Credit Agreement, dated as of August 15, 2018 and as amended and restated as of December 31, 2018, and as amended as of February 11, 2019 and March 13, 2019, among New Fortress Intermediate LLC, NFE Atlantic Holdings LLC, the subsidiary guarantors from time to time party thereto, lenders parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K (File No. 001-38790), filed with the Commission on September 6, 2019)
10.30†	Form of Employee Restricted Share Unit Award Agreement (incorporated by reference to Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-38790), filed with the Commission on May 15, 2019)
10.31*†	Separation Agreement, dated as of November 25, 2019, between NFE Management LLC and Michael J. Utsler
21.1*	List of Subsidiaries of New Fortress Energy LLC
23.1*	Consent of Ernst & Young L.L.P.
31.1*	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications by Chief Executive Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2**	Certifications by Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed as an exhibit to this Annual Report

** Furnished as an exhibit to this Annual Report

† Compensatory plan or arrangement

‡ Confidential treatment was granted with respect to certain portions of this exhibit. Omitted portions filed separately with the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW FORTRESS ENERGY LLC

Date: March 4, 2020

By: /s/ Christopher S. Guinta
 Name: Christopher S. Guinta
 Title: Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Wesley R. Edens</u> Wesley R. Edens	Chief Executive Officer and Chairman <i>(Principal Executive Officer)</i>	March 4, 2020
<u>/s/ Christopher S. Guinta</u> Christopher S. Guinta	Chief Financial Officer <i>(Principal Financial Officer)</i>	March 4, 2020
<u>/s/ Yunyoung Shin</u> Yunyoung Shin	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	March 4, 2020
<u>/s/ Randal A. Nardone</u> Randal A. Nardone	Director	March 4, 2020
<u>/s/ C. William Griffin</u> C. William Griffin	Director	March 4, 2020
<u>/s/ John J. Mack</u> John J. Mack	Director	March 4, 2020
<u>/s/ Matthew Wilkinson</u> Matthew Wilkinson	Director	March 4, 2020
<u>/s/ David J. Grain</u> David J. Grain	Director	March 4, 2020
<u>/s/ Desmond Iain Catterall</u> Desmond Iain Catterall	Director	March 4, 2020
<u>/s/ Katherine E. Wanner</u> Katherine E. Wanner	Director	March 4, 2020

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of New Fortress Energy LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Fortress Energy LLC (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2016.

Philadelphia, Pennsylvania
March 4, 2020

New Fortress Energy LLC
Consolidated Balance Sheets
As of December 31, 2019 and 2018
(in thousands of U.S. dollars, except share amounts)

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 27,098	\$ 78,301
Restricted cash	30,966	30
Receivables, net of allowances of \$0 and \$257, respectively	49,890	28,530
Inventory	63,432	15,959
Finance leases, net	1,082	943
Prepaid expenses and other current assets	38,652	30,017
Total current assets	<u>211,120</u>	<u>153,780</u>
Restricted cash	34,971	22,522
Construction in progress	466,587	254,700
Property, plant and equipment, net	192,222	94,040
Finance leases, net	91,174	92,207
Intangibles, net	43,540	43,057
Investment in equity securities	2,540	3,656
Deferred tax asset, net	34	185
Other non-current assets	81,626	35,255
Total assets	<u>\$ 1,123,814</u>	<u>\$ 699,402</u>
Liabilities		
Current liabilities		
Term loan facility	\$ -	\$ 272,192
Accounts payable	11,593	43,177
Accrued liabilities	54,943	67,512
Due to affiliates	10,252	4,481
Other current liabilities	25,475	17,393
Total current liabilities	<u>102,263</u>	<u>404,755</u>
Long-term debt	619,057	-
Deferred tax liability, net	241	-
Other long-term liabilities	14,929	12,000
Total liabilities	<u>736,490</u>	<u>416,755</u>
Commitments and contingences (Note 19)		
Stockholders' equity		
Members' capital, no par value, 500,000,000 shares authorized, 67,983,095 shares issued and outstanding as of December 31, 2018	-	426,741
Class A shares, 23,607,096 shares, issued and outstanding as of December 31, 2019; 0 shares issued and outstanding as of December 31, 2018	130,658	-
Class B shares, 144,342,572 shares, issued and outstanding as of December 31, 2019; 0 shares issued and outstanding as of December 31, 2018	-	-
Accumulated deficit	(45,823)	(158,423)
Accumulated other comprehensive loss	(30)	(11)
Total stockholders' equity attributable to NFE	<u>84,805</u>	<u>268,307</u>
Non-controlling interest	302,519	14,340
Total stockholders' equity	<u>387,324</u>	<u>282,647</u>
Total liabilities and stockholders' equity	<u>\$ 1,123,814</u>	<u>\$ 699,402</u>

The accompanying notes are an integral part of these consolidated financial statements.

New Fortress Energy LLC
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2019, 2018 and 2017
(in thousands of U.S. dollars, except share and per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Revenues			
Operating revenue	\$ 145,500	\$ 96,906	\$ 82,104
Other revenue	43,625	15,395	15,158
Total revenues	189,125	112,301	97,262
Operating expenses			
Cost of sales	183,359	95,742	78,692
Operations and maintenance	26,899	9,589	7,456
Selling, general and administrative	152,922	62,137	33,343
Loss on mitigation sales	5,280	-	-
Depreciation and amortization	7,940	3,321	2,761
Total operating expenses	376,400	170,789	122,252
Operating loss	(187,275)	(58,488)	(24,990)
Interest expense	19,412	11,248	6,456
Other income, net	(2,807)	(784)	(301)
Loss on extinguishment of debt, net	-	9,568	-
Loss before taxes	(203,880)	(78,520)	(31,145)
Tax expense (benefit)	439	(338)	526
Net loss	(204,319)	(78,182)	(31,671)
Net loss attributable to non-controlling interest	170,510	106	-
Net loss attributable to stockholders	\$ (33,809)	\$ (78,076)	\$ (31,671)
Net loss per share – basic and diluted	<u>\$ (1.62)</u>		
Weighted average number of shares outstanding – basic and diluted	<u>20,862,555</u>		
Other comprehensive loss:			
Net loss	\$ (204,319)	\$ (78,182)	\$ (31,671)
Unrealized loss on currency translation adjustment	219	-	-
Unrealized loss (gain) on available-for-sale investment	-	2,677	(1,303)
Comprehensive loss	(204,538)	(80,859)	(30,368)
Comprehensive loss attributable to non-controlling interest	170,699	106	-
Comprehensive loss attributable to stockholders	\$ (33,839)	\$ (80,753)	\$ (30,368)

The accompanying notes are an integral part of these consolidated financial statements.

New Fortress Energy LLC
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018 and 2017
(in thousands of U.S. dollars, except per share amounts)

	Members' Capital		Class A shares		Class B shares		Stock subscription receivable	Accumulated deficit	Accumulated other comprehensive (loss) income	Non-controlling Interest	Total stockholders' equity
	Units	Amounts	Shares	Amount	Shares	Amount					
Balance as of											
January 1, 2017	65,000,000	\$ 336,683	-	\$ -	-	\$ -	\$ -	(48,676)	\$ 1,363	\$ -	\$ 289,370
Net loss	-	-	-	-	-	-	-	(31,671)	-	-	(31,671)
Other comprehensive income	-	-	-	-	-	-	-	-	1,303	-	1,303
Capital contributions	2,317,252	70,100	-	-	-	-	-	-	-	-	70,100
Cost of issuing capital	-	(192)	-	-	-	-	-	-	-	-	(192)
Stock subscription receivable	(1,652,215)	-	-	-	-	-	(50,000)	-	-	-	(50,000)
Balance as of December 31, 2017	65,665,037	406,591	-	-	-	-	(50,000)	(80,347)	2,666	-	278,910
Net loss	-	-	-	-	-	-	-	(78,076)	-	(106)	(78,182)
Other comprehensive (loss)	-	-	-	-	-	-	-	-	(2,677)	-	(2,677)
Capital contributions	665,843	20,150	-	-	-	-	-	-	-	-	20,150
Stock subscription receivable	1,652,215	-	-	-	-	-	50,000	-	-	-	50,000
Acquisition of Shannon LNG	-	-	-	-	-	-	-	-	-	14,446	14,446
Balance as of December 31, 2018	67,983,095	426,741	-	-	-	-	-	(158,423)	(11)	14,340	282,647
<i>Activity prior to the IPO and related organizational transactions:</i>											
Net loss	-	-	-	-	-	-	-	(7,923)	11	(91)	(8,003)
<i>Effects of the IPO and related organizational transactions:</i>											
Issuance of Class A shares in the IPO, net of underwriting discount and offering costs	-	-	20,837,272	32,136	-	-	-	-	-	235,874	268,010
Effects of the reorganization transactions	(67,983,095)	(426,741)	-	51,092	147,058,824	-	-	146,420	-	229,229	-
<i>Activity subsequent to the IPO and related organizational transactions:</i>											
Net loss	-	-	-	-	-	-	-	(25,897)	-	(170,419)	(196,316)
Other comprehensive loss	-	-	-	-	-	-	-	-	(30)	(189)	(219)
Share-based compensation expense	-	-	-	41,205	-	-	-	-	-	-	41,205
Exchange of NFI Units	-	-	2,716,252	6,225	(2,716,252)	-	-	-	-	(6,225)	-
Issuance of shares for vested RSUs	-	-	53,572	-	-	-	-	-	-	-	-
Balance as of December 31, 2019	-	\$ -	23,607,096	\$ 130,658	144,342,572	\$ -	\$ -	(45,823)	\$ (30)	\$ 302,519	\$ 387,324

The accompanying notes are an integral part of these consolidated financial statements.

New Fortress Energy LLC
Consolidated Statements of Cash Flows
For the years ended December 31, 2019, 2018 and 2017
(in thousands of U.S. dollars)

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net loss	\$ (204,319)	\$ (78,182)	\$ (31,671)
Adjustments for:			
Amortization of deferred financing costs	5,873	4,023	696
Depreciation and amortization	8,641	4,034	3,214
Loss on extinguishment of debt, net	-	3,188	-
Deferred taxes	392	(345)	521
Change in value of investment in equity securities	1,116	-	-
Share-based compensation	41,205	-	-
Loss on mitigation sales	2,622	-	-
Other	131	439	1,342
(Increase) in receivables	(19,754)	(9,516)	(3,114)
(Increase) in inventories	(50,345)	(4,807)	(3,496)
(Increase) in other assets	(39,344)	(28,338)	(21,738)
Increase (Decrease) in accounts payable/accrued liabilities	3,036	12,232	(110)
Increase in amounts due to affiliates	5,771	2,390	894
Increase (Decrease) in other liabilities	10,714	1,655	(1,430)
Net cash used in operating activities	(234,261)	(93,227)	(54,892)
Cash flows from investing activities			
Purchase of investment in equity securities	-	-	(1,667)
Capital expenditures	(377,051)	(181,151)	(28,727)
Principal payments received on finance lease, net	887	724	536
Acquisition of consolidated subsidiary	-	(4,028)	-
Net cash used in investing activities	(376,164)	(184,455)	(29,858)
Cash flows from financing activities			
Proceeds from borrowings of debt	347,856	280,600	-
Payment of deferred financing costs	(8,259)	(14,026)	-
Repayment of debt	(5,000)	(76,520)	(5,828)
Proceeds from IPO	274,948	-	-
Repayment of affiliate note	-	-	(120)
Capital contributed from Members	-	20,150	20,100
Payment of stock issuance costs	(6,938)	-	(192)
Collection of subscription receivable	-	50,000	-
Net cash provided by financing activities	602,607	260,204	13,960
Net (decrease) in cash, cash equivalents and restricted cash	(7,818)	(17,478)	(70,790)
Cash, cash equivalents and restricted cash – beginning of period	100,853	118,331	189,121
Cash, cash equivalents and restricted cash – end of period	\$ 93,035	\$ 100,853	\$ 118,331
Supplemental disclosure of non-cash investing and financing activities:			
Changes in accounts payable and accrued liabilities associated with construction in progress and property, plant and equipment additions	\$ (48,150)	\$ 74,280	\$ 7,997
Cash paid for interest, net of capitalized interest	6,765	7,515	5,725
Cash paid for taxes	28	-	5

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

New Fortress Energy LLC (“NFE,” together with its subsidiaries, the “Company”) is a Delaware limited liability company formed by New Fortress Energy Holdings LLC (“New Fortress Energy Holdings”) on August 6, 2018. The Company is engaged in providing energy and logistical services to end-users worldwide seeking to convert their operating assets from automotive diesel oil (“ADO”) or heavy fuel oil to LNG or natural gas. The Company currently sources LNG from a combination of purchases under long-term supply contracts and the Company’s liquefaction facility in Miami, Florida. The Company has liquefaction and regasification operations in the United States and Jamaica and is developing assets in Mexico, Ireland, Nicaragua, and Angola.

The Company manages, analyzes and reports on its business and results of operations on the basis of one operating segment. The chief operating decision maker makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis.

2. Significant accounting policies

The principle accounting policies adopted are set out below.

(a) Basis of presentation and principles of consolidation

The consolidated financial statements were prepared in accordance with GAAP. The accompanying consolidated financial statements contained herein reflect all normal and recurring adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position, results of operations, and cash flows of the Company for the periods presented. The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned consolidated subsidiaries. The ownership interest of other investors in consolidated subsidiaries is recorded as non-controlling interest. All significant intercompany transactions and balances have been eliminated in consolidation.

On February 4, 2019, the Company completed an initial public offering (“IPO”) and a series of other transactions, in which the Company issued and sold 20,000,000 Class A shares at an IPO price of \$14.00 per share. The Company’s Class A shares began trading on NASDAQ Global Select Market (“NASDAQ”) under the symbol “NFE” on January 31, 2019. Net proceeds from the IPO were \$257.0 million, after deducting underwriting discounts and commissions and transaction costs. These proceeds were contributed to New Fortress Intermediate LLC (“NFI”), an entity formed in conjunction with the IPO, in exchange for 20,000,000 limited liability company units in NFI (“NFI LLC Units”). In addition, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historical operations to NFI in exchange for NFI LLC Units. In connection with the IPO, New Fortress Energy Holdings also received 147,058,824 Class B shares of the Company, which is equal to the number of NFI LLC Units held by New Fortress Energy Holdings immediately following the IPO. Immediately following the IPO, New Fortress Energy Holdings held a significant interest in NFE through its ownership of 147,058,824 Class B shares, representing an 88.0% voting and non-economic interest. New Fortress Energy Holdings also had an 88.0% economic interest in NFI through its ownership of 147,058,824 of NFI LLC Units. New Fortress Energy Holdings has been determined to be NFE’s predecessor for accounting purposes.

On March 1, 2019, the underwriters of the IPO exercised their option to purchase an additional 837,272 Class A shares at the IPO price of \$14.00 per share, less underwriting discounts, which resulted in \$11.0 million in additional net proceeds after deducting \$0.7 million of underwriting discounts and commissions, such that there were 20,837,272 outstanding Class A shares. In connection with the exercise of the underwriters’ option to purchase an additional 837,272 Class A shares, NFE contributed such additional net proceeds to NFI in exchange for 837,272 NFI LLC Units.

NFE is a holding company whose sole material asset is a controlling equity interest in NFI. As the sole managing member of NFI, NFE operates and controls all of the business and affairs of NFI, and through NFI and its subsidiaries, conducts the Company’s historical business. The contribution of the assets of New Fortress Energy Holdings and net proceeds from the IPO to NFI was treated as a reorganization of entities under common control. As a result, NFE presented the consolidated balance sheets and statements of operations and comprehensive loss of New Fortress Energy Holdings for all periods prior to the IPO. The Company’s financial statements also include a non-controlling interest related to the portion of NFI LLC Units not owned by NFE. Prior to the IPO, NFE had no operations and had no assets or liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include relative fair value allocation between revenue and lease components of contracts with customers, total consideration and fair value of identifiable net assets related to acquisitions, and fair value of equity awards granted to both employees and non-employees.

