Quants Find Risks Signaling ESG & Financial Litigation Risks

In 2022, Responsible Alpha and Deception And Truth Analysis (DATA), a leading technology-based deception revealing company specializing in assessing documentation for deception, leveraged quantitative tools to analyze the accuracy of corporate statements in financial reporting by New Fortress Energy (NFE) demonstrating:

- Corporate deception in regulated financial reports.
- Greenwashing of ESG commitments.
- Accuracy of financial disclosures.

As of 2022, NFE was an integrated gas-to-power infrastructure company with a market capitalization of $11 billion. NFE was engaged in providing energy and development services. The Company operated in two segments: Terminals and Infrastructure and Ships.

In 2022, NFEs public disclosures and sustainability claims were scrutinized using the joint DATA and Responsible Alpha approach, enabling a thorough evaluation of NFE's operations in particular their **Fast LNG**, which uncovered discrepancies between the company's stated commitments and its actual practices.

By 2024, NFE faced class-action lawsuits alleging securities fraud, linked to inflated revenue projections and inconsistent narratives about the Fast LNG project. These legal challenges have also been coupled with a significant decline in stock price, including a 23.6% drop in August 2024, after adjusted EBIDTA calculations came in $155 million dollars short of their second quarter projections.

Why It Matters

- **Identifying Greenwashing Risks:** The analysis highlights significant discrepancies between NFE's public-facing sustainability claims and its regulated disclosures, illustrating the prevalence of greenwashing practices. This serves as a critical reminder of the need for stakeholders to scrutinize corporate ESG commitments closely
- **Improving Investment Decisions:** By revealing patterns of deceptive practices, this research equips investors with advanced tools to evaluate the reliability of corporate financial and sustainability disclosures, ensuring more informed decision-making in investment strategies
- **Enhancing Corporate Accountability:** The study underscores the importance of transparency in corporate reporting. Misalignments between promotional materials and regulated filings, as demonstrated by NFE, can lead to diminished stakeholder trust and reputational risks
- **Mitigating Operational and Legal Challenges:** Operational criticisms and class-action lawsuits faced by NFE exemplify the consequences of insufficient alignment between sustainability commitments and actual practices. This research emphasizes the critical role of aligning narratives to reduce legal liabilities and operational vulnerabilities.
- **Transparency and Accountability Challenges:** The increasing percentage of deceptive fragments and declining truthfulness scores in NFE's filings signal potential issues in transparency, raising concerns about the reliability of its disclosures and stakeholder trust

- **Sustainability and Regulatory Pressures**: NFE's stated sustainability commitments and increasing regulatory scrutiny on fossil fuels, climate risks, and hydraulic fracturing emphasize the need for alignment with environmental standards and a clear path toward sustainable energy solutions

Our Deception Science Research Approach

Deception Science is the systematic study of how people use language and behavior to deceive, and how these patterns can be analyzed and detected. It focuses on understanding and identifying unique behavioral indicators that signal dishonesty, rather than relying solely on specific words or phrases that might indicate deception. Through this science, deception testing is critical in addressing the limitations of human's ability to detect deception, which research shows is no better than 50%. Advanced tools like DATA analyze over 30 behavioral indicators to distinguish between truth and deception

DATA's proprietary algorithm have been double-blind, scientifically tested at 88.4% accuracy for word samples greater than 3 pages. The Type I error rate is 11.3% and the Type II error rate is 14.3%. A Type I error means that the assessment declares a language fragment as being truthful, when in fact it is deceptive. Whereas a Type II error means that the assessment declares a language fragment as being deceptive, when in fact it is truthful. In other words, while DATA is accurate 7 out of 8 times.

DATA does not assess quantitative information of any kind, including numbers. It also excises from the analyses: front matter, tables of content, indexes, tables of information, headings, proper nouns, and some information in bullet point lists.

Company Context

NFEs Terminals and Infrastructure segment included the entire production and delivery chain from natural gas procurement and liquefaction to logistics, shipping, facilities and conversion or development of natural gas-fired power generation. This segment included all terminal operations in Jamaica, Puerto Rico, Mexico and Brazil, including its interest in the Sergipe Power Plant.

