



# Citi Midstream/Energy Infrastructure Conference 2020

August 12, 2020



# Cautionary statements

## Forward-looking statements

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# Tellurian value proposition (Nasdaq: TELL)

Developing a global natural gas business around Driftwood LNG (“DWLNG”)

## Our business

- Driftwood LNG: a 27.6 mtpa LNG export terminal in Louisiana<sup>(1)</sup>
- Pioneering management team that has built ~18% of global LNG capacity
- Premier global LNG partners: TOTAL, Bechtel, Baker Hughes and Chart Industries
- Deliver cleaner air, reduce carbon emissions & slow the pace of climate change

## Tellurian investment case

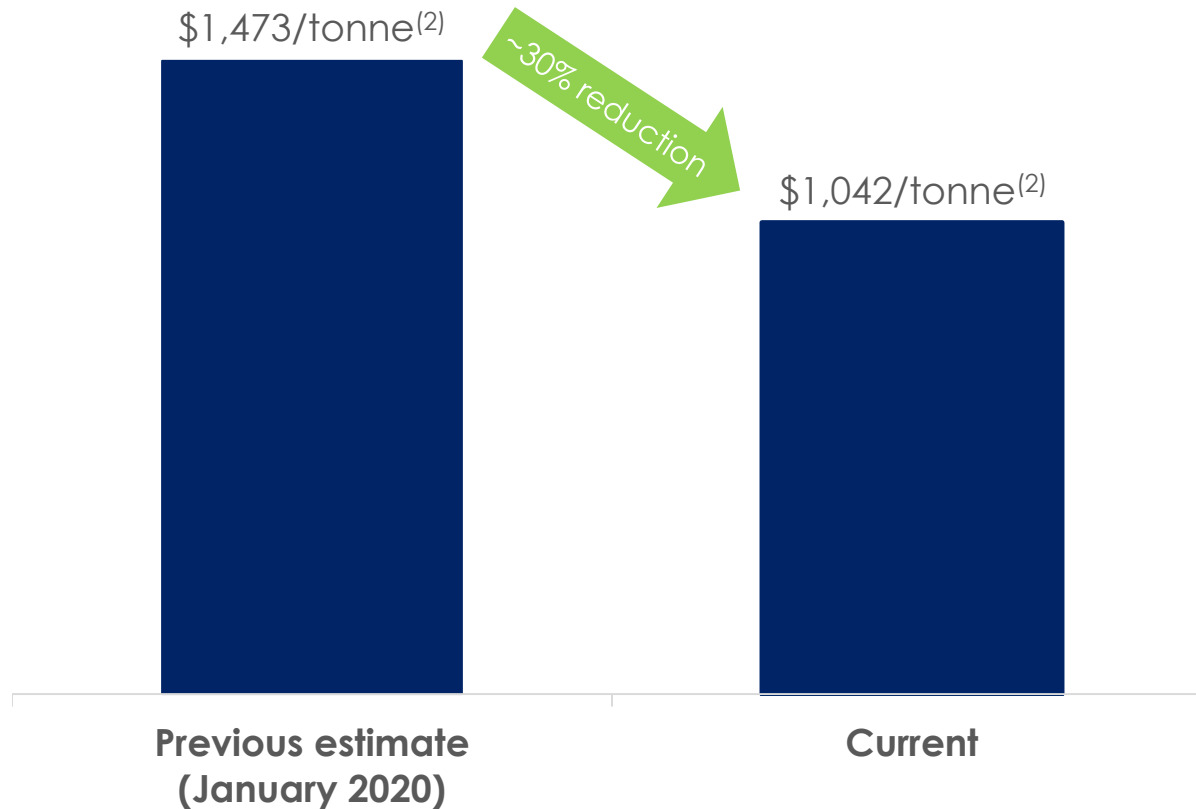
- ~\$2 bn of FCF at full operations of Driftwood LNG<sup>(2)</sup>
- ~\$5-\$7 annual cash flow per share to TELL shareholders<sup>(2)</sup>
- Implied equity value of ~\$14-\$19/share at FID<sup>(3)</sup>

Notes: (1) EPC guaranteed capacity of 24.1 mtpa; expected production capacity of 27.6 mtpa.  
(2) See assumptions discussed in notes 1 and 3 on slide 15.  
(3) NPV of \$5-\$7 cash flow per share at commercial operations in 2026 discounted at 15% for the 40-year life of the plant and assuming no terminal value.

# Driftwood LNG update

# DWLNG update: ~30% cost reduction in Phase I

## Driftwood model – Phase 1 capital costs<sup>(1)</sup> (14.4 mtpa EPC guaranteed capacity)



### Key Business Model Benefits

- Phase 1: ~\$1,000/tonne including upstream, pipeline and liquefaction
- <\$3.50/mmBtu projected LNG FOB U.S. Gulf Coast
- Inviting partners on a cost-plus basis: only project globally with this pricing structure
- Achieved optimization in Driftwood Pipeline, owner's costs
- Deferred PGAP/HGAP pipelines

Notes:

(1) Includes upstream, Driftwood pipeline, liquefaction and owner's costs. Excludes financing costs.

(2) Based on Phase I EPC guaranteed capacity of 14.4 mtpa (Phase I expected production capacity of 16.6 mtpa).

# Driftwood LNG and pipeline capital for Phase I

\$ in billions, unless otherwise noted

Uses (\$ bn)		Sources (\$ bn)	
■ Driftwood LNG terminal	\$10.6	■ Driftwood partner equity	\$6.0
■ Owner's cost <sup>(1)</sup>	1.8	■ Tellurian pre-FID work contribution	0.6
■ DWPL, upstream & other <sup>(2)</sup>	2.6	■ Cash flow from cargo ramp-up	0.5
<b>Cost/tonne (\$/tonne)<sup>(3)</sup></b>	<b>\$1,042</b>	■ Debt	9.8
■ Financing costs and interest	1.8		
<b>Total Uses</b>	<b>\$16.8</b>	<b>Total Sources</b>	<b>\$16.8</b>

At ~\$1,000/tonne, Driftwood is among the lowest-cost global LNG projects

Notes:  
 (1) Owner's cost for Driftwood LNG terminal construction.  
 (2) Other includes pre-FID development costs and G&A during construction.  
 (3) Based on Phase I EPC guaranteed capacity of 14.4 mtpa (Phase I expected production capacity of 16.6 mtpa).

# Driftwood expects to deliver LNG FOB at <\$3.50/mmBtu

Integrated operations deliver lower costs

**Gas sourcing**



**\$2.00**/mmBtu

**LNG plant + pipeline<sup>(1)</sup>**



< **\$0.75**/mmBtu

**Debt service<sup>(2)</sup>**



< **\$0.75**/mmBtu



< **\$3.50**/mmBtu  
*Average cost on the water*

Notes: (1) Includes operating expenses for Driftwood LNG plant and Driftwood pipeline and G&A.  
(2) For phase one: ~\$9.8 billion of project finance debt amortized over 20-year period.