Management evaluates its estimates and related assumptions regularly. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ from these estimates.

(c) Foreign currencies

The Company has certain foreign subsidiaries where the functional currency is the local currency. All of the assets and liabilities of these subsidiaries are converted to U.S. dollars at the exchange rate in effect at the balance sheet date, income and expense accounts are translated at average rates for the period, and shareholder's equity accounts are translated at historical rates. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment in consolidated other comprehensive income (loss).

The Company also has foreign subsidiaries that have a functional currency of the U.S. dollar. Purchases and sales of assets and income and expense items denominated in foreign currencies are remeasured into U.S. dollar amounts on the respective dates of such transactions. Net realized foreign currency gains or losses relating to the differences between these recorded amounts and the U.S. dollar equivalent actually received or paid are included within Other income, net in the consolidated statements of operations and comprehensive loss.

(d) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

(e) Restricted cash

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents on the consolidated balance sheets.

(f) Receivables

Receivables are reported net of allowances for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The Company estimates the allowance for doubtful accounts based on a variety of factors including the length of time receivables are past due, the financial health of customers, unusual macroeconomic conditions, and historical experience. As of December 31, 2019 and 2018, the Company recognized an allowance for doubtful accounts of \$0 and \$257, respectively.

(g) Inventories

LNG and natural gas inventories and ADO inventories are recorded at weighted average cost, and materials and other inventory are recorded at cost. The Company's cost to convert from natural gas to LNG, which primarily consists of labor, depreciation, and other direct costs to operate liquefaction facilities, is reflected in Inventory on the consolidated balance sheets.

Inventory is adjusted to the lower of cost or net realizable value each quarter. Changes in the value of inventory are recorded within Cost of sales in the consolidated statements of operations and comprehensive loss.

LNG is subject to "boil-off," a natural loss of gas volume over time when LNG is exposed to environments with temperatures above its optimum storage state. Boil-off losses are expensed through Cost of sales in the consolidated statements of operations and comprehensive loss in instances where gas cannot be contained and recycled back into the production process in the period in which the loss occurs.

(h) Construction in progress

Construction in progress is recorded at cost, and at the point at which the constructed asset is put into use, the full cost of the asset is reclassified from Construction in progress to Property, plant and equipment, net or Finance leases, net on the consolidated balance sheets. Construction progress payments, engineering costs, and other costs directly relating to the asset under construction are capitalized during the construction period, provided the completion of the construction project is deemed probable or if the costs may be utilized in future projects. Depreciation is not recognized during the construction period.

The interest cost associated with major development and construction projects is capitalized during the construction period and included in the cost of the project in Construction in progress.

(i) Property, plant and equipment, net

Property, plant and equipment is recorded at cost. Expenditures for construction activities and betterments that extend the useful life of the asset are capitalized. Major maintenance and overhauls are capitalized and will be depreciated over the period expected until the next anticipated major maintenance or overhaul, while expenditures for routine maintenance and repairs are charged to expense as incurred within Operations and maintenance in the consolidated statements of operations and comprehensive loss. The Company depreciates property, plant and equipment using the straight-line depreciation method over the estimated economic life of the asset or lease term, whichever is shorter using the following useful lives:

	<u>Useful life (Yrs)</u>
LNG liquefaction facilities	20-30
Gas terminals	5-45
Gas pipelines	4-45
ISO containers and other equipment	3-40
Leasehold improvements	5-27

The Company reviews the remaining useful life of its assets on a regular basis to determine whether changes have taken place that would suggest that a change to depreciation policies is warranted.

Upon retirement or disposal of property, plant and equipment, the cost and related accumulated depreciation are removed from the account, and the resulting gains or losses, if any, are recorded in the consolidated statements of operations and comprehensive loss.

(j) Asset retirement obligations (“AROs”)

AROs are recognized for legal obligations associated with the retirement of long-lived assets that result from the acquisition, leasing, construction, development and/or normal use of the assets and for conditional AROs in which the timing or method of settlement are conditional on a future event. The fair value of a liability for an ARO is recognized in the period in which the liability is incurred if a reasonable estimate of fair value can be made and is accreted to its final value over the life of the liability. The initial fair value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is depreciated over the estimated useful life of the asset.

The Company estimates the fair value of the ARO liability based on the present value of expected cash flows using a credit-adjusted risk-free rate. Liabilities for AROs may be incurred over more than one reporting period if the events that create the obligation occur over more than one period or if estimates change. There were no settlements of AROs during the years ended December 31, 2019 and 2018.

(k) Impairment of long-lived assets

The Company performs a recoverability assessment of each of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators may include, but are not limited to, adverse changes in the regulatory environment in a jurisdiction where the Company operates, unfavorable events impacting the supply chain for LNG to the Company’s operations, a decision to discontinue the development of a long-lived asset, early termination of a significant customer contract, or the introduction of newer technology.

When performing a recoverability assessment, the Company measures whether the estimated future undiscounted net cash flows expected to be generated by the asset exceeds its carrying value. In the event that an asset does not meet the recoverability test, the carrying value of the asset will be adjusted to fair value resulting in an impairment charge.

Management develops the assumptions used in the recoverability assessment based on active contracts, current and future expectations of the global demand for LNG and natural gas, as well as information received from third party industry sources. The Company did not record an impairment during the years ended December 31, 2019, 2018, and 2017.

(l) Investment in equity securities

The Company has adopted ASU 2016-01 (defined below) for the year beginning January 1, 2019. Under the new guidance, the investment in equity securities is carried at fair value with gains or losses recorded in earnings in Other income, net in the consolidated statements of operations and comprehensive loss. See “Note 10. Investment in equity securities” for more information.

Prior to the adoption of this guidance, unrealized gains or losses for investment in equity securities were recorded in Other comprehensive income (loss). See “Note 3(b) Adoption of new and revised standards – New and amended standards adopted by the Company” for additional information related to the adoption of ASU 2016-01.

(m) Intangible assets

The Company accounts for intangible assets in accordance with Accounting Standards Codification (“ASC”) 350, *Intangibles – Goodwill and Other*. Upon a business combination or asset acquisition, the Company may obtain identifiable intangible assets. Intangible assets with a finite life are amortized over the estimated useful life of the asset under the straight-line method.

Indefinite lived intangible assets are not amortized. Intangible assets with an indefinite useful life are tested for impairment on an annual basis or more frequently if changes in circumstances indicate that the carrying amount may not be recoverable. If the intangible asset is impaired, it is written down to its realizable value with a corresponding expense reflected in the consolidated statements of operations and comprehensive loss.

(n) Long-term debt and debt issuance costs

The Company's debt consists of credit facilities with financial institutions and secured and unsecured bonds. Costs directly related to the issuance of debt are reported on the consolidated balance sheets as a reduction from the carrying amount of the recognized debt liability and amortized over the term of the debt using the effective interest method. Interest and related amortization of debt issuance costs recognized during major development and construction projects are capitalized and included in the cost of the project.

(o) Legal and contingencies

The Company may be involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental, and other claims. The Company will recognize a loss contingency in the consolidated financial statements when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. The Company will disclose any loss contingencies that do not meet both conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies are not recorded until realized.

(p) Revenue recognition

The Company's primary revenue stream is the sale of LNG or natural gas to its customers, which is presented as Operating revenue in the consolidated statements of operations and comprehensive loss. Natural gas is typically delivered by pipeline into the customer's power generation facilities, and LNG is typically delivered in containers transported by truck to customer sites. Revenue from sales of natural gas delivered by pipeline to a power generation facility is recognized over time under the output method, as the customer takes control of the natural gas. Revenue from sales of LNG delivered by truck is recognized at the point in time at which physical possession and the risks and rewards of ownership transfer to the customer, either when the containers are shipped or delivered to the customers' storage facilities, depending on the terms of the contract. Because the nature, timing and uncertainty of revenue and cash flows are substantially the same under both modes of delivery, the Company has presented Operating revenue on an aggregated basis.

The Company has concluded that variable consideration included in these agreements meets the exception for allocating variable consideration. As such, the variable consideration for these contracts is allocated to each distinct unit of LNG or natural gas delivered and recognized when that distinct unit of LNG or natural gas is delivered to the customer.

The Company's contracts with customers to supply natural gas or LNG may contain a lease of equipment. The Company allocates consideration received from customers between lease and non-lease components based on the relative fair value of each component. The fair value of the lease component is estimated based on the estimated standalone selling price of the same or similar equipment leased to the customer. The Company estimates the fair value of the non-lease component by forecasting volumes and pricing of gas to be delivered to the customer over the lease term.

The leases of certain facilities and equipment to customers are accounted for as direct financing or operating leases. Direct financing leases, net on the consolidated balance sheets represents the minimum lease payments due, net of unearned revenue. The lease payments are segregated into principal and interest components similar to a loan. Unearned revenue is recognized on an effective interest method over the lease term and included in Other revenue in the consolidated statements of operations and comprehensive loss. The principal components of the lease payment are reflected as a reduction to the net investment in the finance lease. For the Company's operating leases, the amount allocated to the leasing component is recognized over the lease term as Other revenue in the consolidated statements of operations and comprehensive loss.

In addition to the revenue recognized from the leasing components of agreements with customers, Other revenue includes revenue recognized from the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities. Revenue from these development services is recognized over time as the Company transfers control of the asset to the customer, unless the customer is not able to obtain control over asset under construction until such services are completed, in which case, revenue is recognized when the services are completed and the customer has control of the infrastructure. Such agreements may also include a significant financing component, and the Company recognizes revenue for the interest income component over the term of the financing as Other revenue.

Shipping and handling costs are not considered to be separate performance obligations. These costs are recognized in the period in which the costs are incurred and presented within Cost of sales in the consolidated statements of operations and comprehensive loss. All such shipping and handling activities are performed prior to the customer obtaining control of the LNG or natural gas.

The Company collects sales taxes from its customers based on sales of taxable products and remits such collections to the appropriate taxing authority. The Company has elected to present sales tax collections in the consolidated statements of operations and comprehensive loss on a net basis and, accordingly, such taxes are excluded from reported revenues.

The Company elected the practical expedient under which the Company does not adjust consideration for the effects of a significant financing component for those contracts where the Company expects at contract inception that the period between transferring goods to the customer and receiving payment from the customer will be one year or less.

(q) Loss on mitigation sales

In connection with the purchase of firm cargoes of LNG, if the Company is unable to take physical possession of a portion of the contracted quantity due to capacity limitations, the supplier will attempt to sell the undelivered quantity through a mitigation sale. The Company may incur a loss on a mitigation sale if the supplier is unable to sell the undelivered quantity for a price greater than the contracted price with the Company. Losses incurred due to the Company's capacity limitations are not indicative of the market value of the LNG purchased from the supplier, and these costs are not related to inventory delivered to the Company's customers.

During the year ended December 31, 2019, the Company has recognized losses of \$5,280 within Loss on mitigation sales in the consolidated statements of operations and comprehensive loss.

(r) Leases, as lessee

Lease agreements are evaluated to classify the lease as capital or operating leases. When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in the current authoritative guidance, the lease is recognized as a capital lease. All other leases are classified as operating leases.

Lease payments under operating leases are recognized in the consolidated statements of operations and comprehensive loss on a straight-line basis over the term of the relevant lease.

(s) Share-based compensation

In connection with the IPO, the Company adopted the New Fortress Energy LLC 2019 Omnibus Incentive Plan (the "Incentive Plan"), effective as of February 4, 2019. Under the Incentive Plan, the Company may issue options, share appreciation rights, restricted shares, restricted share units ("RSUs"), share bonuses or other share-based awards to selected officers, employees, non-employee directors and select non-employees of NFE or its affiliates. The Company accounts for share-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*, and ASC 505, *Equity*, which require all share-based payments to employees and members of the board of directors to be recognized as expense in the consolidated financial statements based on their grant date fair values. The Company has elected not to estimate forfeitures of its share-based compensation awards but will recognize the reversal in compensation expense in the period in which the forfeiture occurs. Upon creation of the Incentive Plan, the Company early adopted ASU 2018-07 (as defined below). See "Note 3(b). Adoption of new and revised standards – New and amended standards adopted by the Company" for additional information related to ASU 2018-07 and "Note 21. Share-based compensation" for additional information related to share-based compensation.

(t) Taxation*Federal and state income taxes*

In conjunction with the closing of the Company's IPO, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historical operations to NFI, a partnership for U.S. tax purposes, in exchange for NFI LLC Units. NFE has elected to be taxed as a corporation and is subject to corporate U.S. federal and state income taxes.

The Company accounts for income taxes in accordance with ASC 740, "*Accounting for Income Taxes*" ("ASC 740"), under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's consolidated balance sheets as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the effect of tax positions only if those positions are more likely than not of being sustained. Recognized tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Conclusions reached regarding tax positions are continually reviewed based on ongoing analyses of tax laws, regulations and interpretations thereof. To the extent that the Company's assessment of the conclusions reached regarding tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports interest and penalties relating to an underpayment of income taxes, if applicable, as a component of income tax expense.

Foreign taxes

Certain subsidiaries of the Company are subject to income tax in the local jurisdiction in which they operate; foreign taxes are computed based on the taxable income and the local jurisdictional tax rate.

Other taxes

Certain subsidiaries may be subject to payroll taxes, excise taxes, property taxes, sales and use taxes, as well as income taxes in foreign countries in which they conduct business. In addition, certain subsidiaries are exposed to local state taxes, such as franchise taxes. Local state taxes that are not income taxes are recorded within Other income, net in the consolidated statements of operations and comprehensive loss.

(u) Net loss per share

Basic net loss per share (“EPS”) is computed by dividing net loss attributable to Class A shares by the weighted average number of Class A shares outstanding during the period following the reorganization. Class B shares represent non-economic interests in the Company, and as such, earnings are not allocated to Class B shares.

Diluted EPS reflects potential dilution and is computed by dividing net loss attributable to Class A shares by the weighted average number of Class A shares outstanding during the period following the reorganization increased by the number of additional Class A shares that would have been outstanding, including NFI LLC Units convertible into Class A shares and unvested RSUs. The dilutive effect of outstanding awards, if any, is reflected in diluted earnings per share by application of the treasury stock method or if-converted method, as applicable. Refer to “Note 20. Earnings per share” for additional information. For the year ended December 31, 2019, there was no potentially dilutive shares outstanding.

3. Adoption of new and revised standards

As an “emerging growth company,” the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

(a) New standards, amendments, and interpretations issued but not effective for the financial year beginning January 1, 2019:

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases* (“ASC 842”). ASC 842 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet and making targeted changes to lessor accounting. Entities are also required to provide enhanced disclosure about leasing arrangements.

The Company will adopt the standard effective January 1, 2020 utilizing the modified retrospective transition method to apply the new guidance, which allows the Company to recognize and measure leases upon adoption without modifying the comparative period financial statements.

The Company has determined its plan for election of the practical expedients as permitted under the transition guidance within ASC 842. The Company has decided that it will not elect the package of practical expedients and therefore, as part of transition, the Company will reassess the previous conclusions made under ASC 840 related to the identification of leases, classification of leases, and initial direct costs based on the standards of ASC 842. In connection with the reassessment of previous conclusions, the Company determined that the direct financing lease recognized related to the Montego Bay Terminal would no longer be a lease under ASC 842. The Company expects to recognize a transition adjustment that will remove the unamortized net investment for the direct financing lease and recognize the underlying assets as Property, plant and equipment, net of depreciation that would have been recognized since the commissioning of the Montego Bay Terminal. Upon transition to ASC 842, the Company will recognize payments previously allocated to the leasing component of the gas sales agreement with this customer within Operating revenues in the consolidated statements of operations and comprehensive loss. Under ASC 840, amounts allocated to the leasing component have been recognized on an effective interest method over the lease term with only the portion representing interest income recognized as Other revenues.