Its Ships segment included all vessels, which are leased to customers under long-term or spot arrangements, including the 25-year charter of Nanook with Centrais Eletricas de Sergipe S.A. (CELSE). The Company's investment in Hilli LLC, owner and operator of the Hilli, is also included in the Ships segment.

The company's business model spans the entire production and delivery supply chain from natural gas procurement and liquefaction to shipping, logistics, facilities, and conversion or development of natural gas-fired power generation.

On March 31, 2022, NFE filed a license application with the Maritime Administration (MARAD) for the development of the New Fortress Energy Louisiana Fast Liquefied Natural Gas (FLNG) Project. The company planned to launch eight floating LNG export terminals in the Gulf Coast, 16 miles off the coast of Grand Isle, Louisiana. FLNGs are likely to be among the most high-risk technologies in the natural gas industry. There are environmental, social, and health risks associated with the construction and operation of FLNG terminals.

As of 2022, the company had a market capitalization of $11 billion, 671 employees, a one-year equity return of 92%, and a recent dividend yield of 0.7%. Its 2021 sales were $1.3 billion while it has 207.6 million shares outstanding, 113.6 million shares are closely held.

The company had two high yield debt issuances of note: a secured B1/BB- $1.25 billion 6.8% September 15, 2025 and a secured B1/BB- $1.5 billion 6.5% September 30, 2026 currently priced in the lows 90s, which represents fair value given the company's exposure to commodity price volatility, geopolitical risk, and capital markets access risks. *(Hamid, Rosenthal, CFA, and Piascik, JPMorgan (July 7, 2022). High Yield Coverage Report: A summary of credit analyst recommendations in the Midstream sector).*

In August 2022, the company reported strong 2Q22 earnings, as revenues in the period totaled $585 million (up 161% year-over-year) while adjusted EBITDA totaled (up 3.4x year-over-year). Its revenues and adjusted EBITDA in 1H22 totaled $1.1 billion and $541 million, almost equaled its results in calendar year 2021 at $1.3 billion and $578 million.

At the same time, the company struggled to report positive free cash flow despite its adjusted EBITDA performance year-to-date.

As JPMorgan reported in its 2022 research on NFE, despite its successful recent asset transactions that boost its liquidity by est. $2 billion, its post-distribution free cash flow in Q1 2022 was still negative $220 million. Illustrating this risk, the company reported a negative EPS in Q2 2022 of $0.81. *(Hamid, Rosenthal, CFA, and Piascik, JPMorgan (August 4, 2022). New Fortress Energy Neutral: In-Line 2Q22 Results; Recent Transactions Eliminate External Capital Needs.)*

By 2024, however, the consequences of the company's lack of transparency and misalignment between its public-facing sustainability claims and regulated disclosures began to surface. NFE faced class-action lawsuits alleging securities fraud, linked to inflated revenue projections and inconsistent narratives about the Fast LNG project. These legal challenges have also been coupled with a significant decline in stock price, including a 23.6% drop in August 2024, after adjusted EBIDTA calculations came in $155 million dollars short of their second quarter projections.

Operational challenges have also materialized. The company's subsidiary, Genera PR, faced criticism in Puerto Rico over its management of energy infrastructure, highlighting concerns over public engagement and transparency. Collectively, these developments underscore the critical risks associated with inconsistent corporate narratives and insufficient alignment between sustainability commitments and financial disclosures

Results

The research collaboration reviewed the four following documents in Table 1.

Table 1: NFE Assessment.

Document	DATA Score	Fragments	Deceptive Fragments	% of Deceptive Fragments	Pages	Words
Q3 2021 10(q)	19.0%	77	29	37.7%	286	71,587
2021 10(k)	14.6%	84	32	38.1%	317	79,468
Q1 2022 10(q)	12.8%	56	28	50.0%	212	53,029
Q2 2022 10(q)	8.4%	61	32	52.5%	232	58,247

The analysis of NFE's filing reveals a concerning trend of declining truthfulness and increasing deceptive elements over time. DATA scores across filings have steadily decreased, indicating potential changes in transparency. Deceptive fragments, particularly in critical areas like revenue recognition, operations, and VIEs, have risen significantly, with the 2022 filings showing the highest levels yet. These trends are accompanied by notable changes in operational risk disclosures and project descriptions, reflecting both evolving narratives ad possible attempts to align with regulatory expectations. This section delves into these findings, highlighting the key patterns and their implications for stakeholders.