# LNG macro update

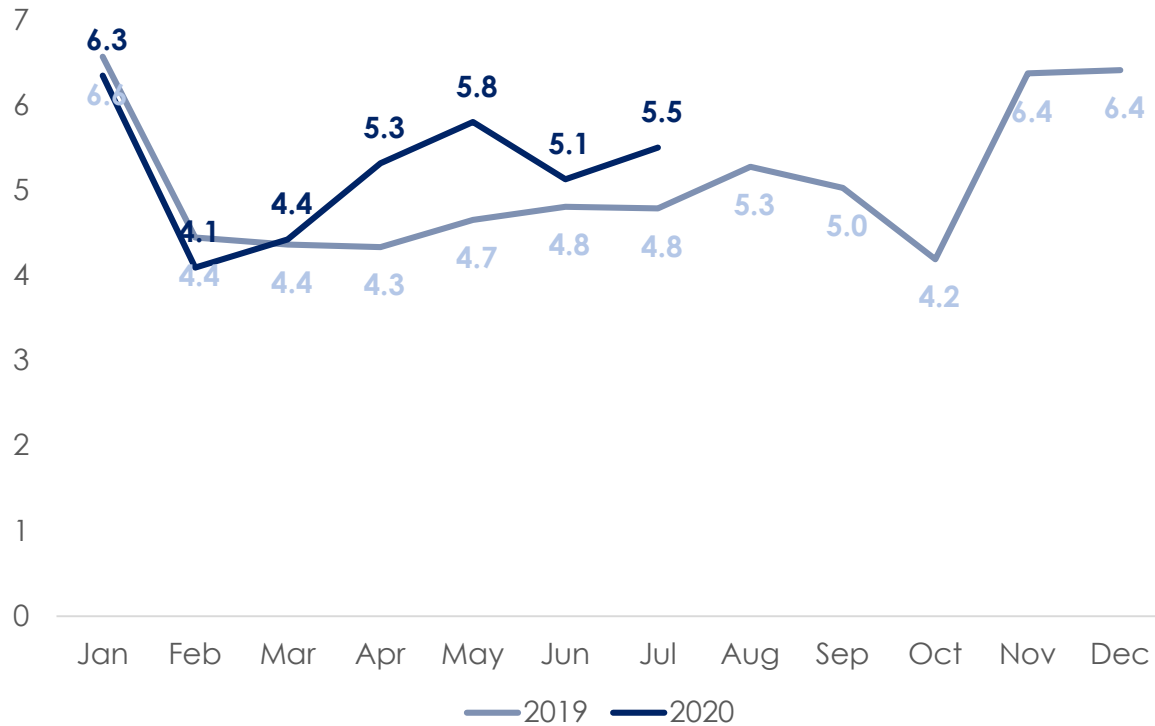


# China and India LNG demand resilient

China and India LNG imports up ~8% and ~21%, respectively, through July YoY

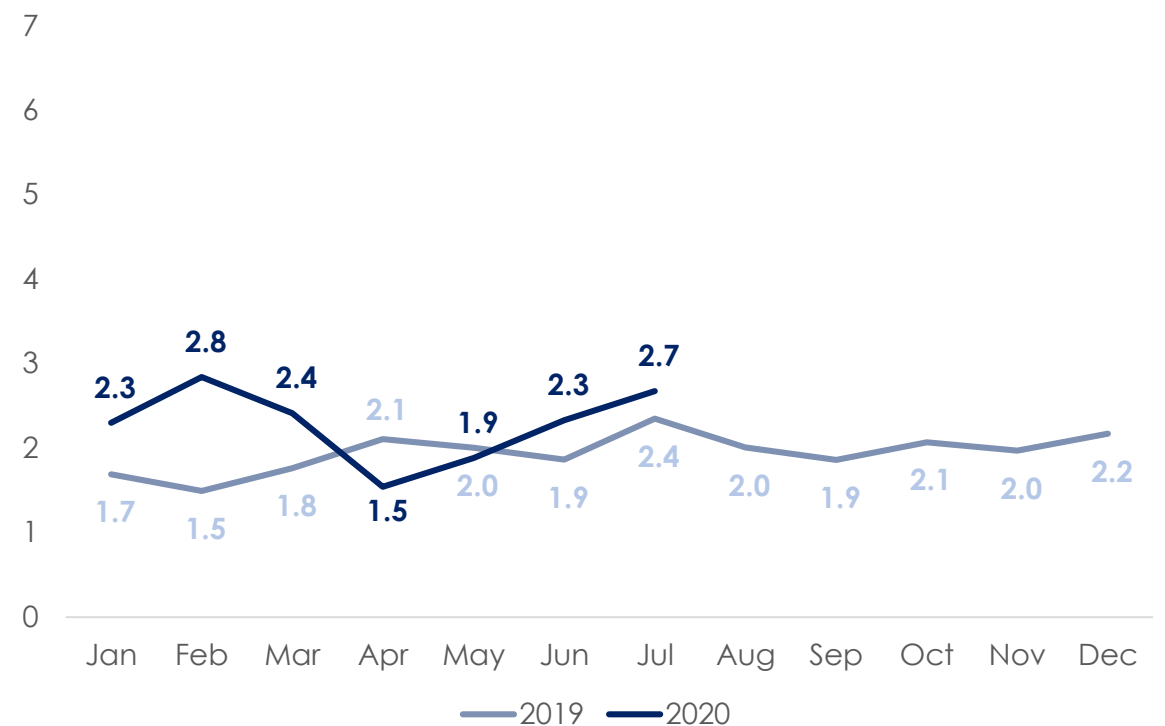
## Chinese LNG imports

million tonnes/month



## Indian LNG imports

million tonnes/month



Source: IHS Markit.

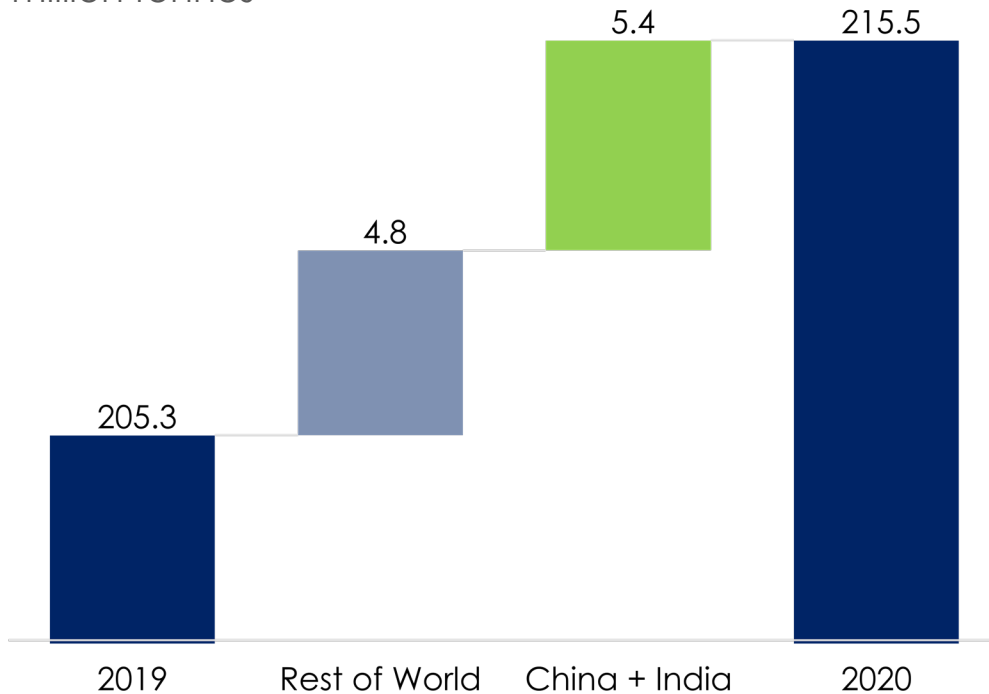
# Emerging Asian markets are demand pull