The Company will elect the practical expedients that will exempt leases with an initial term of 12 months or less from being recognized on the balance sheet and will carry forward the current accounting treatment for existing land easements. Lease and non-lease components will be combined as a single lease component for most asset classes, with the exception of the Company’s vessel time charters. The Company has not elected the hindsight practical expedient and therefore will not use hindsight to reassess conclusion on lease terms and impairment.

The Company has finalized its evaluation of the existing operating leases and the adoption of ASC 842 will have a material impact on the Company’s consolidated balance sheets due to the recognition of significant right-of-use assets and lease liabilities. The right-of-use assets and lease liabilities will be determined based on the present value of the future fixed lease payments, which are materially consistent with the future minimum rental commitments for operating leases, as detailed in Note 23. Additionally, upon adoption port access rights and initial lease costs, as detailed within Note 15, will be reclassified to the right-of-use assets. We are finalizing our incremental borrowing rate methodology that will be used in valuing the right of use assets and operating lease liabilities.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Disclosure Framework – Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires financial assets measured at amortized cost basis, including trade receivables, to be presented net of the amount expected to be collected. The measurement of all expected credit losses will be based on historical experience, current conditions, and reasonable and supportable forecasts. In October 2019, the FASB voted to approve a proposal to defer the effective date of ASC 2016-13 for certain entities, including emerging growth companies that take advantage of the extended transition period, to fiscal years beginning after December 15, 2022. This proposal would be applicable to the Company. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and timing of adoption.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which provides additional guidance to improve the effectiveness of disclosure requirements on fair value measurement. The Company will adopt ASU 2018-13 for the year beginning January 1, 2020. As this guidance is only related to qualitative financial disclosures, it will not have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. A customer’s accounting for the costs of the hosting component of the arrangement is not affected by the new guidance. This ASU is effective for the Company on January 1, 2021, with early adoption permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and the timing of adoption.

(b) New and amended standards adopted by the Company:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASC 606”) which provides a single comprehensive model for recognizing revenue from contracts with customers and supersedes existing revenue recognition guidance. The new standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. The Company adopted ASC 606 on January 1, 2019 using the modified retrospective method, which required the Company to apply the new revenue standard to (i) all new revenue contracts entered into after January 1, 2019 and (ii) all existing revenue contracts as of January 1, 2019 through a cumulative adjustment to the Company’s retained earnings balance. The adoption of ASC 606 did not have any impact on the Company’s historical retained earnings.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The Company has adopted this guidance for the year beginning January 1, 2019 by recognizing an immaterial adjustment to beginning retained earnings for the net unrealized loss on an equity investment with a readily determinable fair value.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight specific cash flow issues with an intention to reduce the existing diversity in practice. The Company has adopted this guidance for the year beginning January 1, 2019, and its adoption did not have a material impact on the Company’s consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This change is intended to limit the diversity in practice in the treatment of restricted cash in the statement of cash flows. The adoption of this standard resulted in the Company no longer showing the changes in restricted cash balances as a component of cash flows from investing or financing activities but instead including the balances of both current and long-term restricted cash with cash and cash equivalents in total cash, cash equivalents and restricted cash for the beginning and end of the periods presented. The Company has adopted this guidance for the year beginning January 1, 2019.

In February 2018, the FASB issued ASU 2018-02, *Income Statement: Reporting Comprehensive Income (Topic 220)* which allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for tax effects resulting from the comprehensive tax legislation enacted by the U.S. government commonly referred to as the Tax Cuts and Jobs Act. The Company has adopted this guidance for the year beginning January 1, 2019. The Company had no tax impacts recorded in accumulated other comprehensive income (loss) prior to adoption of the standard, and therefore adoption of the standard had no impact on the Company’s consolidated financial statements.

In September 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation Improvements to Non-employee Share-Based Payment Accounting* (“ASU 2018-07”), which simplifies the accounting for share-based payments granted to non-employees for goods and services. Under ASU 2018-07, most of the guidance on such payments to non-employees will be aligned with the requirements for share-based payments granted to employees. The Company has early adopted ASU 2018-07 upon inception of the Incentive Plan, and its adoption did not have a material impact on the Company’s consolidated financial statements.

4. Revenue from contracts with customers

Revenue recognized in the Company's consolidated statements of operations and comprehensive loss for the year ended December 31, 2019 and any associated balances on the consolidated balance sheet as of December 31, 2019 prepared under ASC 606 did not differ materially from what would have been presented under the previous revenue standard. As such, no comparison for the results of operations for the year ended December 31, 2019 and the financial position as of December 31, 2019 under ASC 606 and ASC 605 has been presented.

Under most customer contracts, invoicing occurs once the Company's performance obligations have been satisfied, at which point payment is unconditional. Receivables related to revenue from contracts with customers totaled \$30,563 as of December 31, 2019 and were included in Receivables, net on the consolidated balance sheets, net of the allowance for doubtful accounts. Other items included in Receivables, net not related to revenue from contracts with customers represent receivables associated with leases which are accounted for outside the scope of ASC 606.

During the year ended December 31, 2019, the Company recognized a contract liability of \$6,542. The contract liability balance is comprised of unconditional payments due under the contract with a customer prior to the Company's satisfaction of the related performance obligations. The performance obligations are expected to be recognized during the next 12 months, and the contract liability is classified within Other current liabilities on the consolidated balance sheets. During the year ended December 31, 2019, the Company recognized a contract asset of \$23,261. The contract asset is comprised of the transaction price allocated to completed performance obligations that will be billed to customers in subsequent periods, and \$3,787 is presented within Other current assets and \$19,474 is presented within Other non-current assets based on the timing of the expected billing to the customer. Contract assets or liabilities have not been previously recognized, and as such, there are no other changes to contract balances within the current period.

The Company began to recognize revenue for development services revenue during the year ended December 31, 2019 within Other revenue in the consolidated statements of operations and comprehensive loss. Costs recognized within Cost of sales associated with development services were \$24,228 for the year ended December 31, 2019. The table below summarizes the balances in Other revenue:

	Year Ended December 31,		
	2019	2018	2017
Other Revenue			
Development services revenue	\$ 27,308	\$ -	\$ -
Lease related revenue	16,317	15,395	15,158
Total other revenue	<u>\$ 43,625</u>	<u>\$ 15,395</u>	<u>\$ 15,158</u>

Transaction price allocated to remaining performance obligations

Some of the Company's contracts are short-term in nature with a contract term of less than a year. The Company applied the optional exemption not to disclose any transaction price allocated to unfulfilled performance obligations related to these contracts.

The Company has arrangements in which LNG or natural gas is sold on a "take-or-pay" basis whereby the customer is obligated to pay for the minimum guaranteed volumes even if the customer does not take delivery. The price under these agreements is based on a market index plus a fixed margin. The fixed transaction price allocated to the remaining performance obligations under these arrangements is \$3,101,185 as of December 31, 2019, representing the fixed margin multiplied by the outstanding minimum guaranteed volumes. The Company expects to recognize this revenue over the following time periods, and the pattern of recognition reflects the minimum guaranteed volumes in each period:

Period	Revenue
2020	\$ 185,272
2021	170,494
2022	168,960
2023	168,202
2024	167,445
Thereafter	2,240,812
Total	\$ 3,101,185

For all other sales contracts that have a term exceeding one year, the Company has elected the practical expedient in ASC 606 under which the Company does not disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. For these excluded contracts, the sources of variability are (a) the fluctuating market index prices of natural gas used to price the contracts, and (b) the variation in volumes that may be delivered to the customer. Both sources of variability are expected to be resolved at or shortly before delivery of each unit of LNG or natural gas. As each unit of LNG or natural gas represents a separate performance obligation, future volumes are wholly unsatisfied.

During the year ended December 31, 2019, the Company began to incur costs to fulfill a contract with a significant customer. These costs primarily consist of expenditures required to enhance resources to deliver under the agreement with the customer. As of December 31, 2019, the Company has capitalized \$8,839, of which \$331 of these costs is presented within Other current assets and \$8,508 is presented within Other non-current assets on the consolidated balance sheets. These costs will be recognized over the expected customer life, beginning when the Company begins to deliver under the contract.

5. Acquisition

On November 9, 2018, the Company entered into an agreement to acquire the share capital of Shannon LNG Limited (“SLNG”) and Shannon LNG Energy Limited (“LNG Energy,” and together with SLNG, “Shannon LNG”) in a transaction accounted for as an asset acquisition. On the same date, the Company acquired the Class A shares of Shannon LNG, representing a controlling financial interest. Shannon LNG was previously formed to acquire and develop assets comprising permissions, rights, licenses, leases, and other entitlements which would be used to construct and operate a terminal, pipeline, and related infrastructure, to import, process and deliver natural gas to downstream customers in Ireland.

As of the date of acquisition, construction of the planned infrastructure had not commenced and the primary assets of Shannon LNG were comprised of land, wayleaves, and permits that would allow for future development. The purchase agreement required the Company to pay the following amounts:

	November 9, 2018
Cash ⁽¹⁾	\$ 3,435
Contingent consideration ⁽²⁾	9,835
Equity Agreement ⁽³⁾	16,924
Transaction costs	593
Non-controlling interest	14,446
Total consideration	\$ 45,233

(1) Cash inclusive of repayment of Shannon LNG’s liabilities equal to approximately \$2,857.

(2) Consideration due to sellers once the first gas is exported from the terminal to be built.

(3) To be paid in shares at the earlier of agreed-upon date in 2020 or the commencement of significant construction activities specified in the Shannon LNG Agreement.

The contingent consideration meets the definition of a derivative under ASC 815, *Derivatives and Hedging*. See Note 6 for more detail; the contingent consideration is recognized in Other long-term liabilities on the consolidated balance sheets as of December 31, 2019 and 2018. The Equity Agreement is an unconditional obligation and is recognized in Other current liabilities on the consolidated balance sheets as of December 31, 2019 and 2018.

The purchase agreement included put and call options to allow or require the Company to acquire the remaining ownership interest of Shannon LNG. The options were deemed to be embedded equity-linked instruments within the non-controlling interest that is recognized within permanent equity. The fair value of the non-controlling interest was estimated to be \$14,446 based on the strike price of the call and put options.

The assets acquired in connection with the acquisition were recorded by the Company at their estimated relative fair values as follows:

	November 9, 2018	Useful life (Yrs)
Assets		
Land	\$ 851	Indefinite life
Rights of way	1,191	Indefinite life
Intangible assets – favorable lease agreements	244	91
Intangible assets – permits	42,947	40
Total assets acquired	<u>\$ 45,233</u>	

6. Fair value

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize use of unobservable inputs. These inputs are prioritized as follows:

- Level 1 – observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs.
- Level 3 – unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income approach – uses valuation techniques, such as the discounted cash flow technique, to convert future amounts to a single present amount based on current market expectations about those future amounts.
- Cost approach – based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

The following table presents the Company’s financial assets and financial liabilities that are measured at fair value as of December 31, 2019 and 2018:

	December 31, 2019				Valuation technique
	Level 1	Level 2	Level 3	Total	
Assets					
Cash and cash equivalents	\$ 27,098	\$ -	\$ -	\$ 27,098	Market approach
Restricted cash	65,937	-	-	65,937	Market approach
Investment in equity securities	2,540	-	-	2,540	Market approach
Total	<u>\$ 95,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,575</u>	
Liabilities					
Derivative liability ¹	\$ -	\$ -	\$ 9,800	\$ 9,800	Income approach
Equity agreement ²	-	-	16,800	16,800	Income approach
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,600</u>	<u>\$ 26,600</u>	

December 31, 2018

	Level 1	Level 2	Level 3	Total	Valuation technique
Assets					
Cash and cash equivalents	\$ 78,301	\$ -	\$ -	\$ 78,301	Market approach
Restricted cash	22,552	-	-	22,552	Market approach
Investment in equity securities	3,656	-	-	3,656	Market approach
Total	<u>\$ 104,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,509</u>	
Liabilities					
Derivative liability ¹	\$ -	\$ -	\$ 9,835	\$ 9,835	Income approach
Equity agreement ²	-	-	16,924	16,924	Income approach
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,759</u>	<u>\$ 26,759</u>	

(1) Consideration due to the sellers of Shannon LNG once first gas is supplied from the terminal to be built.

(2) To be paid in shares at the earlier of agreed-upon date or the commencement of significant construction activities specified in the Shannon LNG Agreement.

The Company estimates fair value of the derivative liability and equity agreement using a discounted cash flows method with discount rates based on the average yield curve for bonds with similar credit ratings and matching terms to the discount periods as well as a probability of the contingent event occurring. The Company recorded a loss from fair value adjustments on the derivative liability and equity agreement of \$121 and \$0 within Other income, net in the consolidated statements of operations and a gain of \$280 and \$0 within unrealized gain on currency translation adjustment in the Other comprehensive loss for the year ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019 and 2018, the Company had no settlements of the equity agreement or derivative liability or any transfers in or out of Level 3 in the fair value hierarchy.

The Company estimates fair value of outstanding debt using a discounted cash flow method based on current market interest rates for debt issuances with similar remaining years to maturity and adjusted for credit risk. The Company has estimated that the carrying value for each of the Term Loan Facility, Senior Secured Bonds, and Senior Unsecured Bonds (all defined below in "Note 17. Debt") approximate fair value. The fair value estimate is classified as Level 3 in the fair value hierarchy.

7. Restricted cash

As of December 31, 2019 and 2018, restricted cash consisted of the following:

	December 31, 2019	December 31, 2018
Collateral for performance under customer agreements	\$ 15,000	\$ 15,095
Collateral for LNG purchases	35,000	927
Collateral for letters of credit and performance bonds	7,388	6,238
Debt service reserve account	8,299	-
Other restricted cash	250	292
Total restricted cash	<u>\$ 65,937</u>	<u>\$ 22,552</u>
Current restricted cash	\$ 30,966	\$ 30
Non-current restricted cash	34,971	22,522

8. Inventory

As of December 31, 2019 and 2018, inventory consisted of the following:

	December 31, 2019	December 31, 2018
LNG and natural gas inventory	\$ 57,436	\$ 15,611
ADO inventory	4,746	-
Materials, supplies and other	1,250	348
Total inventory	<u>\$ 63,432</u>	<u>\$ 15,959</u>

Inventory is adjusted to the lower of cost or net realizable value each quarter. Changes in the value of inventory are recorded within Cost of sales in the consolidated statements of operations and comprehensive loss. The Company recorded an adjustment to the value of inventory of \$251 during the year ended December 31, 2019. No adjustments were recorded during the years ended December 31, 2018, and 2017.

9. Prepaid expenses and other current assets

As of December 31, 2019 and 2018, prepaid expenses and other current assets consisted of the following:

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 7,458	\$ 2,169
Prepaid LNG	7,097	16,170
Due from affiliates (Note 24)	1,577	890
Other current assets	22,520	10,788
Total prepaid expenses and other current assets	\$ 38,652	\$ 30,017

Other current assets as of December 31, 2019 primarily consists of capitalized costs associated with delivering development services to a customer and receivables for recoverable taxes. Other current assets as of December 31, 2018 primarily consists of IPO issuance costs incurred which were netted against issuance proceeds upon completion of the IPO.

10. Investment in equity securities

The Company has invested in equity securities of an international oil and gas drilling contractor. The following tables present the number of shares, cost and fair value of the investment:

(in thousands of U.S. dollars except shares)	December 31, 2019		
	Number of Shares	Cost	Fair value
Investment in equity securities ¹	295,256	\$ 3,667	\$ 2,540

¹During the year ended December 31, 2019, the investee effected a 5-for-1 reverse stock split.

(in thousands of U.S. dollars except shares)	December 31, 2018		
	Number of Shares	Cost	Fair value
Investment in equity securities	1,476,280	\$ 3,667	\$ 3,656

The movement in the value of the equity investment during the years ended December 31, 2019 and 2018 is summarized below:

	December 31, 2019	December 31, 2018
Beginning of period	\$ 3,656	\$ 6,333
Unrealized loss	(1,116)	(2,677)
End of period	\$ 2,540	\$ 3,656

The unrealized loss of \$1,116 for the year ended December 31, 2019 is included within Other income, net in the consolidated statements of operations and comprehensive loss. The unrealized loss of \$2,677 for the year ended December 31, 2018 was included within unrealized loss on available-for-sale investment in the Other comprehensive loss.