Overall Trends Across the Four Fillings

As of 2022 filings had a lower probability of truthfulness. NFE's filings have shown a consistent **decrease in the probability of truthfulness** when compared to the previous filing. The DATA score decreased from *19.0%* in 2021 3Q 10(q) to *14.6%* in 2021 10(k), then to 12.8% in 2022 1Q 10(q), and to *8.4%* in 2022 2Q 10(q).

Increase in the percentage of deceptive fragments in 2022 filings

The 2022 NFE filings have a **higher percentage of deceptive fragments** compared to 2021 NFE filings. In 2021, the 2021 3Q 10(q) report and 2021 10(k) annual report contain around ~38% of deceptive fragments. Yet, the 2022 1Q and 2Q 10(q) report both contain around ~50% of deceptive fragments.

2021 3Q 10(q) Report

- Variable Interest Entities (VIEs) and Revenue Recognition: Fragment 8 (-35.9%)
- Related Party Transactions: Fragment 17 (-43.1%)
- Results of Operation: Fragment 23 (-43.2%)

2021 10(k) Report

- Facilities and LNG Supply Contracts: Fragment 2 and 3 (-29.9%, -33.4%)
- Current Operations (Terminals, Infrastructure, Ships): Fragment 40 (-23.8%)
- Results of Operations: Fragment 43 (-32.4%)
- VIEs and Revenue Recognition: Fragment 72 (-34.3%)

2022 1Q 10(q) Report

- VIEs, Other VIEs, Revenue Recognition: Fragment 5 (-46.7%)
- Leases (Lessee): Fragment 7 (-41.0%)
- Results of Operations: Fragments 19 (-63.4%) and 22 (-45.0%)

2022 2Q 10(q) Report

- Other VIEs, Revenue Recognition: Fragment 5 (-44.8%)
- Leases (Lessee): Fragment 7 (-39.0%)
- Financial Instrument, Restricted Cash, Inventory, Prepaid Expenses, Equity Method Investments: Fragment 9 (-51.7%)
- PP&E, Goodwill, Intangible Assets, Non-Current Assets, Accrued Liabilities, Other Liabilities, Debt: Fragment 11 (-70.4%)
- Segments: Fragment 16 (-70.3%)
- Results of Operations: Fragment 23 (-77.9%)

Key Observations

- The 2022 2Q 10(q) report exhibits the highest deceptive score, with fragment 23 on Results of Operations scoring -77.9%
- Across the 10(q) filings, deceptive scores for Results of Operations have consistently increased:
  - 2021 3Q 10(q): -43.2%
  - 2022 1Q 10(q): -63.4%
  - 2022 2Q 10(q): -77.9%

In NFE's 2021 3Q 10(q) report, the most deceptive fragments included *Variable Interest Entities (VIEs) and Revenue Recognition* in fragment 8 (-35.9%), *Related party transactions* in fragment 17 (-43.1%), and *Result of Operations* in fragment 23 (-43.2%).

In NFE's 2021 10(k) report, the most deceptive fragments include descriptions of NFE's *Facilities and LNG Supply Contracts and Liquefaction Assets* in fragments 2 to 3 (-29.9% and -33.4%). Fragment 40 on its *current operations (terminals and infrastructure, ships) and development projects* has a deceptive score of -23.8%. Fragment 43 on its *Result of Operations* (-32.4%) and fragment 72 on *VIEs and Revenue Recognition* (-34.3%) also have high deceptive scores.

In NFE's 2022 1Q 10(q) report, the most deceptive fragments include *VIEs, Other VIEs, Revenue Recognition* in fragment 5 (-46.7%), *Leases, as lessee* in fragment 7 (-41.0%), *Results of Operations* in fragment 19 and 22 (-63.4% and –45.0%).