53% of 2020 LNG demand growth from China + India

Over half of new import capacity is in China + India

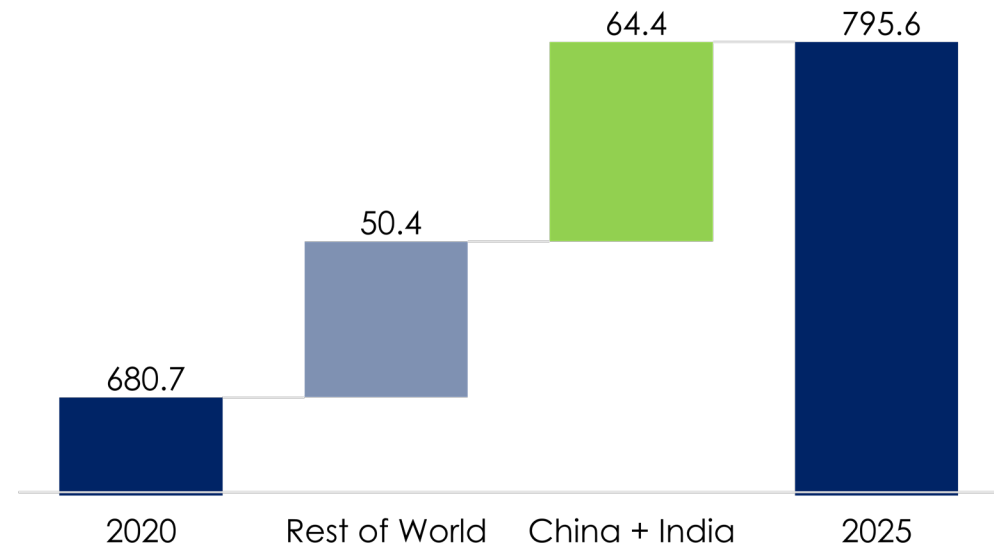
## 2020 LNG trade through July

million tonnes



## Regasification capacity additions

million tonnes

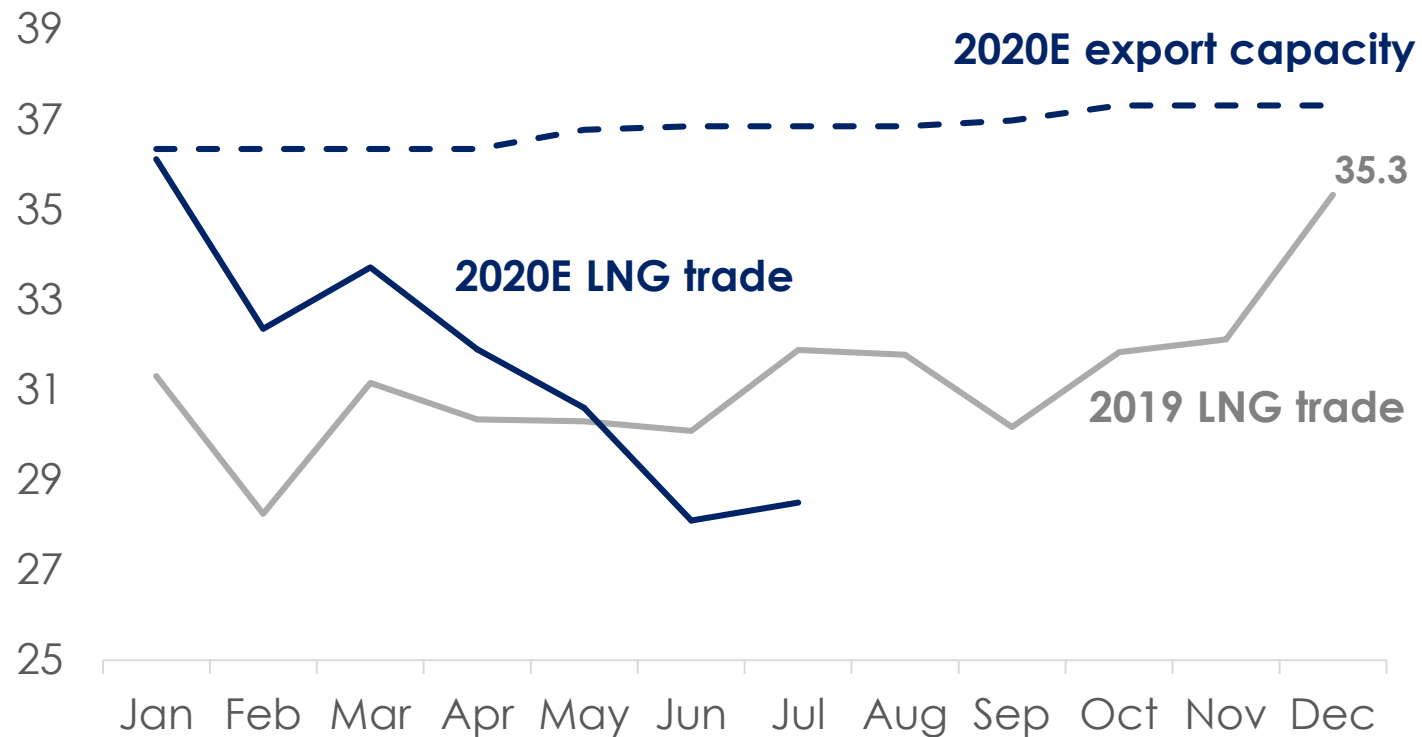


Source: IHS CERA.  
Note: Includes existing and under construction regasification projects, including unutilized U.S. projects.

# LNG market recovering from June bottom

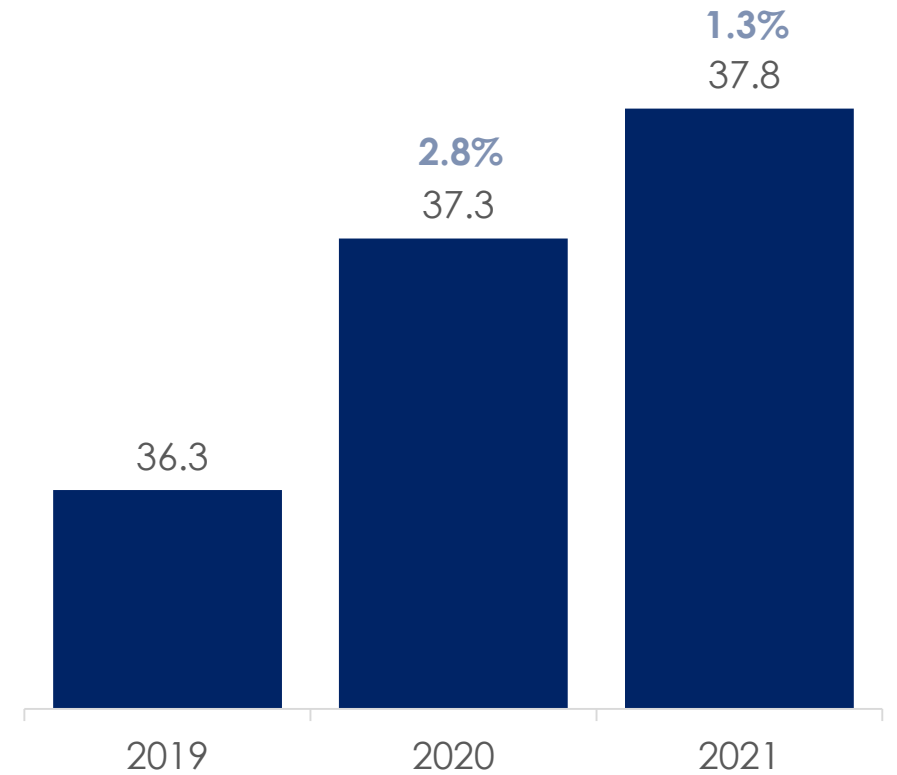
## Monthly global LNG trade and capacity

million tonnes/month



## LNG production capacity at year end

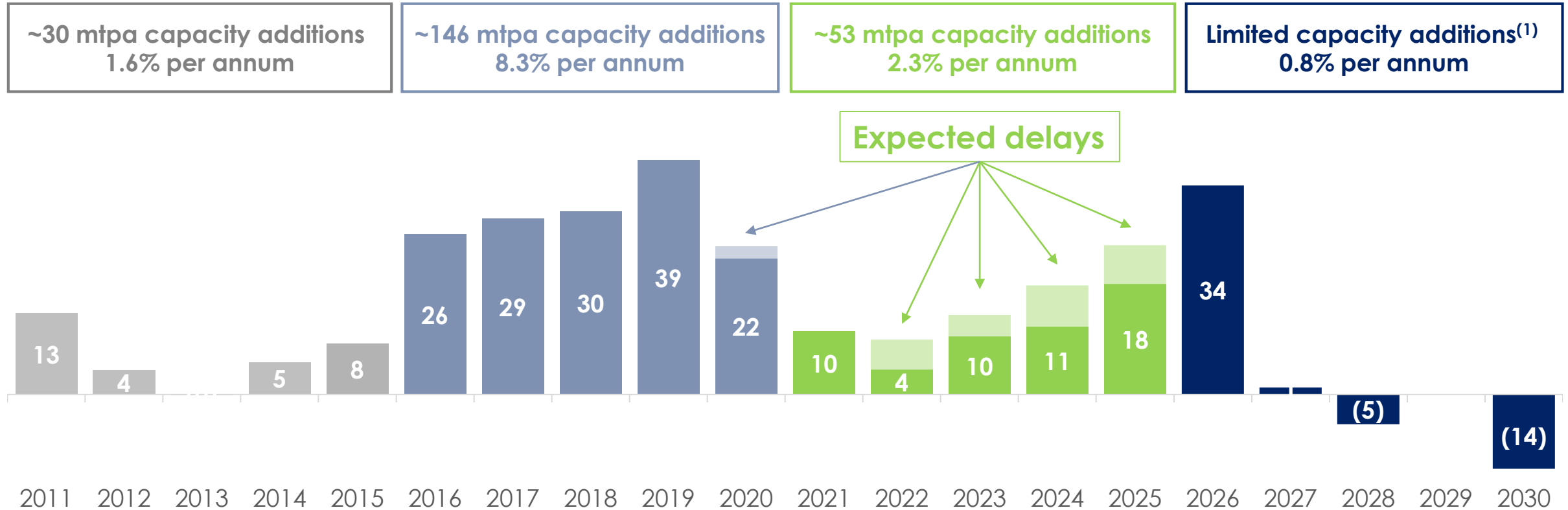
Expected % increase over prior year end  
million tonnes/month production capacity



Sources: IHS CERA, Tellurian analysis.