11. Construction in progress

The Company's construction in progress activity during the years ended December 31, 2019 and 2018 is detailed below:

	December 31, 2019	December 31, 2018
Balance at beginning of period	\$ 254,700	\$ 35,413
Additions	315,188	224,871
Transferred to property, plant and equipment, net (Note 12)	(103,301)	(5,584)
Balance at end of period	<u>\$ 466,587</u>	<u>\$ 254,700</u>

Interest expense of \$25,172, \$1,732 and \$0 was capitalized for the year ended December 31, 2019, 2018 and 2017, respectively, inclusive of amortized debt issuance costs disclosed in "Note 17. Debt."

12. Property, plant and equipment, net

As of December 31, 2019 and 2018, the Company's property, plant and equipment, net consisted of the following:

	December 31, 2019	December 31, 2018
LNG liquefaction facilities	\$ 66,273	\$ 65,631
Gas terminals	52,781	-
Gas pipelines	11,692	-
ISO containers and other equipment	54,932	17,792
Land	15,401	12,779
Leasehold improvements	8,054	7,229
Accumulated depreciation	(16,911)	(9,391)
Total property, plant and equipment, net	<u>\$ 192,222</u>	<u>\$ 94,040</u>

Depreciation for years ended December 31, 2019, 2018, and 2017 totaled \$7,527, \$3,900, and \$3,214, respectively, of which \$701, \$713, and \$453, respectively, is included within Cost of sales in the consolidated statements of operations and comprehensive loss.

13. Intangible assets, net

The following table summarizes the composition of intangible assets:

	December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
Definite-lived intangible assets				
Shannon LNG leases and permits	\$ 42,157	\$ 1,198	\$ 40,959	40
Easements	1,559	139	1,420	30
Indefinite-lived intangible assets				
Easements	1,161	-	1,161	n/a
Total intangible assets	<u>\$ 44,877</u>	<u>\$ 1,337</u>	<u>\$ 43,540</u>	
	December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
Definite-lived intangible assets				
Shannon LNG leases and permits	\$ 43,191	\$ 134	\$ 43,057	40
Total intangible assets	<u>\$ 43,191</u>	<u>\$ 134</u>	<u>\$ 43,057</u>	

As of December 31, 2019, the weighted average remaining amortization periods for the intangible assets is 38.8 years.

Amortization for the years ended December 31, 2019 and 2018 totaled \$1,114 and \$134, respectively. The estimated aggregate amortization expense for each of the next five years is:

Year ending December 31:

2020	\$	1,116
2021		1,116
2022		1,116
2023		1,116
2024		1,116
Thereafter		36,799
Total	\$	42,379

14. Finance leases, net

The Company placed its storage and regasification LNG terminal in Montego Bay, Jamaica into service on October 30, 2016, which has been accounted for as a direct financing lease. In addition, the Company has also entered into other arrangements to lease equipment to customers which are accounted for as direct financing leases. The components of the direct financing leases as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Finance leases	\$ 290,947	\$ 306,832
Unearned income	(198,691)	(213,682)
Total finance leases, net	\$ 92,256	\$ 93,150
Current portion	\$ 1,082	\$ 943
Non-current	91,174	92,207

Receivables related to the Company's direct financing leases are primarily with a national utility that generates consistent cash flow. Therefore, the Company does not expect a material impact to the results of operations or financial position due to nonperformance from such counterparty.

As of December 31, 2019, future minimum lease payments to be received under direct financing leases for the remainder of the respective lease terms is as follows:

Year ending December 31:

2020	\$	15,986
2021		15,946
2022		15,941
2023		15,947
2024		15,990
Thereafter		211,137
Total	\$	290,947

15. Other non-current assets

As of December 31, 2019 and 2018, other non-current assets consisted of the following:

	December 31, 2019	December 31, 2018
Port access rights and initial lease costs	\$ 17,762	\$ 21,871
Nonrefundable deposit	22,262	10,810
Upfront payments to customers	5,904	-
Contract asset (Note 4)	19,474	-
Cost to fulfill (Note 4)	8,508	-
Other	7,716	2,574
Total other non-current assets	<u>\$ 81,626</u>	<u>\$ 35,255</u>

Port access rights related to the Company's port lease in Baja California Sur, Mexico, represent upfront payments to enter the lease and are amortized straight-line over the lease term as additional rent expense. Initial lease costs represent payments made to previous lessees to secure the Company's port lease in San Juan, Puerto Rico and are also amortized straight-line over the lease term. Nonrefundable deposits are primarily related to deposits for planned land purchases in Ireland and Pennsylvania.

Upfront payments to customers consist of amounts the Company has paid in relation to two natural gas sales contracts with customers to construct fuel-delivery infrastructure that the customers will own.

16. Accrued liabilities

As of December 31, 2019 and 2018, accrued liabilities consisted of the following:

	December 31, 2019	December 31, 2018
Accrued construction costs	\$ 25,037	\$ 41,343
Accrued IPO costs	-	5,296
Accrued bonuses	14,991	12,582
Other accrued expenses	14,915	8,291
Total accrued liabilities	<u>\$ 54,943</u>	<u>\$ 67,512</u>

17. Debt

As of December 31, 2019 and 2018, debt consisted of the following:

	December 31, 2019	December 31, 2018
Term Loan Facility, due January 21, 2020	\$ 495,000	\$ 272,192
Senior Secured Bonds, due September 2034	70,960	-
Senior Secured Bonds, due December 2034	10,823	-
Senior Unsecured Bonds, due September 2036	42,274	-
Total debt	<u>\$ 619,057</u>	<u>\$ 272,192</u>
Current portion of debt	\$ -	\$ 272,192
Non-current portion of debt	619,057	-

Term Loan Facility

On August 16, 2018, the Company entered into a credit agreement with a syndicate of two lenders to borrow up to an aggregate principal amount of \$240,000, and proceeds received from this credit agreement were utilized to repay prior debt facilities. On December 31, 2018, the Company amended this credit agreement to increase the available borrowing principal amount to \$500,000 (as amended, the "Term Loan Facility"), and as of December 31, 2018, the Company had an outstanding principal balance of \$280,000 under the Term Loan Facility. On March 21, 2019, the Company drew an additional \$220,000, bringing the Company's total outstanding borrowings to \$500,000 under the Term Loan Facility.

All borrowings under the Term Loan Facility bore interest at a rate selected by the Company of either (i) LIBOR divided by one minus the applicable reserve requirement plus a spread of 4% or (ii) subject to a floor of 1%, a Base Rate equal to the higher of (a) the Prime Rate, (b) the Federal Funds Rate plus 1/2 of 1% or (c) the 1-month LIBOR rate plus 1.00% plus a spread of 3.0%. The Term Loan Facility was repayable in quarterly installments of \$1,250, with a balloon payment due at maturity.

The Term Loan Facility was secured by mortgages on certain properties owned by the Company's subsidiaries, in addition to other collateral. The Term Loan Facility was amended in the third quarter of 2019 to allow certain properties of a consolidated subsidiary to secure the Senior Secured Bonds (defined below). The Company was required to comply with certain financial covenants and other restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments, and dispositions. The Term Loan Facility also provided for customary events of default, prepayment, and cure provisions.

In connection with obtaining the Term Loan Facility and the extinguishment of the Company's prior debt facilities, the Company paid \$22,422 in origination and other fees. A portion of refinanced borrowings and associated fees were accounted for as a debt modification, while the remaining refinanced borrowings and associated were accounted for as a debt extinguishment. As such, the Company also recognized a Loss on extinguishment of debt of \$9,568 in the consolidated statements of operations and comprehensive loss, including the write-off \$2,820 of unamortized deferred financing costs and \$6,380 of financing fees incurred in connection with the amendment of the Term Loan Facility; the remaining loss on extinguishment was due to unamortized deferred financing costs and other fees incurred in conjunction with the repayment of prior debt facilities. Of the fees incurred, the Company recognized \$9,746 as a reduction of the principal balance on the consolidated balance sheets. As of December 31, 2018, the remaining unamortized deferred financing costs were \$7,808. In 2019, the Company paid \$4,400 of additional fees in connection with the \$220,000 draw on the Term Loan Facility. These fees were capitalized as a reduction to the Term Loan Facility on the consolidated balance sheets, and all deferred financing costs associated with the Term Loan Facility were amortized over the term of the Term Loan Facility, through December 31, 2019. As such, there were no unamortized deferred financing costs as of December 31, 2019.

The Term Loan Facility had a maturity date of December 31, 2019, with an option to extend the maturity date for two additional six-month periods. Upon the exercise of each extension option, the Company would pay a fee equal to 1.0% of the outstanding principal balance at the time of the exercise and the spread on LIBOR and Base Rate would increase by 0.5%. On December 30, 2019, the Company entered into an amendment with the lenders to extend the maturity to January 21, 2020; no fees were due to lenders from the execution of this amendment. Prior to this new maturity date, the Company repaid the full amount outstanding using proceeds from the Credit Agreement (as defined in Note 27 below) to extinguish the Term Loan Facility. The Credit Agreement matures in January 2023, and as the borrowings under the Credit Agreement are long term in nature, the outstanding principal balance of the Term Loan Facility as of December 31, 2019 has been presented as a non-current liability.

South Power Bonds

On September 2, 2019, NFE South Power Holdings Limited ("South Power"), a consolidated subsidiary of the Company, entered into a facility for the issuance of secured and unsecured bonds (the "Senior Secured Bonds" and "Senior Unsecured Bonds", respectively) and subsequently issued \$73,317 and \$43,683 in Senior Secured Bonds and Senior Unsecured Bonds, respectively. The Senior Secured Bonds are secured by the dual-fired combined heat and power facility in Clarendon, Jamaica (the "CHP Plant") and related receivables and assets, and the proceeds will be used to fund the completion of the CHP Plant and to reimburse shareholder advances. In the fourth quarter of 2019, South Power issued an additional \$63,000 in Senior Secured Bonds. The Company received \$10,856 of the proceeds in 2019 and received the remaining proceeds of \$52,144 in January 2020.

The Senior Secured Bonds bear interest at an annual fixed rate of 8.25% and will mature 15 years from the closing date of each issuance. No principal payments will be due for the first seven years. After seven years, quarterly principal payments of approximately 1.6% of the original principal amount will be due with a 50% balloon payment due upon maturity. Interest payments on outstanding principal balances will be due quarterly.

The Senior Unsecured Bonds bear interest at an annual fixed rate of 11.00% and will mature in September 2036. No principal payments will be due for the first nine years. Beginning in 2028, principal payments will be due quarterly on an escalating schedule. Interest payments on outstanding principal balances will be due quarterly.

South Power will be required to comply with certain financial covenants as well as customary affirmative and negative covenants, including limitations on incurring additional indebtedness. The facility also provides for customary events of default, prepayment, and cure provisions.

The Company paid approximately \$3,892 of fees in connection with the issuance of Senior Secured Bonds and Senior Unsecured Bonds. These fees were capitalized on a pro-rata basis as a reduction of the Senior Secured Bonds and Senior Unsecured Bonds on the consolidated balance sheets. The total unamortized deferred financing costs as of December 31, 2019 was \$3,799.

Under the terms of the facility, South Power is required to maintain a Debt Service Reserve Account (as defined in the facility) in the amount of \$8,299. Such amount is included as a component of Restricted cash on the Company's consolidated balance sheets (see Note 7).

Interest Expense

Interest and related amortization of debt issuance costs recognized during major development and construction projects are capitalized and included in the cost of the project. Interest expense, net of amounts capitalized, recognized for the year ended December 31, 2019, 2018, and 2017 consisted of the following:

	Year ended December 31,		
	2019	2018	2017
Interest per contractual rates	\$ 32,283	\$ 9,363	\$ 5,760
Amortization of debt issuance costs	12,301	3,617	696
Total interest costs	44,584	12,980	6,456
Capitalized interest	25,172	1,732	-
Total interest expense	\$ 19,412	\$ 11,248	\$ 6,456

18. Income taxes

In connection with the IPO, NFE contributed the net proceeds from the IPO to NFI in exchange for NFI LLC Units, and NFE became the managing member of NFI. NFI is a limited liability company that is treated as a partnership for U.S. federal income tax purposes and for most applicable state and local income tax purposes. As a partnership, NFI is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by NFI is passed through to and included in the taxable income or loss of its members, including NFE, on a pro rata basis, subject to applicable tax regulations. NFE is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to its allocable share of any taxable income or loss of NFI. Additionally, NFI and its subsidiaries are subject to income taxes in the various foreign jurisdictions in which they operate.

In connection with the IPO, NFE recorded a deferred tax asset of \$42,783 related to the difference between its tax basis in its investment in NFI and NFE's share of the financial statement carrying amount of the net assets of NFI. The deferred tax asset was recorded to equity and is fully offset by a valuation allowance also recorded to equity.

The components of the Company's loss before income taxes for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
United States	\$ (194,481)	\$ (74,873)	\$ (32,647)
Foreign	(9,399)	(3,647)	1,502
Loss before taxes	\$ (203,880)	\$ (78,520)	\$ (31,145)

Income tax expense (benefit) is comprised of the following for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31,		
	2019	2018	2017
Current:			
Domestic	\$ -	\$ -	\$ -
Foreign	47	7	5
Total current tax expense	47	7	5
Deferred:			
Domestic	-	-	-
Foreign	392	(345)	521
Total deferred tax expense (benefit)	392	(345)	521
Total provision for (benefit from) income taxes	\$ 439	\$ (338)	\$ 526

Prior to the IPO, the income tax expense (benefit) was primarily due to foreign taxes. Subsequent to the IPO, federal income taxes were also provided related to the Company’s allocable share of income (losses) from NFI at the prevailing U.S. federal, state, and local corporate income tax rates. As New Fortress Energy Holdings, NFE’s predecessor for accounting purposes, was organized as a partnership for U.S. tax purposes, no United States federal income taxes were incurred in the years ended December 31, 2018 and 2017.

Effective Tax Rate

A reconciliation of the U.S. federal statutory income tax rate to the Company’s effective tax rate is as follows:

	Year Ended December 31,		
	2019	2018	2017
Income tax at the statutory rate	21.0%	-	-
Foreign tax rate differential	0.8%	0.4%	(1.7%)
Foreign tax on foreign operations	2.9 %	-	-
Foreign permanent adjustments	5.0%	-	-
Income attributable to non-controlling interest	(18.2%)	-	-
Domestic valuation allowance	(2.1%)	-	-
Foreign valuation allowance	(10.8%)	-	-
Other	1.2%	-	-
Effective income tax rate	<u>(0.2%)</u>	<u>0.4%</u>	<u>(1.7%)</u>

The primary items which decreased the Company’s effective income tax rate from the federal statutory rate in 2019 were increases in domestic and foreign valuation allowances and income attributable to non-controlling interests.

During the years ended December 31, 2019, 2018, and 2017, the Company did not have any unrecognized tax benefits.