In NFE's 2022 2Q 10(q) report, the most deceptive fragments include *Other VIEs, Revenue Recognition* in fragment 5 (-44.8%), *Leases, as lessee* (-39.0%), *Financial instruments, Restricted cash, Inventory, Prepaid expenses and other current assets, Equity method investments* in fragment 9 (-51.7%), *PP&E, Goodwill and intangible assets, Other non-current assets, Accrued liabilities, Other current liabilities, Debt* in fragment 11 (-70.4%), *Segments* in fragment 16 (-70.3%), and *Results of Operations* in fragment 23 (-77.9%).

Among all four filings, the most **recent 2022 2Q 10(q)** report had the highest deceptive score, with fragment 23 on *Results of Operations* obtaining **-77.9%**.

Among the 10(q) filings, the *Result of Operations* fragment with the highest deceptive score within the filing has **increased from -43.2% in the 2021 3Q 10(q)** report to **-63.4% in the 2022 1Q 10(q)** report, then to **-77.9% in the 2022 2Q 10(q) report**.

Description of NFE's operation risks

While fragment 30 on the 2022 1Q 10(q) and fragment 35 2022 2Q (10q) report contained the same subject matters "Operation of our infrastructure, facilities and vessels involve significant risk" and "We depend on third-party contractors, operators and suppliers", **the score has changed from likely deceptive (74.7%) to likely truthful (-74.9%).** As we compared the vocabulary in the text, there were changes in vocabulary in the description for the first subject, but not for the second subject, highlighted in yellow.

The following text is on page 57 of 2022 1Q 10(q) and page 63 of 2022 2Q 10(q).

> "accidents that could result in personal injury or loss of life" *switched to* "accidents, fires, explosions or other events or catastrophes".
>
> "pollution or environmental contamination affecting operation" *switched to* "pollution, release of or exposure to toxic substances, or environmental contamination affecting operation"
>
> "Furthermore, we are subject to risks related to marine LNG operations with respect to our FSRUs and LNG carriers, which operations are complex and technically challenging and subject to mechanical risks and problems." *switched to* "In particular, we are subject to risks related to the operation of power plants, liquefaction facilities, marine and hazardous risks and problems."

NFE's Development Projects

The **probability of deceptiveness had decreased** in NFE's description of its development projects from 2022 1Q 10(q) to 2022 2Q 10(q). While fragment 17 in 2022 1Q 10(q) and fragment 20 in 2022 2Q 10(q) contained "Our Development Projects", **the DATA score changed from -30.2% to -19.2%.**

In the 2022 2Q 10(q) report, NFE made changes to its description of its development projects, highlighted in yellow. The following text is on page 37-38 of the 2022 1Q 10(q) report and page 40-41 of the 2022 2Q 10(q) report.

The following sentence was inserted at the end of the description for the La Paz Facility

> "We are exploring a potential sale of the La Paz Power Plant; we do not plan to recognize a loss on the sale."

The following description was edited under "Barcarena Facility"

> "The Barcarena Facility is expected to supply gas to a new 605MW combined cycle thermal power plant to be located in Pará, Brazil (the "Barcarena Power Plant"), which is supported by multiple 25-year power purchase agreement to supply electricity to the national electricity grid. The Barcarena Facility is expected to supply gas to third-party industrial and power customers as well as a new 605MW combined cycle thermal power plant to be located in Pará, Brazil which we own (the "Barcarena Power Plant"), which is supported by multiple 25-year power purchase agreement to supply electricity to the national electricity grid."

The description of the "Suape Facility" was taken out in the 2022 2Q 10(q) report.

The following edits were made to "Sri Lanka Facility", with the second sentence taken out of the 2022 2Q 10(q) report.

> "We plan to develop an offshore LNG receiving…an additional 700MW is scheduled to be built."
> "We may develop an offshore LNG receiving…an additional 700MW is scheduled to be built."

An additional description was added to "Other Projects".