# Entering 5-year starvation; expect rising price

## Global liquefaction capacity additions (mtpa)



JKM annual average:

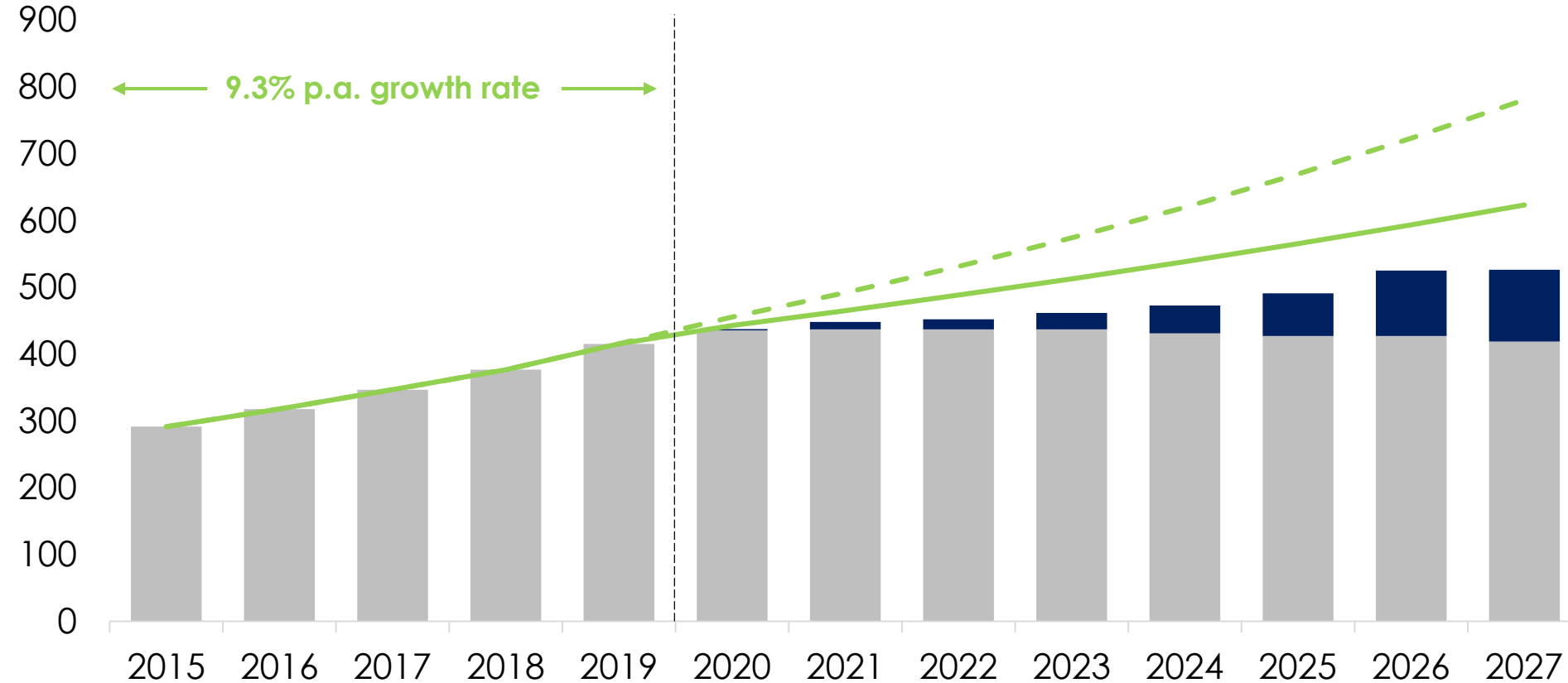
\$14.04   \$15.12   \$16.54   \$13.85   \$7.45   \$5.73   \$7.13   \$9.74   \$5.49

Sources: Wood Mackenzie, Tellurian analysis.  
 Note: (1) Capacity additions for projects that have reached FID only.

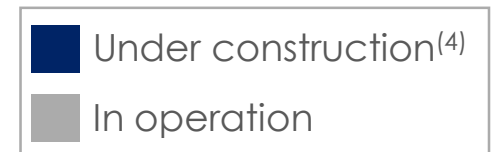
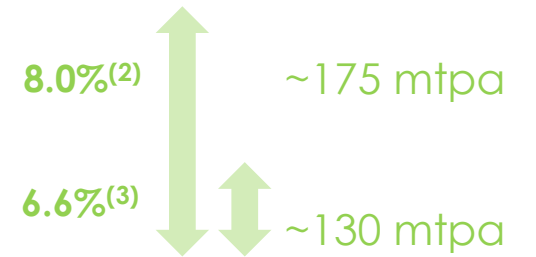
# >100 mtpa additional construction needed

Recent demand growth rates imply the world will have LNG capacity constraints by 2021

mtpa



Liquefaction capacity required by 2025<sup>(1)</sup>



Sources: Wood Mackenzie, Tellurian Research.

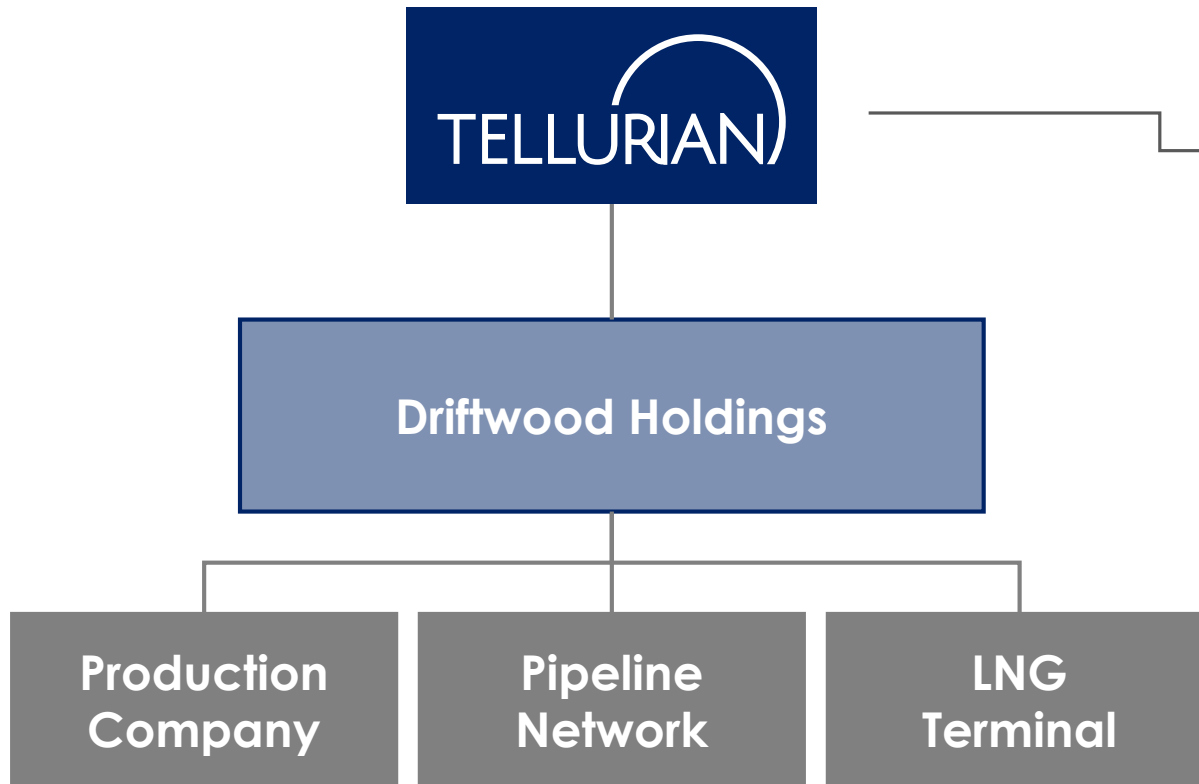
- Notes:
- (1) Assumes 86.5% utilization rate.
  - (2) Assumes 8.0% annual demand growth rate from 2020-2025.
  - (3) Assumes 6.6% annual demand growth rate from 2020-2025.