The following table summarizes the changes in the Company’s valuation allowance on deferred tax assets for the period indicated for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Balance at the beginning of the period	\$ 241	\$ -
Increase recognized in the statement of operations	80,670	241
Balance at the end of the period	<u>\$ 80,911</u>	<u>\$ 241</u>

The tax effect of each type of temporary difference and carryforward that give rise to a significant deferred tax asset or liability as of December 31, 2019, 2018, and 2017, are as follows:

	Year Ended December 31,	
	2019	2018
Deferred tax assets:		
Investment in NFI	\$ 46,185	\$ -
Accrued interest	14,047	3,181
Federal and state net operating loss carryforward	3,215	-
Foreign net operating loss carryforward	19,713	4,824
Share-based compensation	8,958	-
Other	406	-
Total deferred tax assets	<u>92,524</u>	<u>8,005</u>
Valuation allowance	<u>(80,911)</u>	<u>(241)</u>
Deferred tax assets, net of valuation allowance	11,613	7,764
Deferred tax liabilities:		
Property and equipment	(11,820)	(7,579)
Total deferred tax liabilities	<u>(11,820)</u>	<u>(7,579)</u>
Net deferred tax (liabilities) assets	<u>\$ (207)</u>	<u>\$ 185</u>

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted into law. The Tax Act includes significant changes to the U.S. corporate income tax structure, including a federal corporate rate reduction from 35% to 21% effective January 1, 2018, limitations on the deductibility of interest expense, establishing a deduction for foreign-derived intangible income (“FDII”), creation of new minimum taxing regimes such as the Base Erosion and Anti-abuse Tax (“BEAT”) and the Global Intangible Low Taxed Income (“GILTI”) tax. Because of the Company’s overall loss position and deferred tax asset valuation allowance, the above mentioned items have not had a material impact to the financial statements.

U.S. Federal and State Jurisdictions

The Company and its subsidiaries file income tax returns in the U.S. federal and various state and local jurisdictions. The Company is not currently under income tax examination in any jurisdiction, and NFE will file its first corporate U.S. federal and state income tax returns for the period ended December 31, 2019. NFI is taxed as a U.S. partnership and controls the underlying operations, thus the tax effects of temporary differences are captured within the net deferred tax asset for the investment in the partnership.

As of December 31, 2019, NFE has approximately \$14,549 of federal and \$4,529 of state net operating loss carry forwards. The federal net operating losses are generally allowed to be carried forward indefinitely and can offset up to 80 percent of future taxable income. The state net operating losses relate to Florida and are generally allowed to be carried forward indefinitely.

NFE recorded a valuation allowance against its U.S. federal and state deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. As of December 31, 2019, the Company concluded, based on the weight of all available positive and negative evidence, those deferred tax assets are not more likely than not to be realized and accordingly, a valuation allowance has been recorded on this deferred tax asset as of December 31, 2019 for the amount not supported by reversing taxable temporary differences.

Foreign Jurisdictions

NFI's foreign subsidiaries file income tax returns in certain foreign jurisdictions. As of December 31, 2019, NFI's foreign subsidiaries have approximately \$70,932 of net operating loss carry forwards. Net operating losses of \$60,699 incurred in Jamaica are generally allowed to be carried forward indefinitely. Net operating loss carryforwards of \$6,287 incurred in Puerto Rico and Mexico will expire, if unused, between 2028 and 2029. Net operating loss carryforwards of \$3,946 incurred in Ireland are generally allowed to be carried forward indefinitely. The Company recorded a valuation allowance against foreign deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized.

The Company has subsidiaries incorporated in Bermuda. Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government that, in the event of income or capital gain taxes being imposed, it will be exempted from such taxes until the period 2035.

19. Commitments and contingencies

In conjunction with its principal business activities, the Company enters into various firm commitments for the purchase, production, and transportation of LNG and natural gas. The estimated future cash payments related to outstanding contractual commitments, at market prices as of December 31, 2019, is summarized as follows:

	2020	2021	2022	2023	2024+
LNG inventory purchases	\$ 276,904	\$ 224,872	\$ -	\$ -	\$ -
Gas inventory purchases	8,714	6,213	6,205	6,271	12,196

LNG and natural gas purchases

The future cash payments summarized above represent the Company's minimum firm purchase commitments as of December 31, 2019. The 2020 commitment for LNG inventory purchases excludes the \$7,097 prepaid balance as of December 31, 2019. The amounts disclosed above represent the commitment to purchase 25 firm cargoes representing approximately 875.5 million gallons of LNG (72.4 million MMBtu).

As of December 31, 2019, the Company was a party to contractual purchase commitments for feedgas with remaining terms of up to 5 years. These commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements. For agreements for supply where there is an active market, such agreements qualify for and the Company has elected the normal purchase exception under the derivatives guidance; therefore, the purchases under these contracts are included in Inventory and Cost of sales as incurred.

In February 2020, the Company signed a long-term supply agreement for the purchase of 27.5 TBtu per year of LNG. The purchases will take place between 2022 and 2030, and commitments related to this agreement are not included in the table above.

The Company's lease obligations are discussed in Note 23, Leases, as lessee.

Contingencies

During 2017, the Company paid \$1,204 of tangible personal property tax levied in the State of Florida in respect to the Company's LNG Plant in Hialeah, Florida and subsequently initiated legal proceedings to challenge the tax amount for a full or partial rebate. The Company successfully challenged the tax amount and received a full rebate. The State of Florida appealed the determination and the Company repaid the rebate amount in order to avoid penalties and charges while the appeal is under consideration. Additionally, in 2018, the Company paid \$1,033 of tangible personal property taxes to the State of Florida with respect to the same LNG plant. The Company initiated legal proceedings to challenge the tax amount for a partial rebate and received a rebate of approximately \$140. The State of Florida appealed the determination, and the Company repaid the rebate amount to avoid penalties and charges while the appeal was under consideration.

In 2019, the Company settled both cases with the State of Florida and expects to receive an estimated refund in the amount of \$488, net of legal fees contingent upon the recovery of these property taxes. The refund will be recognized as a gain contingency when the cash is received.

20. Earnings per share

	Year Ended December 31, 2019
Numerator:	
Net loss	\$ (204,319)
Less: net loss attributable to non-controlling interests	170,510
Net loss attributable to Class A shares	<u>\$ (33,809)</u>
Denominator:	
Weighted-average shares-basic and diluted	20,862,555
Net loss per share - basic and diluted	<u>\$ (1.62)</u>

In connection with the IPO, New Fortress Energy Holdings, the Company's predecessor, effected a one-for-2.16 share split of its issued and outstanding common shares, resulting in 147,058,824 common shares. Upon the reorganization, New Fortress Energy Holdings obtained the same number of Class B shares in NFE. Class B shares do not share in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted net loss per share for Class B shares under the two-class method has not been presented.

The following table presents potentially dilutive securities excluded from the computation of diluted net loss per share for the periods presented because its effects would have been anti-dilutive.

	December 31, 2019
Unvested RSUs ¹	3,137,415
Class B shares ²	144,342,572
Shannon Equity Agreement shares ³	1,083,995
Total	<u>148,563,982</u>

¹ Represents the number of instruments outstanding at the end of the period.

² Class B shares at the end of the period are considered potentially dilutive Class A shares.

³ Class A shares that would be issued in relation to the Shannon LNG Equity agreement.

21. Share-based compensation

During the year ended December 31, 2019, the Company granted RSUs to select officers, employees, non-employee members of the board of directors, and select non-employees under the Incentive Plan.

The Company estimates the fair value of RSUs on the grant date based on the closing price of the underlying shares on the grant date and other fair value adjustments to account for a post-vesting holding period. These fair value adjustments were estimated based on the Fannerty model.

The following table summarizes the RSU activity for the year ended December 31, 2019:

	Restricted Share Units	Weighted-average grant date fair value per share
Non-vested RSUs as of December 31, 2018	-	\$ -
Granted	5,404,823	13.48
Vested and shares issued	(1,284,383)	13.53
Forfeited	(983,025)	13.51
Non-vested RSUs as of December 31, 2019	<u>3,137,415</u>	<u>\$ 13.44</u>

During the year ended December 31, 2019, the Company recognized a compensation expense of \$41,447 of which \$40,594 and \$853 are recorded in Selling, general and administrative and Operations and maintenance, respectively. The Company recognizes the income tax benefits resulting from vesting of RSUs in the period they vest, to the extent the compensation expense has been recognized.

For the year ended December 31, 2019, cumulative compensation expense recognized for forfeited awards of \$2,248 was reversed.

As of December 31, 2019, the Company had 3,137,415 non-vested RSUs subject to service conditions and therefore had unrecognized compensation costs of approximately \$18,080. The non-vested RSUs will vest over a period from ten months to three years following the grant date. The weighted-average remaining vesting period of non-vested RSUs totaled 0.86 years as of December 31, 2019.

22. Stockholder's equity and Members' equity

New Fortress Energy Holdings

In January 2018, New Fortress Energy Holdings, the Company's predecessor, issued 665,843 common shares (no par value) to members of New Fortress Energy Holdings for \$20,150 in proceeds.

New Fortress Energy LLC

During the year ended December 31, 2019, the Company issued 2,716,252 shares of Class A shares in exchange for Class B shares, and 53,572 Class A shares were issued for vested RSUs.

As of December 31, 2019, NFE has 23,607,096 Class A Shares outstanding, and New Fortress Energy Holding has an 85.9% economic interest in NFI through ownership of 144,342,572 NFI LLC units and New Fortress Energy Holdings holds an 85.9% voting interest in NFE.

23. Leases, as lessee

During the years ended December 31, 2019, 2018, and 2017, the Company recognized rental expense for all operating leases of \$37,069, \$23,687, and \$17,369, respectively. These operating leases were related primarily to LNG vessel time charters, office space, land leases, and marine port berth leases as summarized in the table below.

Lease	Non-cancellable Initial Term	Renewal Option	Rent Escalation (per annum)
LNG vessel time charter	2 to 7 years	0 to 5 years	0% to 2%
Marine port berth	20 to 25 years	0 to 20 years	See Note (1)
Office space and land	monthly to 7 years	0 to 5 years	2.5% to 5.0%

(1) One marine port berth lease has a 15% lease payment escalation after year five

Future minimum lease payments under non-cancellable operating leases are as follows:

Year ending December 31:

2020	\$	37,776
2021		35,478
2022		18,387
2023		7,083
2024		7,151
Thereafter		26,458
Total	\$	<u>132,333</u>

24. Related party transactions

Management services

The Company is majority-owned by a private equity fund managed by an affiliate of Fortress Investment Group LLC (“Fortress”). In the ordinary course of business, Fortress through affiliated entities, has historically charged the Company for administrative and general expenses incurred pursuant to its Management Services Agreement (“Management Agreement”). Upon completion of the IPO, the Management Agreement was terminated and replaced by an Administrative Services Agreement (“Administrative Agreement”) to charge the Company for similar administrative and general expenses. The charges under the Management Agreement and Administrative Agreement that are attributable to the Company totaled \$7,942, \$5,741 and \$3,866 for years ended December 31, 2019, 2018, and 2017, respectively. Costs associated with the Management Agreement and Administrative Agreement are included within Selling, general and administrative in the consolidated statements of operations and comprehensive loss. As of December 31, 2019 and 2018, \$5,083 and \$3,579 were due to Fortress, respectively.

In addition to management and administrative services, an affiliate of Fortress owns and leases an aircraft chartered by the Company for business purposes in the course of operations. The Company incurred, at aircraft operator market rates, charter costs of \$5,367 for the year ended December 31, 2019, and \$4,286 is due to this affiliate as of December 31, 2019. In prior years, such charges were incurred under the Management Agreement and amounts incurred of \$1,873 and \$2,917 for the years ended December 2018 and 2017, respectively, are included in the activity and balances disclosed above.

Land and office lease

The Company has leased land and office space from Florida East Coast Industries, LLC (“FECI”), an affiliate of the Company. In April 2019, FECI sold the office building to a non-affiliate, and as such, the lease of the office space is no longer held with a related party. The expense related to the office building for the period that the building was owned by a related party during the year ended December 31, 2019 totaled \$609, of which \$386 was capitalized as leasehold improvements and \$223 was included in Selling, general and administrative in the consolidated statements of operations and comprehensive loss; no expense for the office space was incurred prior to 2019. The expense for the land lease during the years ended December 31, 2019, 2018, and 2017 was \$396, \$260, and \$285, respectively, and these amounts have been recognized within Operations and maintenance in the consolidated statements of operations and comprehensive loss. As of December 31, 2019 and 2018, \$0 and \$597 were due to FECI, respectively.

DevTech Investment

In August 2018, the Company entered into a consulting arrangement with DevTech Environment Limited (“DevTech”), to provide business development services to increase the customer base of the Company. DevTech also contributed cash consideration in exchange for a 10% interest in a consolidated subsidiary. The 10% interest is reflected as non-controlling interest in the Company’s consolidated financial statements. DevTech purchased 10% of a note payable due to an affiliate of the Company. As of December 31, 2019 and 2018, \$815 and \$737 was owed to DevTech on the note payable, respectively. The outstanding note payable due to DevTech is included in Other long-term liabilities on the consolidated balance sheets as of December 31, 2019. For the years ended December 31, 2019 and 2018, interest expense on the note payable due to DevTech was \$94 and \$18, respectively; no interest has been paid, and accrued interest has been recognized within Other current liabilities on the consolidated balance sheets. As of December 31, 2019 and 2018, \$443 and \$365 was due from DevTech, respectively.

Fortress affiliated entities

Since 2017, the Company has provided certain administrative services to related parties including Fortress Equity Partners. As of December 31, 2019 and 2018, \$1,134 and \$525 were due from affiliates, respectively. There are no costs incurred by the Company as the Company is fully reimbursed for all costs incurred. Additionally, Fortress affiliated entities provide certain administrative services to the Company. As of December 31, 2019 and 2018, \$883 and \$305 were due to Fortress affiliates, respectively.

Due to/from Affiliates

The table below summarizes the balances outstanding with affiliates at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Amounts due to affiliates	\$ 10,252	\$ 4,481
Amounts due from affiliates	1,577	890

25. Customer concentrations

For the year ended December 31, 2019, revenue from two significant customers constituted 74% of the total revenue and 85% of trade receivables. For the year ended 2018 and 2017, revenue from one significant customer constituted 87% and 92% of total revenue, respectively, and as of December 31, 2018, this customer comprised 93% of trade receivables. In addition to trade receivables, the Company has primarily leased facilities under direct financing leases to this customer. As of December 31, 2019 and 2018, 99% and 98% of the Finance leases, net balance was attributed to this significant customer, respectively.

During the years ended December 31, 2019, 2018, and 2017, revenue from external customers that were derived from customers located in the United States were \$21,386, \$7,214 and \$4,935, respectively, and from customers outside of the United States were \$167,739, \$105,087 and \$92,327, respectively, primarily derived from customers in the Caribbean. The Company attributes revenue from external customers to the country in which the party to the applicable agreement has its principal place of business.

As of December 31, 2019 and 2018, long lived assets, which are all non-current assets excluding investment in equity securities, restricted cash, deferred tax assets and intangible assets, located in the United States were \$360,860 and \$151,729, respectively, and long lived assets located outside of the United States were \$470,749 and \$325,416, respectively, primarily located in the Caribbean.

26. Unaudited quarterly financial data

Due to the change in organization structure as a result of reorganization transactions completed at the time of the IPO in 2019, the 2018 quarterly net loss per share is not presented as it is not comparable to 2019. Summarized quarterly financial data for the years ended December 31, 2019 and 2018 are as follows:

(in thousands of U.S. dollars, except per share data)

	Three months ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Revenues	\$ 29,951	\$ 39,766	\$ 49,656	\$ 69,752
Operating loss	(59,337)	(43,959)	(47,726)	(36,253)
Net loss	(60,292)	(51,233)	(54,424)	(38,370)
Net loss attributable to stockholders	(13,557)	(6,186)	(6,723)	(7,343)
Basic and diluted loss per share (1)	(0.96)	(0.28)	(0.30)	(0.30)

(1) Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

	Three months ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenues	\$ 25,709	\$ 26,799	\$ 28,424	\$ 31,369
Operating loss	(9,465)	(17,141)	(9,922)	(21,960)
Net loss	(10,913)	(18,825)	(13,681)	(34,763)
Net loss attributable to stockholders	(10,913)	(18,825)	(13,609)	(34,729)

27. Subsequent events

The Credit Agreement

On January 10, 2020, the Company entered into a credit agreement to borrow \$800,000 in term loans (the “Credit Agreement”). The Credit Agreement will mature in January 2023 with the full principal balance due upon maturity. Interest is payable quarterly and is based on a LIBOR rate divided by one minus the applicable reserve requirement, subject to a floor of 1.50%, plus a margin of 6.25%. The interest rate margin increases each year of the term by 1.50%.