> "In particular, we are currently in discussions with Petróleos Mexicanos ("Pemex") to form a long-term strategic partnership to develop the Lakach deepwater natural gas field for Pemex to supply natural gas to Mexico's onshore domestic market and for NFE to produce LNG for export to global markets. If the parties form a partnership, NFE expects to invest in the continued development of the Lakach field over a two-year period by completing seven offshore wells and to deploy a 1.4 MTPA Fast LNG unit to liquefy the majority of the produced natural gas. Remaining natural gas and associated condensate volumes are expected to be utilized by Pemex in Mexico's onshore domestic market."

Fast LNG Technology Risks

While fragment 41 on 2021 3Q 10(q) and fragment 44 on 2022 2Q 10(q) report contain the same subject "Our Fast LNG technology is a novel technology that is not yet proven and we may not be able to implement it as planned or at all", the score **has changed from likely deceptive (-16.3%) to likely truthful (57.4%)**.

The following text is on page 70 on 2021 3Q 10(q) and fragment 74 on 2022 2Q 10(q).

> "Our Fast LNG strategy is innovative and thus not yet proven. We may not be able to realize the time and cost savings we expect to achieve with our Fast LNG strategy.
>
> We have developed our Fast LNG strategy to procure and deliver LNG to our customers more quickly and cost-effectively than traditional LNG procurement and delivery strategies used by other market participants. We are in the process of designing and constructing our first Fast LNG solution. The Fast LNG technology may take more time and money to construct than we currently estimate. We may not be able to successfully construct our Fast LNG solution, and even if we succeed in constructing the technology, we may ultimately not be able to realize the time and cost savings we currently expect to achieve from this strategy. Any such failure could negatively affect both the timing and costs of some future projects, impair our ability to reduce our future LNG costs and negatively affect our financial results."

> "Our Fast LNG technology is a novel technology that is not yet proven and we may not be able to implement it as planned or at all. We have developed our Fast LNG strategy to procure and deliver LNG to our customers more quickly and cost-effectively than traditional LNG procurement and delivery strategies used by other market participants. Our ability to create and maintain a competitive position in the natural gas liquefaction industry may be adversely affected by our inability to effectively implement our Fast LNG technology. We are in the process of designing and constructing our first Fast LNG solution, and are therefore subject to construction risks, risks associated with third-party contracting and service providers, permitting and regulatory risks. See "—We are subject to various construction risks" and "—We depend on third-party contractors, operators and suppliers." Because our Fast LNG technology is a new technology that has not been previously implemented, tested or proven, we are also exposed to unknown and unforeseen risks associated with the development of new technologies, including failure to meet design and engineering specifications, incompatibility of systems, inability to contract or employ third parties with sufficient experience in technologies used or inability by contractors to perform their work, delays and schedule changes, high costs and expenses that may be subject to increase or difficult to anticipate, regulatory and legal challenges, instability or clarity of application of laws, rules and regulations to the technology, and added difficulties in obtaining or securing required permits or authorizations, among others. See "—Failure to obtain and maintain permits, approvals and authorizations from governmental and regulatory agencies and third parties on favorable terms could impede operations and construction." The success and profitability of our Fast LNG technology is also dependent on the volatility of the price of natural gas and LNG compared to the related levels of capital spending required to implement the technology. Natural gas and LNG prices have at various times been and may become volatile due to one or more of factors. Volatility or weakness in natural gas or LNG prices could render our LNG procured through Fast LNG too expensive for our customers, and we may not be able to obtain our anticipated return on our investment or make our technology profitable. In addition, we may seek to construct and develop floating offshore liquefaction units as part of our Fast LNG in jurisdictions with increased political, economic, social and legal instability, lack of regulatory clarity of application of laws, rules and regulations to our technology, and could potentially expose us to additional jurisdictional risks related to currency exchange, tariffs and other taxes, changes in laws, civil unrest, and similar risks. See "—Risks Related to the Jurisdictions in which we Operate—We are subject to the economic, political, social and other conditions in the jurisdictions in which we operate." Furthermore, as part of our business strategy for Fast LNG, we may enter into tolling agreements with third parties, including in developing countries, and these counterparties may have greater credit risk than typical. Therefore, we may be exposed to greater customer credit risk than other

companies in the industry. Our credit procedures and policies may be inadequate to sufficiently eliminate risks of nonpayment and nonperformance. We may not be able to successfully develop, construct and implement our Fast LNG solution, and even if we succeed in developing and constructing the technology, we may ultimately not be able to realize the cost savings and revenues we currently expect to achieve from it, which could result in a material adverse effect upon our operations and business."