(4) Assumes 112 mtpa of projects under construction coming online by 2025, including Portovaya, Petronas FLNG 2, Coral FLNG, Petronas FLNG 2, Tortue LNG, LNG Canada, Calcasieu Pass, Mozambique LNG, Golden Pass LNG, Arctic LNG 2 and NLNG T7.

# Driftwood LNG overview

# Positioned to deliver \$5-7/sh of cash flow <sup>(1)</sup>

## Tellurian ownership structure<sup>(2)</sup>



## Illustrative cash flow calculation to Tellurian

$$\begin{aligned}
 & \sim \mathbf{13.6} \text{ mtpa} \\
 & \times \quad \mathbf{52} \text{ mmBtu conversion} \\
 & \times \quad \mathbf{\$3.50} \text{ margin} \\
 \hline
 & = \quad \mathbf{\$2.5} \text{ billion annual cash flow}^{(3)}
 \end{aligned}$$

Notes: (1) Annual cash flow per share based on the following assumptions, among others: (a) projected \$2.5 billion annual cash flow to Tellurian at the midpoint of the range, (b) less estimated interest expense of ~\$200 million related to Tellurian Marketing's acquisition of 2 mtpa of capacity at Driftwood Holdings funded by \$1 billion in convertible debt with terms of 11% paid-in-kind ("PIK") interest during construction and 11% cash interest after construction, (c) ~383 million shares outstanding after issuance of ~20 million shares pursuant to Total common stock purchase agreement dated April 3, 2019, conversion of ~6.1 million shares of existing convertible

preferred stock issued to Bechtel and conversion of outstanding stock options and warrants for ~35 million shares, and (d) total Driftwood LNG production at expected production capacity of 27.6 mtpa.  
 (2) Pro forma construction ownership, including \$7 billion investment from equity partners and final investment decision on five plants.  
 (3) Before estimated ~\$200 million interest expense related to \$1 billion convertible debt financing.

# Driftwood LNG's ideal site for exports



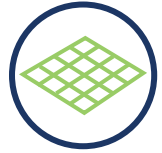
Access to pipeline infrastructure



Access to power and water



Support from local communities



Site size over 1,000 acres



Insulation from surge, wind and local populations



Berth over 45' depth with access to high seas



✓ Fully permitted

✓ 30% engineering complete

✓ EPC contract signed

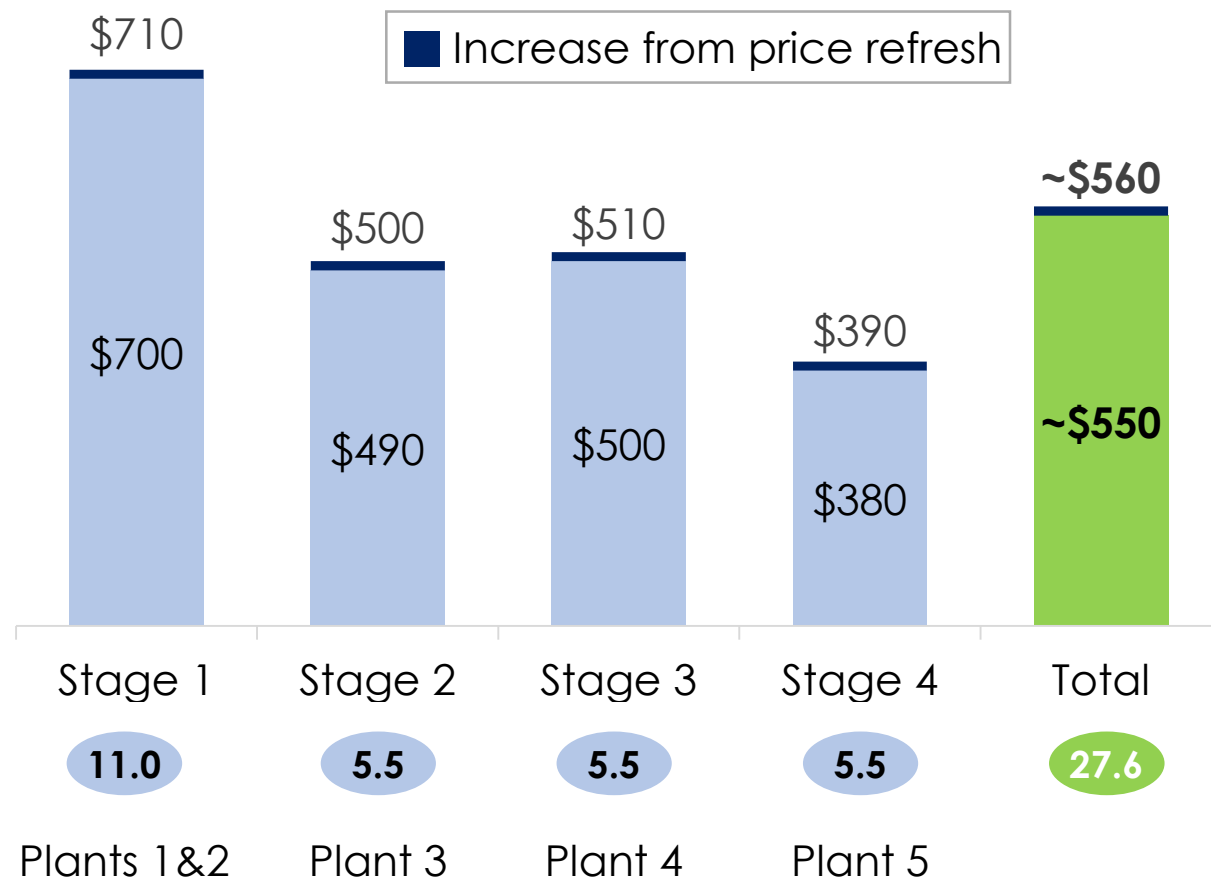
✓ Shovel ready project



# Bechtel LSTK secures project execution



## Driftwood EPC contract costs (\$ per tonne)



- Leading LNG EPC contractor
  - 44 LNG trains delivered to 18 customers in 9 countries
  - ~30% of global LNG liquefaction capacity (>125 mtpa)
- Tellurian and Bechtel relationship
  - 16 trains<sup>(1)</sup> delivered with Tellurian's executive team
  - Invested \$50 million in Tellurian Inc.
- Price refresh in April 2019 resulted in ~2% increase after ~24 months

Sources: Tellurian-Bechtel agreements; Bechtel website.  
 Note: (1) Includes all trains from Sabine Pass LNG, Corpus Christi LNG, Atlantic LNG, QCLNG and ELNG.

# Value to Tellurian Inc.

Every \$1.00 reduction in gas costs or increase in LNG price adds \$1.85/share in cash flow in 5-plant case

	Base case		3 Plants	5 Plants
<b>USGC netback</b> (\$/mmBtu)	<b>Cost of LNG<sup>(1)</sup></b> (\$/mmBtu)	<b>Margin</b> (\$/mmBtu)	<b>Cash flows<sup>(2)(3)(4)</sup></b> \$ millions (\$ per share)	
<b>Tellurian capacity</b> based on 27.6 mtpa production profile			<b>6.6 mtpa</b>	<b>13.6 mtpa</b>
\$5.00	\$3.50	\$1.50	\$340 (\$0.89)	\$880 (\$2.30)
\$7.00	\$3.50	\$3.50	\$1,030 (\$2.69)	<b>\$2,300 (\$6.00)</b>
\$9.00	\$3.50	\$5.50	\$1,710 (\$4.46)	\$3,710 (\$9.68)
\$11.00	\$3.50	\$7.50	\$2,400 (\$6.26)	\$5,130 (\$13.38)

Notes:

- (1) \$3.50/mmBtu cost of LNG FOB Gulf Coast assumes \$2.00/mmBtu cost of gas at Driftwood LNG terminal.
- (2) Annual cash flow equals the margin multiplied by 52 mmBtu per tonne; does not reflect potential impact of management fees paid to Tellurian nor G&A.
- (3) Annual cash flow per share based on ~383 million shares outstanding after issuance of ~20 million shares pursuant to Total common stock purchase agreement dated April 3, 2019, conversion of ~6.1 million shares of existing convertible preferred stock issued to Bechtel