Proceeds received were net of upfront and structuring fees, and together with other fees and expenses paid in connection with obtaining this financing, these fees will be recorded as a reduction to the principal balance on the consolidated balance sheet. Proceeds received were utilized to extinguish the Term Loan Facility, including outstanding principal of \$495,000.

LNG Supply Agreement

On February 7, 2020, the Company entered into a long-term supply agreement for the purchase of 27.5 TBtus per year of LNG at a price indexed to Henry Hub. The term of the purchase commitment is January 2022 through January 2030.

**Schedule I – Condensed Financial Information of Registrant
New Fortress Energy LLC
(Parent Company Only)**

**Condensed Balance Sheets
As of December 31, 2019 and 2018**

(in thousands of U.S. Dollars, except share amounts)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ 42
Total current assets	<u>-</u>	<u>42</u>
Investment in subsidiaries	84,805	268,265
Total assets	<u>\$ 84,805</u>	<u>\$ 268,307</u>
Stockholders' equity		
Members' capital, no par value, 500,000,000 shares authorized, 67,983,095 shares issued and outstanding as of December 31, 2018	\$ -	\$ 426,741
Class A shares, 23,607,096 shares, issued and outstanding as of December 31, 2019; 0 shares issued and outstanding as of December 31, 2018	130,658	-
Class B shares, 144,342,572 shares, issued and outstanding as of December 31, 2019; 0 shares issued and outstanding as of December 31, 2018	-	-
Accumulated deficit	(45,823)	(158,423)
Accumulated other comprehensive loss	(30)	(11)
Total stockholders' equity	<u>84,805</u>	<u>268,307</u>
Total liabilities and stockholders' equity	<u>\$ 84,805</u>	<u>\$ 268,307</u>

See accompanying notes to condensed financial statements

Schedule I – Condensed Financial Information of Registrant
New Fortress Energy LLC
(Parent Company Only)

Condensed Statements of Operations and Comprehensive Loss
For the years ended December 31, 2019, 2018 and 2017
(in thousands of U.S. Dollars)

	Year Ended December 31,		
	2019	2018	2017
Selling, general and administrative	\$ -	\$ (179)	\$ (40)
Operating loss	-	(179)	(40)
Other income, net	106	337	-
Income (loss) before taxes and equity in net loss of subsidiaries	106	158	(40)
Tax expense (benefit)	-	-	-
Equity in net loss of subsidiaries	(33,915)	(78,234)	(31,631)
Net Loss	(33,809)	(78,076)	(31,671)
Other comprehensive (loss) income	(30)	(2,677)	1,303
Comprehensive loss	\$ (33,839)	\$ (80,753)	\$ (30,368)

See accompanying notes to condensed financial statements

Schedule I – Condensed Financial Information of Registrant
New Fortress Energy LLC
(Parent Company Only)

Condensed Statements of Cash Flows
For the years ended December 31, 2019, 2018 and 2017
(in thousands of U.S. Dollars)

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net Loss	\$ (33,809)	\$ (78,076)	\$ (31,671)
Adjustments for:			
Equity in net losses of subsidiaries	33,915	78,234	31,631
Net cash provided by/(used in) operating activities	106	158	(40)
Cash flows from investing activities			
Investment in subsidiaries	(275,054)	(146,941)	(123,371)
Net cash used in investing activities	(275,054)	(146,941)	(123,371)
Cash flows from financing activities			
Proceeds from IPO	274,948	-	-
Repayment of affiliate note	-	-	(120)
Capital contributed from Members	-	20,150	20,100
Collection of subscription receivable	-	50,000	-
Net cash provided by financing activities	274,948	70,150	19,980
Net (decrease) in cash and cash equivalents and restricted cash	-	(76,633)	(103,431)
Cash and cash equivalents and restricted cash - beginning of period	-	76,675	180,106
Cash and cash equivalents and restricted cash - end of period	\$ -	\$ 42	\$ 76,675

See accompanying notes to condensed financial statements

Schedule I – Condensed Financial Information of Registrant
New Fortress Energy LLC
(Parent Company Only)

Notes to Condensed Financial Statements

1. Organization and presentation

New Fortress Energy LLC (“NFE”) was formed as a Delaware limited liability company by New Fortress Energy Holdings on August 6, 2018. On February 4, 2019, NFE completed an initial public offering (“IPO”) in which NFE issued and sold 20,000,000 Class A shares at an IPO price of \$14.00 per share. In addition, on March 1, 2019, the underwriters exercised their option to purchase an additional 837,272 Class A shares. NFE raised net proceeds of \$274.9 million, after deducting underwriting discounts and commissions. These proceeds were contributed in exchange for limited liability company units (“NFI LLC Units”) in New Fortress Intermediate LLC (“NFI”), an entity formed in conjunction with the IPO, at a price per unit equal to the IPO price. In addition, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historic operations, as well its limited assets and liabilities, to NFI in exchange for NFI LLC Units. New Fortress Energy Holdings has been determined to be NFE’s predecessor for accounting purposes.

NFE’s consolidated subsidiaries have outstanding borrowings under a term loan agreement and under secured and unsecured bonds, and there are restrictions in the credit agreements governing these borrowings, described in Note 17 of the Notes to the consolidated financial statements, on NFE’s ability to obtain funds from any of its subsidiaries through dividends, loans, or advances. As of December 31, 2019, substantially all of the net assets of NFE’s consolidated subsidiaries were restricted. Accordingly, this condensed financial information is presented on a “Parent-only” basis. Under a Parent-only presentation, NFE’s investments in its consolidated subsidiaries are presented under the equity method of accounting.

The condensed financial statements of NFE reflect the results of operations of NFE commencing on the date of IPO. For the periods prior to the IPO, the condensed financial statements of New Fortress Energy Holdings are presented. NFE is a holding company that does not conduct any business operations of its own, and therefore its assets primarily consist of investment in subsidiaries.

The condensed financial information of NFE should be read in conjunction with the consolidated financial statement of NFE and the accompanying notes thereto.

2. Debt

As of December 31, 2019 and 2018, NFE had no debt on its balance sheet. However, certain of its subsidiaries are subject to debt agreements. These agreements require the subsidiaries to comply with certain financial covenants and other restricted covenants customary for facilities of this type, including restrictions on indebtedness, lines, acquisitions, investments, restricted payments, and dispositions. For a discussion of the nature and terms of those agreements, refer to Note 17 to NFE’s consolidated financial statements.

Schedule II

Description	Balance at Beginning of Year	Additions⁽¹⁾	Deductions	Balance at End of Year
Year ended December 31, 2019				
Allowance for doubtful accounts	\$ 257	\$ -	\$ (257)	\$ -
Year ended December 31, 2018				
Allowance for doubtful accounts	-	257	-	257
Year ended December 31, 2017				
Allowance for doubtful accounts	-	-	-	-

Note

(1) Amount expensed is included within Selling, general and administrative

**DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

DESCRIPTION OF SHARES

The following description of shares of New Fortress Energy LLC (the "Company," "NFE," "our" or "we") is based upon the provisions of the Delaware Limited Liability Company Act (the "Delaware LLC Act"), our amended and restated certificate of formation, as amended, and the Company's First Amended and Restated Limited Liability Company Agreement (our "operating agreement") below. The summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of applicable law and to the operating agreement.

Authorized Shares

Under our operating agreement, we are authorized to issue an unlimited number of shares representing limited liability company interests of the Company. As of the date hereof, two classes of shares have been designated: Class A Shares and Class B Shares. Our Class A Shares are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are listed on the Nasdaq Global Select Market ("NASDAQ") under the symbol "NFE." Our Class B Shares are not registered pursuant to Section 12 of the Exchange Act nor listed on any securities exchange.

Class A Shares

Voting Rights. Holders of Class A shares are entitled to one vote per share held of record on all matters to be voted upon by the shareholders. Holders of our Class A shares and Class B shares vote together as a single class on all matters presented to our shareholders for their vote or approval, except with respect to the amendment of certain provisions of our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the Class B shares so as to affect them adversely, which amendments must be by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law. The holders of Class A shares do not have cumulative voting rights in the election of directors.

Dividend Rights. Holders of our Class A shares are entitled to ratably receive dividends when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred shares.

Liquidation Rights. Upon our liquidation, dissolution, distribution of assets or other winding up, the holders of Class A shares are entitled to receive ratably the assets available for distribution to the shareholders after payment of liabilities and the liquidation preference of any of our outstanding preferred shares.

Other Matters. The Class A shares have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class A shares. All outstanding Class A shares are fully paid and non-assessable.

Class B Shares

Generally. The New Fortress Intermediate LLC ("NFI") unitholders hold one Class B share for each unit of NFI (the "NFI LLC Unit") that they hold. Accordingly, the NFI unitholders have a number of votes in NFE equal to the aggregate number of NFI LLC Units that they hold. Class B shares cannot be transferred without transferring an equal number of NFI LLC Units and vice versa.

Voting Rights. Holders of our Class B shares are entitled to one vote per share held of record on all matters to be voted upon by the shareholders. Holders of our Class A shares and Class B shares vote together as a single class on all matters presented to our shareholders for their vote or approval, except with respect to the amendment of certain provisions of our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the Class B shares so as to affect them adversely, which amendments must be by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law. The holders of Class B shares do not have cumulative voting rights in the election of directors.

Dividend and Liquidation Rights. Holders of our Class B shares do not have any right to receive dividends, unless the dividend consists of our Class B shares or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for Class B shares paid proportionally with respect to each outstanding Class B share and a dividend consisting of Class A shares or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for Class A shares on the same terms is simultaneously paid to the holders of Class A shares. Holders of our Class B shares do not have any right to receive a distribution upon our liquidation or winding up.

Redemption Right. Pursuant to the limited liability company agreement of NFI, each holder of NFI LLC Units has the right to redeem his or her NFI LLC Units, together with an equal number of Class B Shares, for Class A Shares (or cash at the Company's election, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications).

Preferred Shares

Pursuant to our operating agreement, our board of directors by resolution may establish one or more series of preferred shares having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by the board without any further shareholder approval. The rights with respect to a series of preferred shares may be more favorable to the holder(s) thereof than the rights attached to our Class A shares.

Transfer Agent and Registrar

Duties

American Stock Transfer & Trust Company, LLC is the registrar and transfer agent for the Class A shares. We pay all fees charged by the transfer agent for transfers of Class A shares except the following, which must be paid by our Class A shareholders:

- surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;
- special charges for services requested by a holder of a Class A share; and
- other similar fees or charges.

There are no charges to our Class A shareholders for disbursements of any dividends. We indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal

The transfer agent may resign, by notice to us, or be removed by us.

Transfer of Class A shares and Class B shares

Upon the transfer of a Class A share or a Class B share in accordance with our operating agreement, the transferee of the Class A share or Class B share shall be admitted as a member with respect to the class of shares transferred when such transfer and admission are reflected in our books and records. Each transferee:

- automatically becomes bound by the terms and conditions of our operating agreement;
-

- represents that the transferee has the capacity, power and authority to enter into our operating agreement; and
- makes the consents, acknowledgements and waivers contained in our operating agreement, such as the approval of all transactions and agreements that we entered into in connection with our formation and initial public offering.

We will cause any transfers to be recorded on our books and records from time to time (or shall cause the transfer agent to do so, as applicable).

We may, at our discretion, treat the nominee holder of a Class A share or Class B share as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Class A shares and Class B shares are securities and any transfers are subject to the laws governing the transfer of securities.

Until a Class A share or Class B share has been transferred on our books, we and the transfer agent may treat the record holder of the Class A share or Class B share as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

OUR OPERATING AGREEMENT

Organization and Duration

Our limited liability company was formed on August 6, 2018, and will remain in existence until dissolved in accordance with our operating agreement.

Purpose

Under our operating agreement, we are permitted to engage in any business activity that lawfully may be conducted by a limited liability company organized under Delaware law and, in connection therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreements relating to such business activity.

Agreement to be Bound by our Operating Agreement

By purchasing our Class A shares, you will be admitted as a member of our limited liability company and will be deemed to have agreed to be bound by the terms of our operating agreement.

Amendment of Our Operating Agreement

Amendments to our operating agreement may be proposed only by or with the consent of our board of directors. To adopt a proposed amendment, our board of directors is required to seek written approval of the holders of the number of shares required to approve the amendment or call a meeting of our shareholders to consider and vote upon the proposed amendment. Except as set forth below, an amendment must be approved by holders of a majority of the outstanding shares.

Prohibited Amendments. No amendment may be made that would:

- enlarge the obligations of any shareholder without such shareholder's consent, unless approved by at least a majority of the type or class of shares so affected;
- provide that we are not dissolved upon an election to dissolve our limited liability company by our board of directors that is approved by holders of a majority of the outstanding shares;
- change the term of existence of our company; or
- give any person the right to dissolve our limited liability company other than our board of directors' right to dissolve our limited liability company with the approval of certain specified shareholders (the "Consenting Entities") and holders of a majority of the total combined voting power of our outstanding shares.

The provision of our operating agreement preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of the Consenting Entities and holders of at least two-thirds of the outstanding shares.

No Shareholder Approval. Our board of directors may generally make amendments to our operating agreement without the approval of any shareholder or assignee to reflect:

- a change in our name, the location of our principal place of our business, our registered agent or our registered office;
 - the admission, substitution, withdrawal or removal of shareholders in accordance with our operating agreement;
 - the merger of our company or any of its subsidiaries into, or the conveyance of all of our assets to, a newly-formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity;
-

- a change that our board of directors determines to be necessary or appropriate for us to qualify or continue our qualification as a company in which our members have limited liability under the laws of any state;
- a change in our legal form from a limited liability company to a corporation;
- an amendment that our board of directors determines, based upon the advice of counsel, to be necessary or appropriate to prevent us, members of our board, or our officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisers Act of 1940, or “plan asset” regulations adopted under the Employee Retirement Income Security Act of 1974, whether or not substantially similar to plan asset regulations currently applied or proposed;
- an amendment that our board of directors determines to be necessary or appropriate for the authorization of additional securities;
- any amendment expressly permitted in our operating agreement to be made by our board of directors acting alone;
- an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our operating agreement;
- any amendment that our board of directors determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by our operating agreement;
- a change in our fiscal year or taxable year and related changes; and
- any other amendments substantially similar to any of the matters described in the clauses above.

In addition, our board of directors may make amendments to our operating agreement without the approval of any shareholder or assignee if our board of directors determines that those amendments:

- do not adversely affect the shareholders in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;
- are necessary or appropriate to facilitate the trading of shares or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the shares are or will be listed for trading, compliance with any of which our board of directors deems to be in the best interests of us and our shareholders;
- are necessary or appropriate for any action taken by our board of directors relating to splits or combinations of shares under the provisions of our operating agreement; or
- are required to effect the intent expressed in the prospectus contained in the registration statement related to our initial public offering or the intent of the provisions of our operating agreement or are otherwise contemplated by our operating agreement.

Termination and Dissolution

We will continue as a limited liability company until terminated under our operating agreement. We will dissolve upon: (1) the election of our board of directors to dissolve us, if approved by the Consenting Entities and holders of a majority of our outstanding shares; (2) the sale, exchange or other disposition of all or substantially all of our assets and those of our subsidiaries; (3) the entry of a decree of judicial dissolution of our limited liability company; or (4) at any time that we no longer have any shareholders, unless our business is continued in accordance with the Delaware LLC Act.