Under the risk factors related to NFE's business, there are multiple changes from the above subject matter between 2021 3Q 10(q) and 2022 2Q 10(q). DATA assessed the subject matter through fragments 57 to 59 on the 2021 3Q 10(q) report, and fragments 47 to 49 on the 2022 2Q 10(q) report. Although these fragments consistently score as truthful across the filings, NFE made adjustments to subject matters including Greenhouse Gases/Climate Change, Fossil Fuels, and Hydraulic Fracturing.

The following text is on page 89-90 of 2021 3Q 10(q) and page 78-79 of 2022 2Q 10(q).

"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."

"Our business is now and will in the future be subject to extensive national, federal, state, municipal and local laws, rules and regulations, in the United States and in the jurisdictions where we operate, relating to the environment, social, health and safety and hazardous substances."

The following text has also been added to the 2022 2Q report.

"Any failure in environmental, social, 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 or fines for non-compliance with relevant regulatory requirements or litigation. 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. As the owner and operator of our facilities and owner or charterer of our vessels, we may be liable, 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 at or from our facilities and for any resulting damage to natural resources, which could result in substantial liabilities, fines and penalties, capital expenditures related to cleanup efforts and pollution control equipment, and restrictions or curtailment of our operations. Any such liabilities, fines and penalties that exceed the limits of our insurance coverage. See "—Our insurance may be insufficient to cover losses that may occur to our property or result from our operations." Individually or collectively, these developments could adversely impact our ability to expand our business, including into new markets. "

We also found the following subject matter that may be of interest.

Greenhouse Gas/Climate Change

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 stockholder 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."

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. 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 regulators and governmental agencies in the jurisdictions in which we operate can impose similar siting, design, construction and operational requirements that can affect our projects, facilities, infrastructure and operations. 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. Hydraulic fracturing activities can be regulated at the national, federal or local levels, with governmental agencies asserting 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. Such authorities 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). 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 jurisdictions have adopted or considered 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. See "—Failure to obtain and maintain permits, approvals and authorizations from governmental and regulatory agencies and third parties on favorable terms could impede operations and construction." 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, some local jurisdictions have adopted or considered adopting land use restrictions, such as city or municipal ordinances, that may restrict the performance of or prohibit the well drilling in general and/or hydraulic fracturing in particular. 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."

Sustainability Statement

On pages 15 and 16 in the 2021 10k report, the text on "Sustainability" was split into fragments 9 and 10. However, fragment 9 had a **likely deceptive score of -5.1%** and fragment 10 had a **likely truthful score of 91.0%** within the same subject matter.

Sustainability

"Since our foundation in 2014, sustainability has been at the core of our mission and vision. We believe that a sustainable future built on positive energy is the way forward. In an effort to advance both our business model and the interests of our stakeholders— including our people, shareholders and investors, partners, the communities we serve, and the wider public—we have established four key sustainability goals: (i) protect and preserve the environment, (ii) empower people worldwide, (iii) invest in communities, and (iv) become a leading provider of carbon-free energy. Certain of our current sustainability initiatives and investments under each of these goals are highlighted below."

Protect and Preserve the Environment

"We are committed to our goal to protect and preserve the environment by providing cleaner energy solutions around the world. With our projects, we strive to reduce carbon emissions and increase energy efficiency. By helping our customers convert from traditional fuels such as oil or

coal to liquefied natural gas (LNG) as their energy source, we seek to reduce air-polluting emissions of nitrogen oxide (NOx), carbon dioxide (CO2), sulfur oxide (SOx), or fine particulate matter, among others. Moreover, we believe that the use of LNG as a complement to renewable power options is helping transition to a sustainably-sourced energy future."