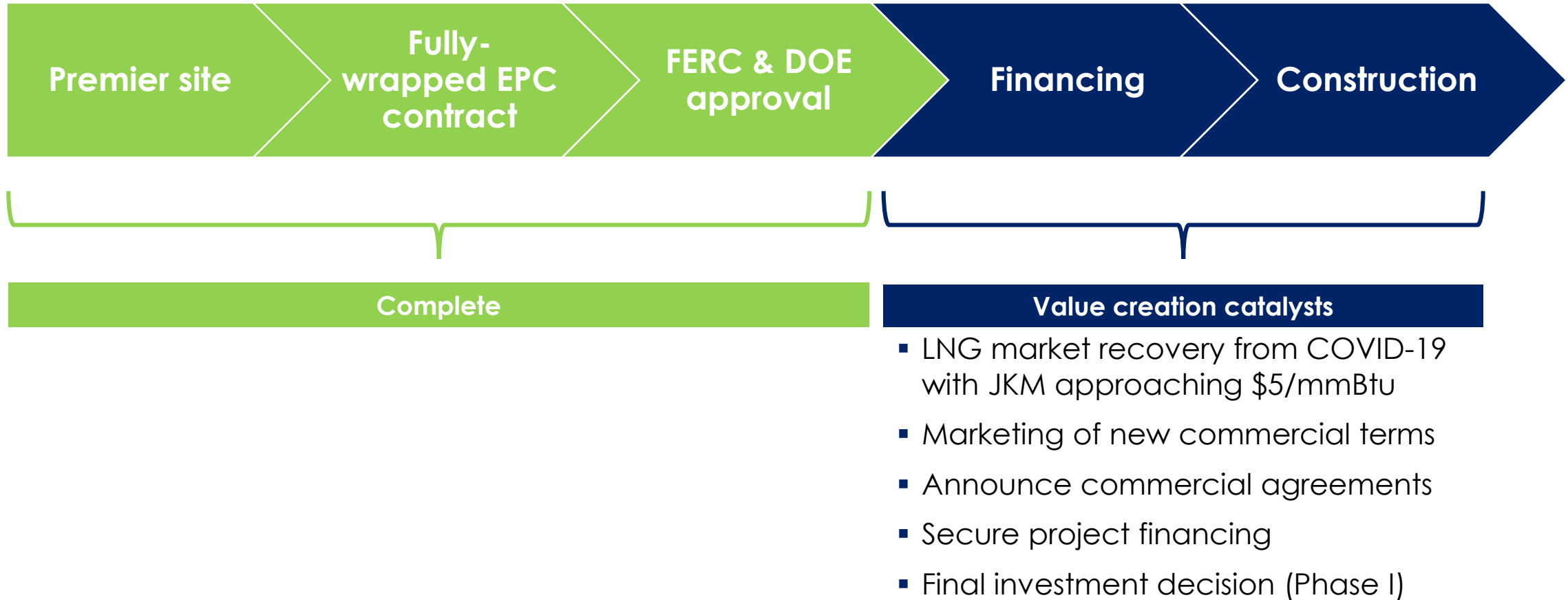
- and conversion of outstanding stock options and warrants for ~35 million shares.
- (4) Assumes Tellurian Marketing acquires 2 mtpa of capacity at Driftwood Holdings, financed by \$1 billion in convertible debt funding with 11% paid-in-kind ("PIK") interest during construction and 11% cash interest after construction.

# Returns to Driftwood Holdings' partners

	U.S. Gulf Coast netback price (\$/mmBtu)			
	\$5.00	\$7.00	\$9.00	\$11.00
<b>Driftwood LNG, FOB U.S. Gulf Coast</b> <i>(\$/mmBtu)</i>	\$(3.50)	\$(3.50)	\$(3.50)	\$(3.50)
<b>Margin</b> <i>(\$/mmBtu)</i>	\$1.50	\$3.50	\$5.50	\$7.50
<b>Annual partner cash flow<sup>(1)</sup></b> <i>(\$ millions per tonne)</i>	\$80	\$180	\$285	\$390
<b>Cash on cash return<sup>(2)</sup></b>	16%	36%	57%	78%
<b>Payback<sup>(3)</sup></b> <i>(years)</i>	6	3	2	1

Notes: (1) Annual partner cash flow equals the margin multiplied by 52 mmBtu per tonne.  
(2) Based on 1 mtpa of capacity in Driftwood Holdings; all estimates before federal income tax; does not reflect potential impact of management fees paid to Tellurian.  
(3) Payback period based on full production.

# On path to deliver LNG from Driftwood



# Key investment highlights

- ✓ Driftwood LNG is shovel ready, all permits secured
- ✓ Engineering ~30% complete, >\$150 mm invested in EPC
- ✓ Phase 1 low-cost capital ~\$1,000/tonne
- ✓ LNG delivered FOB U.S. Gulf Coast <\$3.50/mmBtu to maximize margins in growing LNG market
- ✓ Premier management team with performance track record

# Contact us

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## Social media



@TellurianLNG



# Appendix

# Tellurian commercial progress

## Total Driftwood equity investment and SPA

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- On July 10, 2019, Total agreed to make a \$500 million equity investment in Driftwood project and to purchase 1 mtpa of LNG
- Total also agreed to purchase 1.5 mtpa of LNG from Tellurian Marketing's LNG offtake volumes from the Driftwood LNG export terminal
  - FOB, minimum term of 15 years
  - Price based on Platts Japan Korea Marker ("JKM")

## Common stock purchase agreement with Total

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- Total to purchase ~20 million additional shares in Tellurian for \$200 million upon<sup>(1)</sup>:
  - Final investment decision ("FID")
  - Tellurian's purchase of 7.2% of Driftwood equity

## Tellurian Marketing investment in Driftwood

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- Tellurian Marketing to purchase an equity interest<sup>(2)</sup> in Driftwood project and 2 mtpa of LNG with anticipated private equity funding
  - Tellurian's LNG volumes from Driftwood project will increase to 13.6 mtpa at full development

## Tellurian MOU with Petronet

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- On September 21, 2019, Tellurian and Petronet LNG Limited INDIA ("Petronet LNG") signed a memorandum of understanding ("MOU") for up to five million tonnes per annum of liquefied natural gas ("LNG") through an equity investment in Driftwood

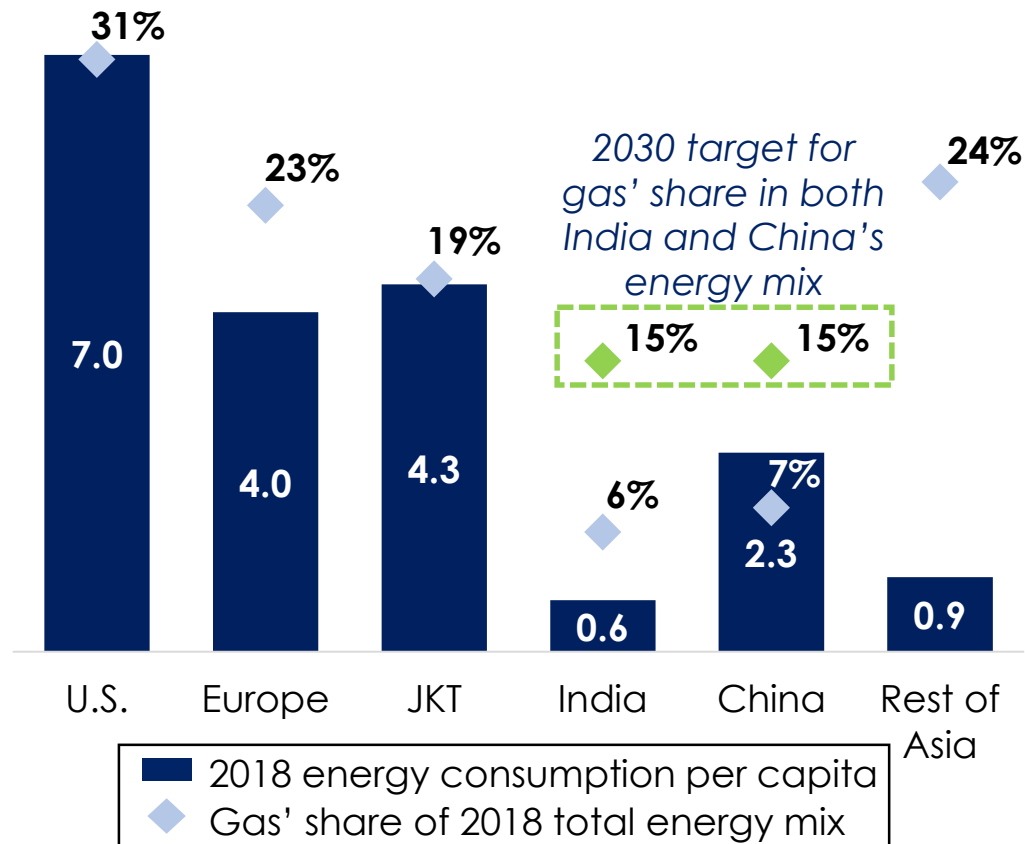
Notes: (1) Common stock purchase agreement executed with Total Delaware, Inc. at \$10.064/share.  
(2) Tellurian Marketing to purchase 7.2% equity interest in Driftwood project.