Books and Reports

We are required to keep appropriate books of our business at our principal offices. The books are maintained for both tax and financial reporting purposes on an accrual basis. For financial reporting purposes and for tax purposes, our fiscal year is the calendar year. Our operating agreement provides that our shareholders have the right, subject to certain restrictions stated therein, to obtain access to certain of our books and records upon reasonable demand for any purpose reasonably related to such shareholder's interest as a shareholder; provided, however, that we are only required to provide access to our books and records to shareholders who have held over 1% of our total outstanding shares for a period of at least one year from the date of such request. We use reasonable efforts to furnish to you an annual report containing audited consolidated financial statements and a report on those consolidated financial statements by our independent public accountants. We are deemed to have made any such report available if we file such report with the SEC on EDGAR or make the report available on a publicly available website that we maintain.

Anti-Takeover Effects of Delaware Law and Our Operating Agreement

The following is a summary of certain provisions of our operating agreement that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a shareholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the Class A shares held by Class A shareholders.

Issuance of Additional Interests

Our operating agreement authorizes us to issue an unlimited number of additional limited liability company interests for the consideration and on the terms and conditions determined by our board of directors without the approval of the shareholders, subject to the requirements of NASDAQ. These additional limited liability company interests may be utilized for a variety of corporate purposes, including future offerings to raise additional capital and corporate acquisitions. The existence of authorized but unissued limited liability company interests could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Delaware Business Combination Statute—Section 203

We are a limited liability company organized under Delaware law. Some provisions of Delaware law may delay or prevent a transaction that would cause a change in our control.

Section 203 of the DGCL, which restricts certain business combinations with interested shareholders in certain situations, does not apply to limited liability companies unless they elect to utilize it. Our operating agreement does not currently elect to have Section 203 of the DGCL apply to us. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested shareholder for a period of three years after the date of the transaction by which that person became an interested shareholder, unless the business combination is approved in a prescribed manner.

Other Provisions of Our Operating Agreement

Our operating agreement provides that our board shall consist of not fewer than three and not more than nine directors as the board of directors may from time to time determine, subject to the consent rights of the Consenting Entities described under “—Consent Rights” below. Our board of directors is divided into three classes that are, as nearly as possible, of equal size. Each class of directors is elected for a three-year term of office, but the terms are staggered so that the term of only one class of directors expires at each annual general meeting. We believe that classification of our board of directors will help to assure the continuity and stability of our business strategies and policies as determined by our board of directors. Additionally, there is no cumulative voting in the election of directors. This classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult. At least two annual meetings of shareholders, instead of one, will generally be required to effect a change in a majority of our board of directors.

The classified board provision could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us, even though a tender offer or change in control might be believed by our shareholders to be in their best interest.

In addition, our operating agreement provides that any director or the entire board of directors may be removed, with or without cause, at any time, by holders of a majority of the total combined voting power of all of our outstanding Class A shares and Class B shares then entitled to vote at an election of directors.

In addition, our board of directors shall have the power to appoint a person as a director to fill a vacancy on our board occurring as a result of the death, disability, disqualification removal or resignation of a director, or as a result of an increase in the size of our board of directors.

Pursuant to our operating agreement, preferred shares may be issued from time to time, and the board of directors is authorized to determine and alter all designations, preferences, rights, powers and duties without limitation. See “Description of Shares—Preferred Shares.” Our operating agreement does not provide our shareholders with the ability to call a special meeting of the shareholders.

Ability of Our Shareholders to Act

Our operating agreement does not permit our shareholders to call special shareholders meetings. Special meetings of shareholders may be called by a majority of the board of directors or a committee of the board of directors that has been duly designated by the board of directors and whose powers include the authority to call such meetings. Written notice of any special meeting so called shall be given to each shareholder of record entitled to vote at such meeting not less than 10 or more than 60 days before the date of such meeting, unless otherwise required by law.

Our operating agreement also prohibits our shareholders from consenting in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our shareholders.

Our operating agreement provides that nominations of persons for election to our board of directors may be made at any annual meeting of our shareholders, or at any special meeting of our shareholders called for the purpose of electing directors, (a) by or at the direction of our board of directors or (b) by certain shareholders. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to our secretary. To be timely, a shareholder’s notice must be delivered to or mailed and received at our principal executive offices (i) in the case of an annual meeting, not less than 90 days nor more than 120 days prior to the anniversary of the date on which we first made publicly available (whether by mailing, by filing with the SEC or by posting on an internet website) our proxy materials for the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by a shareholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs and (ii) in the case of a special meeting, not later than the tenth day following the day on which such notice of the date of the special meeting was mailed or such public disclosure of the date of the special meeting was made, whichever first occurs.

Removal of Members of Our Board of Directors

A director or the entire board of directors may be removed, with or without cause, at any time, by holders of a majority of the total combined voting power of all of our outstanding Class A shares and Class B shares then entitled to vote at an election of directors. The vacancy in the board of directors caused by any such removal will be filled by a vote of the majority of directors then in office.

Limited Liability

The Delaware LLC Act provides that a member who receives a distribution from a Delaware limited liability company and knew at the time of the distribution that the distribution was in violation of the Delaware LLC Act shall be liable to the company for the amount of the distribution for three years. Under the Delaware LLC Act, a limited liability company may not make a distribution to a member if, after the distribution, all liabilities of the company, other than liabilities to members on account of their shares and liabilities for which the recourse of creditors is limited to specific property of the company, would exceed the fair value of the assets of the company. For the purpose of determining the fair value of the assets of a company, the Delaware LLC Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the company only to the extent that the fair value of that property exceeds the nonrecourse liability.

Forum Selection

Our operating agreement provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders;
- any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the Delaware LLC Act or our operating agreement; or
- any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

The exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

Our operating agreement also provides that any person or entity purchasing or otherwise acquiring any interest in our shares will be deemed to have notice of, and to have consented to, this forum selection provision. Although we believe these provisions will benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against our directors, officers, employees and agents. The enforceability of similar exclusive forum provisions in other companies’ operating agreements or certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our operating agreement is inapplicable or unenforceable.

Consent Rights

So long as the Consenting Entities and their affiliates collectively, directly or indirectly, own at least 30% of the outstanding Class A shares and Class B shares, we have agreed not to take, and will take all necessary action to cause our subsidiaries not to take, the following direct or indirect actions (or enter into an agreement to take such actions) without the prior consent of each of the Consenting Entities (so long as such Consenting Entity or its Affiliates owns at least one share):

- any material change, through any acquisition, disposition of assets or otherwise, in the nature of our business or operations and our subsidiaries as of the date of our operating agreement;
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- terminating Wesley Edens as our chief executive officer or as Chairman of the Board of Directors and hiring or appointing his successor;
- any transaction that, if consummated, would constitute a Change of Control (as defined in our operating agreement) or entering into any definitive agreement or series of related agreements that govern any transaction or series of related transactions that, if consummated, would result in a Change of Control;
- any increase or decrease in the size of the Board of Directors, committees of the Board of Directors and board and committees of our subsidiaries;
- any voluntary election by us or any of our subsidiaries to liquidate or dissolve or commence bankruptcy or insolvency proceedings or the adoption of a plan with respect to any of the foregoing; and
- any amendment, modification or waiver of our operating agreement or any other of our governing documents following the date of our operating agreement that materially and adversely affects any Consenting Entity or any of their affiliates.

Corporate Opportunity

Under our operating agreement, to the extent permitted by law:

- New Fortress Energy Holdings LLC (“New Fortress Energy Holdings”) and its respective affiliates have the right to, and have no duty to abstain from, exercising such right to, engage or invest in the same or similar business as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees;
 - if New Fortress Energy Holdings and its respective affiliates or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, it has no duty to offer such corporate opportunity to us, our Class A shareholders or affiliates;
 - we have renounced any interest or expectancy in, or in being offered an opportunity to participate in, such corporate opportunities; and
 - in the event that any of our directors and officers who is also a director, officer or employee of New Fortress Energy Holdings and their respective affiliates acquire knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person’s capacity as our director or officer and such person acted in good faith, then such person is deemed to have fully satisfied such person’s fiduciary duty and is not liable to us if New Fortress Energy Holdings and their respective affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.
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This Separation Agreement and General Release (the "Agreement") confirms the following understandings and agreements between NFE Management LLC (together with its affiliates, "NFE" or the "Company") and Michael J. Utsler (hereinafter referred to as "you" or "your") regarding your separation of employment with the Company.

1. (a) Your employment with the Company terminated on November 12, 2019 (the "Termination Date"). You will be paid your base salary through the Termination Date.

(b) Your health care benefits will terminate on November 30, 2019. Thereafter and subject to Section 2(b), you will be provided an opportunity to continue health coverage for yourself and qualifying dependents under the Company's group health plan in accordance with the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Specific information on COBRA, including its rate structure, will be forwarded to you separately. Your coverage and cost levels are subject to adjustment in accordance with the terms of the documents governing the program.

(c) Except as otherwise specifically set forth in this Agreement, after the Termination Date you shall no longer be entitled to any further compensation or any monies from the Company or any of its affiliates or to receive any of the benefits made available to you during your employment at the Company including but not limited to any bonus payment.

(d) You represent that, to the best of your knowledge, you have (i) fully complied with all Company policies and procedures (and all prior versions of such in effect during your employment) (the "Policies") and (ii) not breached, or caused the Company to breach, any applicable law, rule, regulation, covenant or agreement in connection with Company business in any jurisdiction during the course of your employment. You further represent that you are not aware of any breach of any Policies, or any laws, rules, regulations, covenants or agreements applicable to the Company by any Company employee or entity and that you have previously reported any known or suspected breaches, in writing, to the Company's General Counsel.

2. Following the Effective Date (as defined in Section 19 below), and contingent upon your (i) complying with this Agreement; and (ii) executing and not revoking this Agreement pursuant to Section 19 below, the Company agrees to the following:

(a) As consideration for entering into this Agreement, the Company agrees to provide you with two special payments totaling \$600,000 as follows: (i) a special payment in the amount of \$300,000, less applicable deductions and withholdings, to be paid within thirty (30) days following the Effective Date of this Agreement, and (ii) a special payment in the amount of \$300,000, less applicable deductions and withholdings, to be paid on or before May 12, 2020. You acknowledge and agree that you have no contractual entitlement to such payment, other than pursuant to this Agreement.

(b) In the event you timely elect to continue the group health plan coverage that you had in effect on the day prior to the Termination Date pursuant to COBRA, the Company will pay for a portion of your COBRA costs so that your cost is the same as other Company employees with the same coverage until the earlier of (i) February 29, 2020 and (ii) the date you become eligible for coverage under another employer's group health plan. Thereafter, and for the balance of the applicable COBRA coverage period, you may continue COBRA at your sole expense. You will be responsible for paying your share of COBRA directly to the Company's COBRA administrator. Specific information on COBRA, including its rate structure, will be forwarded to you separately. You acknowledge and agree that: (i) you will not be eligible to receive the benefits described in this Section 2(b) unless you execute without revoking, this Agreement; and (ii) this is a benefit to which you are not entitled absent this Agreement.

(c) The Company hereby acknowledges that following the Termination Date, you will not be bound by the non-competition and non-solicitation provisions of the Protective Covenants section of your offer letter with NFE Management LLC dated August 30, 2018 (the "Offer Letter"), relating to obligations following the Termination Date. You acknowledge and agree that you remain bound by all other restrictions set forth in the Offer Letter including those in the Protective Covenants section thereof and your Confidentiality and Proprietary Rights Agreement dated September 25, 2018 (the "Confidentiality Agreement").

3. (a) As used in this Agreement, the term “claims” shall include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, attorneys’ fees, accounts, judgments, losses and liabilities of whatsoever kind or nature, in law, equity or otherwise.

(b) For and in consideration of the payments and other benefits described in Section 2 above, and other good and valuable consideration, you, for and on behalf of yourself and your heirs, administrators, executors, and assigns, do fully and forever release, remise and discharge (“release”) the Company, its direct and indirect parents, subsidiaries and affiliates, together with its and their respective officers, directors, partners, shareholders, attorneys, employees and agents (collectively, the “Group”), from any and all claims which you had, may have had, or now have against the Company and the Group through the Effective Date of this Agreement, for or by reason of any matter, cause or thing whatsoever, whether known or unknown, including any claim arising out of or attributable to your employment or the termination of your employment with the Company, including but not limited to claims of breach of contract, wrongful termination, unjust dismissal, defamation, retaliation, libel or slander, or under any federal, state or local law dealing with discrimination based on age, race, sex, national origin, religion, disability, sexual preference or any other characteristic protected by applicable law. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Family and Medical Leave Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the New York Human Rights Law, the New York Labor Code, the New York Worker Adjustment and Retraining Notification Act, the New York City Administrative Code, the New York Labor Law, the Florida Civil Rights Act (Fla. Stat. §760.01, et seq.), the Florida and Federal Constitutions, the Florida AIDS Act (Fla. Stat. §760.50, et seq.), the Florida Whistleblower Act (Fla. Stat. §448.01, et seq.), Florida Worker’s Compensation Retaliation Statute (Fla. Stat. §440.205), the Florida Minimum Wage Act (Fla. Stat. § 448.110); Florida’s wage payment and wage discrimination laws (including, without limitation, Fla. Stat. §§ 448.07, 448.08, 448.110; the Florida Equal Pay Law, Fla. Stat. §725.07), and all other federal, state and local labor and anti-discrimination laws, the common law and any other purported restriction on an employer’s right to terminate the employment of employees. Notwithstanding the foregoing, the release in this Agreement does not extend to those rights that cannot be waived as a matter of law.

(c) You specifically release all claims under the Age Discrimination in Employment Act (the “ADEA”) relating to your employment and its termination.

(d) You represent that you have not filed or permitted to be filed any legal action, charge or complaint, in any forum whatsoever, against any member of the Group, individually or collectively, and you covenant and agree that you will not file or permit to be filed any lawsuits at any time hereafter with respect to the subject matter of this Agreement and claims released pursuant to this Agreement (including, without limitation, any claims relating to the termination of your employment), except as may be necessary to enforce this Agreement or to seek a determination of the validity of the waiver of your rights under the ADEA. Nothing in this Agreement shall be construed to prohibit you from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or a comparable state or local agency. Notwithstanding the foregoing, you agree to waive your right to recover monetary damages in any charge, complaint, or lawsuit filed by you or by anyone else on your behalf. Except as otherwise provided in this paragraph, you will not voluntarily participate in any judicial proceeding of any nature or description against any member of the Group that in any way involves the allegations and facts that you could have raised against any member of the Group. You further agree that you will not encourage or voluntarily cooperate with current or former employees of the Group or any other potential plaintiff, to commence any legal action or make any claim against any of the Group in respect of such person’s employment or termination of employment with or by the Group or otherwise.

4. You are specifically agreeing to the terms of this Agreement, including, without limitation, the release and related matters set forth in Section 3 because the Company has agreed to pay you money and provide other benefits to which you were not otherwise entitled under the Company’s policies and has provided such other good and valuable consideration as specified herein. The Company has agreed to provide this money and other benefits because of your agreement to accept it in full settlement of all possible claims you might have or ever had and because of your execution of this Agreement.

5. Upon termination of your employment, you agree to immediately return to the Company all Company property (including without limitation any physical or personal property belonging to the Company that you received, prepared, used, helped prepare, or otherwise had access to in connection with your employment with the Company).

6. You agree that in the course of your employment with the Company you have had access to and acquired Confidential Information. The term “Confidential Information” as used in this Agreement means (a) confidential information of the Company, including, without limitation, information received from third parties under confidential conditions, and (b) other technical, business or financial information or trade secrets or proprietary information (including, but not limited to, account records, confidential plans for the creation or disposition of products, product development plans, marketing strategies and financial data and plans), the use or disclosure of which would be contrary to the interests of the Company, its affiliates or related companies, or the Group. You understand and agree that such Confidential Information has been disclosed to you in confidence and for use only on behalf of the Company. You understand and agree that (i) you will not make use of Confidential Information on your own behalf, or on behalf of any third party and (ii) you will keep such Confidential Information confidential at all times after your employment with the Company, unless disclosure is required under compulsion of law. In the event you are required by compulsion of law to disclose Confidential Information, you shall promptly notify the General Counsel of the Company, following receipt of any order or other legal process requiring you to divulge Confidential Information, of such receipt and of the content of any testimony or information to be provided, and you shall (x) permit the Company a reasonable period of time to seek an appropriate protective order; (y) cooperate with the Company if it seeks a protective order or similar treatment; and (z) if applicable, not disclose any more information than is otherwise required. In addition, you remain bound by any confidentiality agreements between you and the Company or any of its affiliates, including, for the avoidance of doubt, the Confidentiality and Proprietary Rights Agreement you signed with the Company.