Empower People Worldwide

"We are committed to our goal to provide access to affordable, cleaner energy. To that end, we help our customers customize and implement a complete, seamless LNG energy solution designed to lower their energy costs, reduce their environmental footprint, and improve their energy efficiency, either by converting their existing power generation to LNG or by building brand-new gas-fired facilities. In addition, we seek to provide reliable and efficient supply of LNG to our customers, wherever located, through our established, integrated LNG logistics chain."

Invest in Communities

"We are passionate about improving lives and supporting people, especially in the communities where we operate. For example, through our New Fortress Energy Foundation, we seek to strengthen our communities by (i) investing in education to support the next generation of leaders; (ii) providing industry training programs to help create and sustain a well-equipped workforce; and (iii) giving financially to community causes that enhance quality of life, including reducing poverty, hunger, and inequities. As of 2021, we have provided more than 160 higher education scholarships, financial aid to more than 3,800 students, backpacks and supplies to 6,350 students, and supported academic opportunities of more than 16,700 students in the fields of science, technology, engineering and mathematics (STEM). We have donated more than 2,000 trees through the Jamaican government's national tree planting program. For the holiday season in 2021, we delivered more than 800 care packages to families in Jamaica over Easter and Christmas, meals to 700 families and over 400 toys in disadvantaged areas in Puerto Rico, 400 gift baskets in Nicaragua, and more than 300 gifts to children in Brazil."

Toward a Carbon-Free Future

"As we work to reduce emissions for our customers around the world, our long-term goal is for us to reach net zero carbon emissions by 2030 and be one of the world's leading providers of carbon-free energy. 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 hydrogen will play an increasingly significant role as a carbon-free fuel to support renewables and displace fossil fuels across power, transportation and industrial markets. To that end, we formed a division, which we call Zero, to evaluate promising technologies and pursue initiatives that will position us to capitalize on this emerging industry. As part of this effort, we intend to develop commercial industrial areas, which we refer to as "Zero Parks," where we will seek to develop economically compelling hydrogen energy solutions. In addition, in October 2020, we announced our intention to partner with Long Ridge Energy Terminal and GE Gas Power to transition a power plant to be capable of burning 100% green hydrogen over the next decade, and we made our first hydrogen-related investment in H2Pro, an Israel-based company developing a novel, efficient, and low-cost green hydrogen production technology."

Summary

In reading the company's regulated financial statements and its online marketing materials, it "feels like" it is two different companies. In its regulated filings, many of which are increasingly deceptive according to the collaborative research conducted between Responsible Alpha and DATA, the company is hesitant to describe its clients or its risks, and it is unclear how the company will improve it cash flow position despite current favorable market trends.

But on the other hand, when reading the company's marketing materials and its website, the company is clearly in charge, it has groundbreaking technical called Zero, and it is doing very well. Yet this same technology is barely mentioned within its regulatory filings.

The analysis of New Fortress Energy's (NFE) regulatory filings, conducted collaboratively by Responsible Alpha and Deception and Truth Analysis (DATA), reveals significant discrepancies between the company's public-facing sustainability claims and the truthfulness of its financial disclosures. While NFE's marketing materials project a confident and innovative organization committed to sustainability and technological advancement, its regulated filings tell a different story. These documents demonstrate increasing deception, with the percentage of deceptive fragments rising from ~38% in 2021 reports to ~50% in 2022 reports.

Key areas of concern include inconsistent descriptions of risks, evolving narratives around development projects, and omissions regarding critical operational and financial challenges. For example, while the company highlights groundbreaking technologies like its "Zero" division and efforts to achieve carbon neutrality in its promotional materials, these topics are scarcely mentioned in its regulatory filings. Similarly, significant risks associated with its operations, including those related to novel technologies and environmental impacts, are addressed with varying levels of transparency.

The findings highlight a troubling misalignment between NFE's sustainability narrative and its regulated disclosures, raising questions about the company's commitment to transparency and accountability. The results of this analysis emphasize the importance of rigorous scrutiny in corporate ESG reporting, particularly as stakeholders increasingly rely on these disclosures to make informed decisions. This study underscores the critical need for robust regulatory oversight to combat greenwashing and foster greater integrity in corporate reporting.