# Global energy needs require natural gas

## The shifting landscape of energy consumption

Tonnes oil equivalent/capita



Sources: BP Statistical Review of World Energy, Tellurian Research  
 Note: (1) Based on total 2018 energy demand for non-OECD countries and 0.855 mtpa LNG per 1 million tonnes oil equivalent.

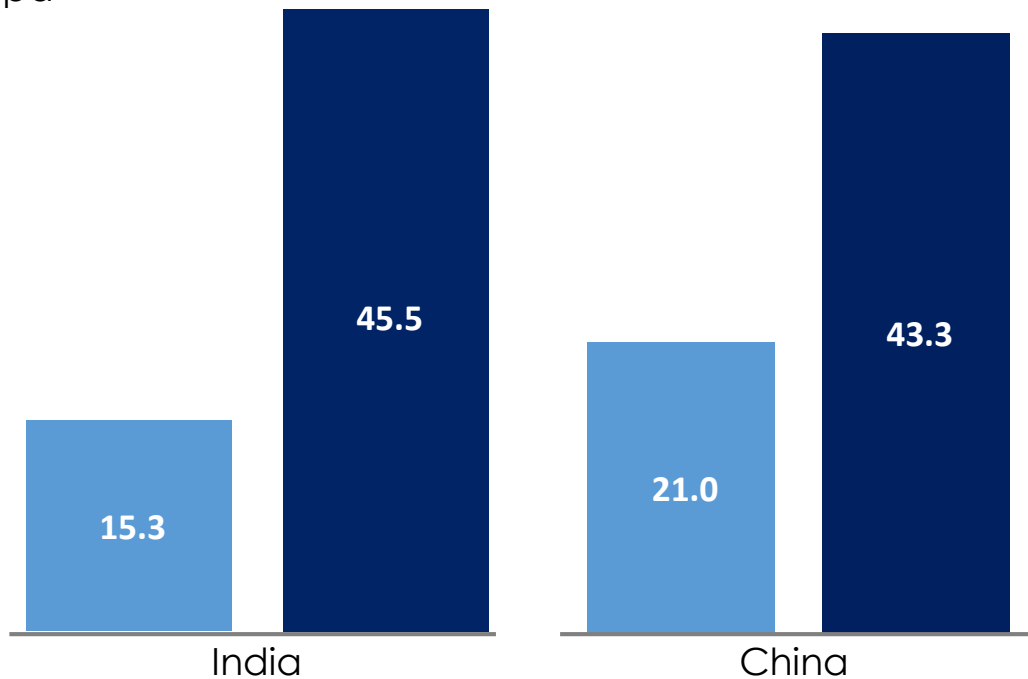
## Drivers of shifting landscape

- Non-OECD energy consumption growth rate was **~13x** that of OECD's over the past decade
- Despite massive energy growth, natural gas is **just 22%** of non-OECD's energy mix, while **coal's share is 36%**
  - If gas moved to just 25%, **over 200 mtpa** of LNG would be required to meet demand<sup>(1)</sup>
- Population and economic growth to encourage further energy consumption growth in Asia
- 9 of 10** world's most polluted cities located in just two Asian countries (India & China)
- A drive towards cleaner energy sources will require both natural gas and renewables

# China & India: ~90 mtpa growth potential

## LNG demand growth (2019-2025)

mtpa



Sources: BP Statistical Review of Energy, WoodMac, SIA, Tellurian Research.

Notes: (1) Based on WoodMac's LNG demand outlook for both India and China.

(2) Based on existing, firm and likely regas capacity in addition to downstream pipeline infrastructure projects, per project sponsors.

(3) Based on 2018 coal-fired power generation.

## Key growth drivers

### ■ Infrastructure:

- ~**2x** growth in India's pipeline grid by 2025
- ~**2x** growth in India's regas capacity by 2025
- ~**1.5x** growth in China's pipeline grid by 2025
- ~**2x** growth in China's regas capacity by 2025

### ■ Policy:

- India and China's infrastructure growth allows each to remain on track to reach their targets of 15% for gas' share in the energy mix by 2030

### ■ Latent demand:

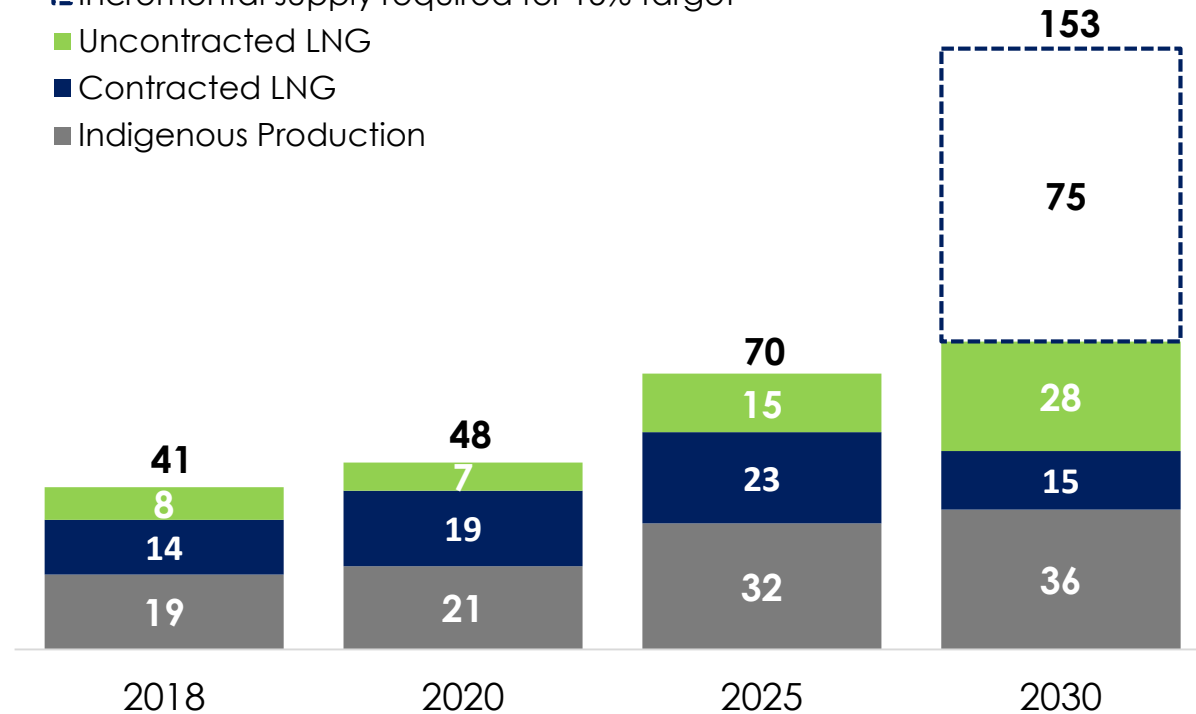
- India and China's total latent demand for cleaner energy is equivalent to ~885 mtpa<sup>(3)</sup>

# India's targets suggest even higher gas use

## India natural gas demand – primary sources

mtpa

- Incremental supply required for 15% target<sup>(1)</sup>
- Uncontracted LNG
- Contracted LNG
- Indigenous Production



## India's gas demand drivers

- Prime Minister Modi has set a target of 15% for natural gas' share of India's energy mix by 2030
- ~\$100 billion in energy infrastructure investment currently underway<sup>(2)</sup>
- Industrial use will lead gas demand growth as India seeks food security for ~1.3 billion people
  - India seeks to become a self-reliant supplier of urea, triggering a revival of closed fertilizer plants and the conversion of naphtha-based plants to gas
- India's build-out of city gas distribution networks is expected to connect an incremental ~35 million homes to the national gas grid

Sources: Wood Mackenzie, BP Energy Outlook 2019 Edition.