7. Nothing in this Agreement shall be construed to (i) prohibit you from lawfully making reports to, communicating with, or filing a charge or complaint with any government agency or law enforcement entity regarding possible violations of federal law or regulation in accordance with the provisions and rules promulgated under Section 21F of the Securities and Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other express whistleblower protection provisions of state or federal law or regulation; (ii) require notification or prior approval by the Company of any reporting, communicating, or filing described in clause (i) hereof; or (iii) limit your right to receive an award for any reporting, providing any information, or filing described in clause (i) hereof. Furthermore, nothing in this Agreement prohibits you from disclosing a trade secret or other Confidential Information, provided that such disclosure is: (x) (1) made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (y) made in a complaint or other document filed in a lawsuit or other proceeding, provided that such filing is made under seal. Additionally, nothing in this Agreement prohibits you from disclosing a trade secret or other Confidential Information to your attorney in connection with the filing of a retaliation lawsuit for reporting a suspected violation of law, or from using a trade secret or other Confidential Information in such a lawsuit provided that you (A) file any document containing the trade secret or other Confidential Information under seal; and (B) do not disclose the trade secret or other Confidential Information, except pursuant to court order.

8. You shall cooperate fully with the Company and shall make yourself reasonably available to the Company to respond to requests by the Company concerning matters including, but not limited to, business items with which you had direct involvement in or knowledge of and any litigation, arbitration, regulatory proceeding or other similar process involving facts or events relating to the Company that may be within your knowledge.

9. You acknowledge that you have read this Agreement in its entirety, fully understand its meaning and are executing this Agreement voluntarily and of your own free will with full knowledge of its significance.

10. You agree to maintain the confidentiality of this Agreement, and to refrain from disclosing or making reference to its terms, except (i) as required by law; or (ii) with your accountant or attorney for the sole purposes of obtaining, respectively, financial or legal advice; or (iii) with your immediate family members (the parties in clauses (ii) and (iii), “Permissible Parties”); provided that the Permissible Parties agree to keep the terms and existence of this Agreement confidential. You acknowledge and agree that any disclosure of any information by you or the Permissible Parties contrary to the provisions of this Agreement shall be a breach of this Agreement.

11. You agree that you shall not make, or cause to be made, any statement or communicate any information (whether oral or written) that disparages or reflects negatively on the Company or any member of the Group. Notwithstanding the foregoing, nothing in this Agreement shall prevent you from disclosing truthful information to the extent requested or required by a court of competent jurisdiction or government agency or as required under applicable laws or regulations.

12. As a further condition of this Agreement, you acknowledge that you have no legal entitlement to reemployment with the Company and its affiliates, and you waive and release any right to be considered for employment or reemployment with the Company and its affiliates, and/or the Company and its affiliates from any liability for any failure or refusal to hire you or engage you to perform services.

13. The Company shall be entitled to have the provisions of this Agreement specifically enforced through injunctive relief, without having to prove the adequacy of the available remedies at law, and without being required to post bond or security, it being acknowledged and agreed that such breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. Moreover, you understand and agree that if you breach any provisions of this Agreement, in addition to any other legal or equitable remedy the Company may have, the Company shall be entitled to not make any payments to you under Section 2, and recover any payments made to you or on your behalf under Section 2 and you shall reimburse the Company for all its reasonable attorneys' fees and costs incurred by it arising out of any such breach. The remedies set forth in this Section 13 shall not apply to any challenge to the validity of the waiver and release of your rights under the ADEA. In the event you challenge the validity of the waiver and release of your rights under the ADEA, then the Company's right to attorneys' fees and costs shall be governed by the provisions of the ADEA. Any such action permitted to the Company by the foregoing, however, shall not affect or impair any of your obligations under this Agreement, including without limitation, the release of claims in Section 3 hereof.

14. In the event that any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby; provided, however, that if any court or arbitrator finds that the release of claims set forth herein is unlawful or unenforceable, or was not entered into knowingly and voluntarily, you agree at the Company's option, either to return the consideration provided for herein or to execute a release in a form satisfactory to the Company that is lawful and enforceable. Moreover, if any one or more of the provisions contained in this Agreement is held to be excessively broad as to duration, scope, activity or subject, such provisions will be construed by limiting and reducing them so as to be enforceable to the maximum extent compatible with applicable law.

15. Nothing herein shall be deemed to constitute an admission of wrongdoing by the Company or any member of the Group. Neither this Agreement nor any of its terms shall be used as an admission or introduced as evidence as to any issue of law or fact in any proceeding, suit or action, other than an action to enforce this Agreement.

16. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Fax and PDF copies of such executed counterparts may be used in lieu of the originals for any purpose.

17. (a) The parties agree that, subject to Section 17(b) below and to the fullest extent permitted by law, any dispute, controversy or claim arising out of, relating to, or in connection with this Agreement shall be submitted to arbitration before a single arbitrator in Miami, Florida in accordance with the Employment Arbitration Rules & Procedures of Judicial Arbitration and Mediation Services, Inc. (JAMS). The determination of the arbitrator shall be conclusive and binding on the Company (or its affiliates, where applicable) and you, and judgment may be entered on the arbitrator's award in any court having jurisdiction. The arbitrator shall apply New York law to the merits of any dispute or claims, without reference to the rules of conflicts of law applicable therein. You understand that by signing this Agreement, you agree to submit any claims arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, or breach thereof, or your employment or the termination thereof, to binding arbitration, and that this arbitration provision constitutes a waiver of your right to a jury trial and relates to the resolution of all disputes relating to all aspects of the employer/employee relationship to the fullest extent permitted by law, including but not limited to the following:

(i) Any and all claims for wrongful discharge of employment; breach of contract, both express and implied; breach of the covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; and defamation;

(ii) Any and all claims for violation of any federal, state or municipal statute, including, without limitation, the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Equal Pay Act, the Employee Retirement Income Security Act of 1974, as amended, the Americans with Disabilities Act of 1990, the Family Medical Leave Act of 1993, the Fair Labor Standards Act; and

(iii) Any and all claims arising out of any other federal, state or local laws or regulations relating to employment or employment discrimination, including but not limited to, any claim challenging the validity of the waiver of claims contained herein.

(b) This Agreement does not constitute an agreement to arbitrate claims on a collective or class basis. It is expressly agreed that, to the fullest extent permitted by law, no arbitrator shall have the authority to consider class or collective claims in connection with any claims, to order consolidation or to join different claimants or grant relief other than on an individual basis to the individual claimant involved. You waive any right to assert any claim on a class or collective basis in any forum. Any issue concerning arbitrability of a particular issue or claim pursuant to this Agreement, and any issue concerning the validity or enforceability of the collective and class action waiver contained in this Agreement shall be decided by a court of a competent jurisdiction, and no arbitrator shall have any authority to consider or decide any issue concerning arbitrability of a particular issue or claim pursuant to this Agreement, concerning the validity or enforceability of the collective and class action waiver.

(c) Notwithstanding the foregoing, nothing herein shall preclude either party from seeking temporary or preliminary injunctive relief. The parties agree to submit to the exclusive jurisdiction of the United States District Court of the Southern District of New York, or if that court lacks jurisdiction, in a state court located within the geographical boundaries thereof.

18. The terms of this Agreement and all rights and obligations of the parties thereto, including its enforcement, shall be interpreted and governed by the laws of the State of New York, without regard to principles of conflicts of law.

19. You understand that you have been given twenty-one (21) days from the original date of presentment of this Agreement (set forth below) to consider whether or not to execute this Agreement, although you may elect to sign it sooner. You agree that any modification to this Agreement, material or otherwise, does not restart, extend or affect in any way the original twenty-one (21) day consideration period. You shall have a period of seven (7) days after the day on which you sign this Agreement to revoke your consent thereto, which revocation must be in writing delivered to the Company, to the attention of Mark Wiley in the Company's Human Resources department, and this Agreement shall not become effective until the eighth day following your execution of it (the "Effective Date"). You understand that if you revoke your consent within such seven (7) day period, all of the Company's obligations to you under this Agreement will immediately cease, and the Company will not be required to make the payments or provide the benefits to you set forth herein pursuant to the terms hereof. You are advised to have this Agreement reviewed by legal counsel of your choice.

20. The terms contained in this Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior negotiations, representations or agreements relating thereto, whether written or oral, with the exception of any agreements or provisions in agreements concerning confidentiality, trade secrets, restrictive covenants, or any nonsolicitation or nonservicing agreements, all of which agreements shall remain in full force and effect except as explicitly stated in Section 2(c) of this Agreement, and are hereby confirmed and ratified. In further consideration of this Agreement and notwithstanding anything herein to the contrary, except to the extent otherwise explicitly specified in Section 2(c) of this Agreement, you agree to abide by and hereby reaffirm any confidentiality or restrictive covenant obligations contained in any agreements you may have entered into or otherwise are bound by with the Company, the terms of which are hereby incorporated by reference. You represent that in executing this Agreement, you have not relied upon any representation or statement not set forth herein. No amendment or modification of this Agreement shall be valid or binding upon the parties unless in writing and signed by both parties.

21. The language used in this Agreement will be deemed to be language chosen by the parties to express their mutual intent, and no rule of law or contract interpretation that provides that in the case of ambiguity or uncertainty a provision should be construed against the draftsmen will be applied against any party. The provisions of this Agreement shall be construed according to their fair meaning and neither for nor against any party irrespective of which party did cause such provisions to be drafted.

22. The Company shall be entitled to withhold from any amounts to be paid to you hereunder any federal, state, or local withholding or other taxes or amounts, which it is from time to time required to withhold, and any lawful deductions authorized by you. The Company shall have no liability whatsoever for your personal tax consequences arising out of this Agreement or any payments or arrangements contemplated hereunder.

Dated November 25, 2019

NFE MANAGEMENT LLC

/s/ Cameron MacDougall

By: Cameron MacDougall

Date: November 25, 2019

AGREED TO AND ACCEPTED BY:

/s/ Michael J. Utsler

Michael J. Utsler

Date: November 25, 2019

List of Subsidiaries of New Fortress Energy LLC

Entity Name	Jurisdiction
Amaunet S. de R.L. de C.V.	Mexico
American Energy Logistics Solutions LLC	United States
American LNG Marketing LLC	United States
American Natural Gas Holdings LLC	United States
Atlantic Distribution Holdings SRL	Barbados
Atlantic Energy Holdings Limited	Barbados
Atlantic Energy Holdings LLC	United States
Atlantic Energy Infrastructure Holdings SRL	Barbados
Atlantic Pipeline Holdings SRL	Barbados
Atlantic Power Holdings Limited	Bermuda
Atlantic Power Holdings SRL	Barbados
Atlantic Terminal Holdings Limited	Barbados
Atlantic Terminal Infrastructure Holdings SRL	Barbados
Bradford County Development Holdings LLC	United States
Bradford County GPF Holdings LLC	United States
Bradford County GPF Partners LLC	United States
Bradford County Power Holdings LLC	United States
Bradford County Power Partners LLC	United States
Bradford County Real Estate Holdings LLC	United States
Bradford County Real Estate Partners LLC	United States
Bradford County Transport Holdings LLC	United States
Bradford County Transport Partners LLC	United States
Energy Transport Solutions LLC	United States
Island LNG LLC	United States
LA Development Holdings LLC	United States
LA Real Estate Holdings LLC	United States
LA Real Estate Partners LLC	United States
LNG Holdings (Florida) LLC	United States
LNG Holdings LLC	United States
New Fortress Energy Foundation Limited	Jamaica
New Fortress Energy Holdings LLC	United States
New Fortress Energy Jamaica LLC	United States
New Fortress Energy LLC	United States
New Fortress Energy Marketing LLC	United States
New Fortress Intermediate LLC	United States
NFE Angola – Sociedade Unipessoal, Lda.	Angola
NFE Angola Holdings LLC	United States
NFE Atlantic Holdings LLC	United States
NFE Bahamas Holdings Ltd.	Bahamas
NFE BCS Holdings (A) LLC	United States
NFE BCS Holdings (B) LLC	United States
NFE Equipment Holdings LLC	United States
NFE Equipment Partners LLC	United States
NFE Ghana Holdings LLC	United States
NFE Ghana Partners LLC	United States
NFE Honduras Holdings LLC	United States

NFE International Holdings Limited	United Kingdom
NFE International LLC	United States
NFE Ireland Financing DAC	Ireland
NFE ISO Holdings LLC	United States
NFE ISO Partners LLC	United States
NFE Jamaica GP LLC	United States
NFE Logistics Holdings LLC	United States
NFE Management LLC	United States
NFE Mexico Holdings B.V.	Netherlands
NFE Mexico Holdings LLC	United States
NFE Mexico Holdings Parent B.V.	Netherlands
NFE Nicaragua Development Partners LLC	United States
NFE Nicaragua Development Partners LLC	Nicaragua
NFE Nicaragua Holdings LLC	United States
NFE North Distribution Limited	Jamaica
NFE North Holdings Limited	Bermuda
NFE North Holdings Limited	Jamaica
NFE North Infrastructure Limited	Bermuda
NFE North Trading Limited	Bermuda
NFE North Transport Limited	Jamaica
NFE Pacifico LAP, S. de R.L. de C.V.	Mexico
NFE Plant Development Holdings LLC	United States
NFE Shannon Holdings Limited	Ireland
NFE Side Vehicle LLC	United States
NFE South Holdings Limited	Bermuda
NFE South Holdings Limited	Jamaica
NFE South Power Holdings Limited	Jamaica
NFE South Power Holdings LLC	United States
NFE South Power Trading Limited	Jamaica
NFE South Power Trading Limited	Bermuda
NFE South Trading Limited	Bermuda
NFE Sub LLC	United States
NFE Transport Holdings LLC	United States
NFE Transport Partners LLC	United States
NFEnergía GN de BCS S. de R.L. de C.V.	Mexico
NFEnergía Honduras S. de R.L.	Honduras
NFEnergía LLC	Puerto Rico
NFEnergía Mexico S. de R.L. de C.V.	Mexico
NFI Equity Holdings LLC	United States
PA Development Holdings LLC	United States
PA Real Estate Holdings LLC	United States
PA Real Estate Partners LLC	United States
Path Ltd.	Bahamas
Shannon LNG Energy Limited	Ireland
Shannon LNG Limited	Ireland
Soluciones de Energia Limpia PR LLC	Puerto Rico
TICO Development Partners Holdings LLC	United States
TICO Development Partners LLC	United States

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-229507) pertaining to the New Fortress Energy LLC 2019 Omnibus Incentive Plan of our report dated March 4, 2020, with respect to the consolidated financial statements and schedules of New Fortress Energy LLC included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

Philadelphia, Pennsylvania
March 4, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Wesley R. Edens, certify that:

1. I have reviewed this Annual Report on Form 10-K (the “report”) of New Fortress Energy LLC (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 4, 2020

By: /s/ Wesley R. Edens
Wesley R. Edens
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher S. Guinta, certify that:

1. I have reviewed this Annual Report on Form 10-K (the "report") of New Fortress Energy LLC (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2020

By: /s/ Christopher S. Guinta
Christopher S. Guinta
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER UNDER SECTION 906
OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K of New Fortress Energy LLC (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Wesley R. Edens, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 4, 2020

By: /s/ Wesley R. Edens

Wesley R. Edens
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER UNDER SECTION 906
OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K of New Fortress Energy LLC (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher S. Guinta, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 4, 2020

By: /s/ Christopher S. Guinta
Christopher S. Guinta
Chief Financial Officer
(Principal Financial Officer)