Notes: (1) Based on BP Energy Outlook's estimate of India's total primary energy consumption and Prime Minister Narendra Modi's 15% target for natural gas' share of India's total primary energy consumption by 2030; 52.17 mmBtu per tonne of LNG.

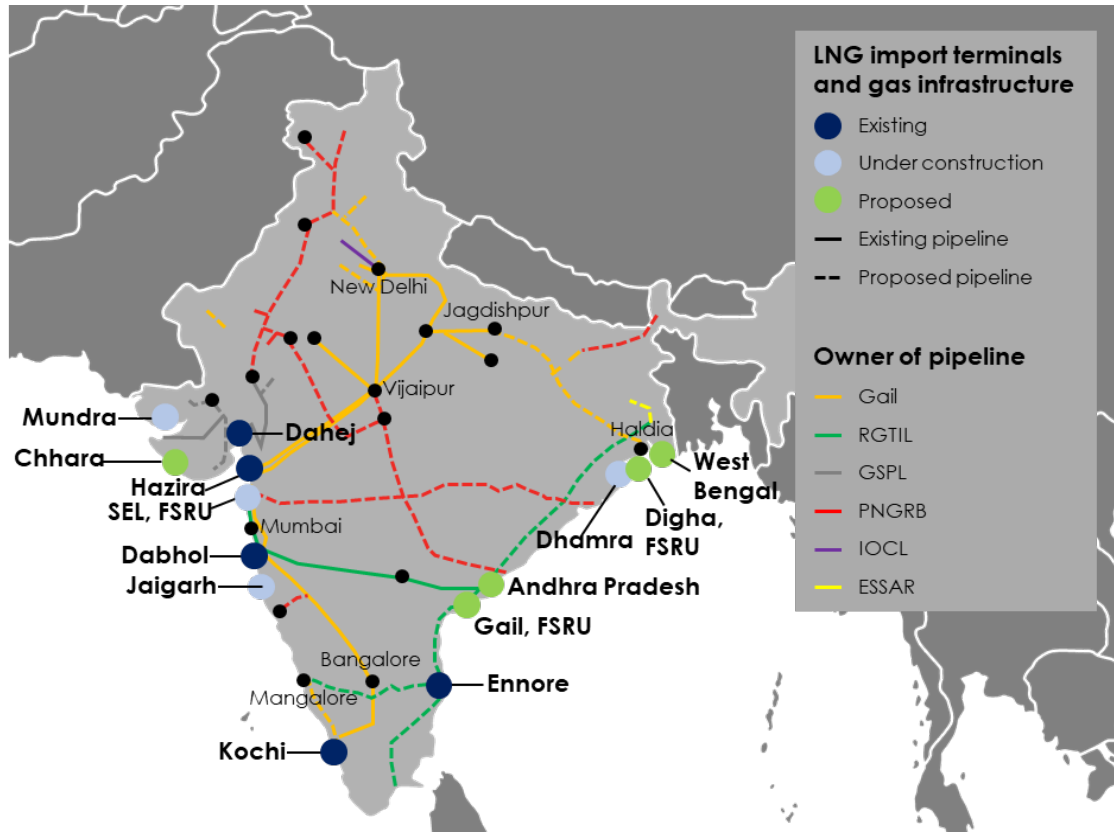
(2) Per India Oil Minister Dharmendra Pradhan.

# India is rapidly building out gas infrastructure

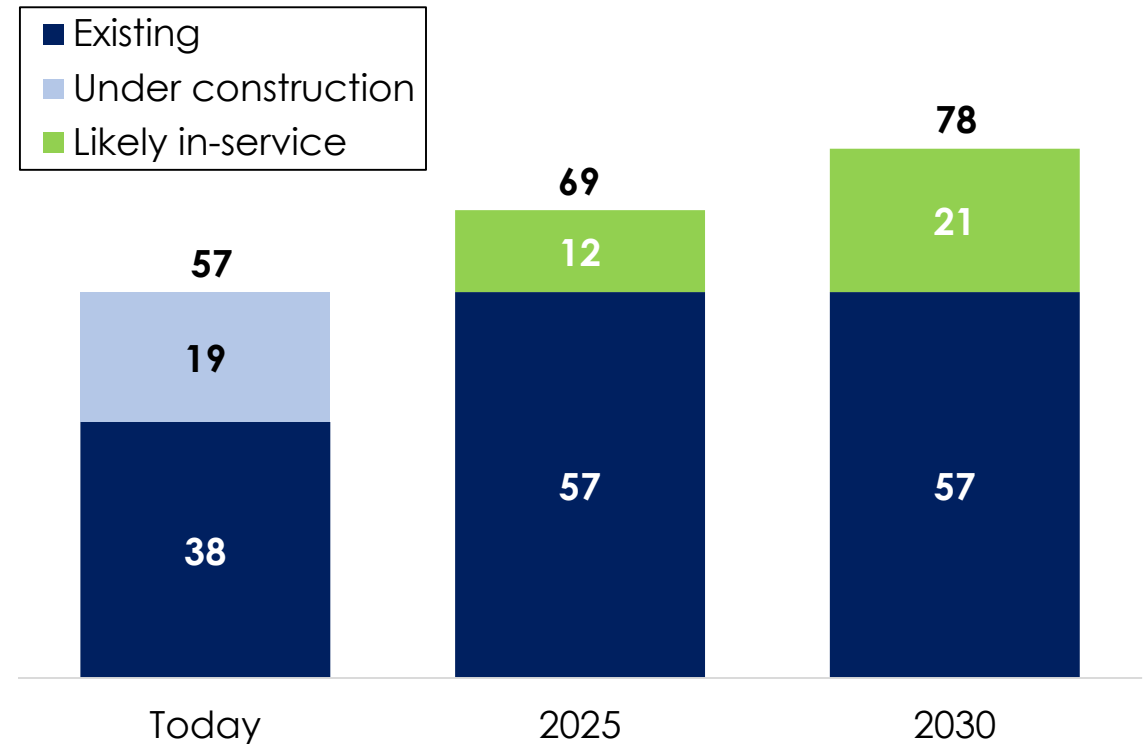
Sharp increase in LNG and gas-related infrastructure will tap into significant latent gas demand

## India's emerging regas & gas transport infrastructure

## India's regasification capacity buildout



mtpa



Sources: Wood Mackenzie, BP Energy Outlook 2019 Edition, Tellurian Research.

# New Asian markets grow ~41 mtpa by 2025

Emerging markets could add the equivalent of another South Korean market by 2025

- Bangladesh, Malaysia, Pakistan, Thailand:
  - > 32% gas market penetration, declining indigenous gas production and strong economic growth increase the call for imports
- Philippines, Taiwan, Vietnam, Indonesia:
  - < 17% gas market penetration with growing gas demand for power, especially as coal and nuclear lose favor

## LNG demand by region

mtpa

600

500

400

300

200

100



Sources: Wood Mackenzie, FGE.  
Note: New Asian markets include: Indonesia, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

# Environmental and social leadership

Driftwood LNG project expected to reduce lifecycle carbon emissions and support local communities



## Lifecycle emission reduction

- Provide an outlet for currently flared natural gas in the U.S.
- Replace coal and oil in emerging markets to reduce carbon emissions and improve air quality
- Facilitate growth of renewables by providing energy reliability



## Sustainable development

- Liquefaction facility to have near zero methane emissions
- Use the latest equipment, technology and monitoring systems to minimize emissions
- Conduct green completions in upstream operations



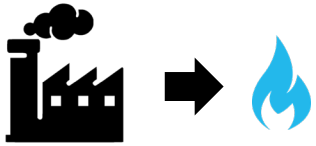
## Social engagement

- Extensive community outreach and support programs
- Create 350 permanent and 6,400 construction jobs
- Fund climate change research at Columbia University

# LNG's role in the energy transition

Today: Reduce carbon intensity, improve air quality

Future: Net zero carbon emissions



Facilitates coal-to-gas switching

- Increasingly cost-competitive with coal
- Reduces carbon emissions by up to 50%
- Reduces SOx, NOx and particulate matter



Carbon capture, utilization and storage



Supports growth of renewables

- Grid reliability
- Seasonal storage
- High-temperature heat for industry
- Winter heating for buildings



Carbon offsets



Cleaner heavy transportation fuel

- Long-haul LNG trucking in areas without electrification
- LNG-powered vessels support IMO 2020 compliance