Cheniere Analyst Day
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PRESENTATION

Jack Fusco:

Good morning everyone, and thank you for your support of Cheniere. I also want to thank Randy and Megan for doing the heavy lifting for today's events.

Before we get started, I would like to start us off with a video that we introduced as the GasTech conference and for all of our employees on April 3.

The gist of the video is we're a real company, not a dream, not a site, not a greenfield developer wannabe. We actually produce a product, market it, ship it and deliver it to our customers around the world.

The program for today is meant to be interactive. The presenters will utilize a few slides and some prepared remarks to get you thinking, engaged, and ready to ask questions. We have structured the panels by relevant and related functions. In addition to the Cheniere presenters, we will have additional Cheniere professionals in the audience, at lunch, and at the game for you to get to know.

My goal for you today is threefold: first, to give all of you an understanding of how we see the LNG market developing; second, to explain how we are positioning Cheniere to succeed in the net market realities; and third, to get you familiar with the broader Cheniere team charged with execution of our strategy and initiatives.

Here is another view of the presenters today, in the blue boxes, and their respective roles in our organization. Sean, Tom, and Robert are also here today but didn't make Randy's cut for interesting investor topics.

I will ask each of the presenters to give a short bio – like your tenure at Cheniere, previous employment, and years in the industry – just prior to making your presentation. I think you will find them to be experienced, knowledgeable, and driven to succeed.

You will hear throughout today why I am so excited about Cheniere and why I believe we are just getting started. I will assert that brownfield LNG sites have a competitive advantage over greenfield. We will spend some quality time on this assertion and, more importantly, how we are positioning Cheniere to capitalize on our first mover advantages.

Second, we continue to deliver our trains on schedule and on budget. Three are operational, one is commissioning, and an additional three are under construction. We continue to get better, faster, and cheaper, especially with our handoff from construction to operations. A "hats off" goes to the Cheniere Engineering and Construction and Operations professionals for an industry-record turnover of three trains in 10 months.

LNG market fundamentals are heading in the right direction. Competitive prices, ample supply, and innovative floating regas terminals have created strong growth in demand. Our commercial panel will cover this point in detail, but for me, I believe the U.S. is flush with low-cost, high-quality natural gas; traditional LNG supply regions are facing natural gas depletions, delayed construction projects, and other issues that have tightened their supply forecast; and competitively-priced US LNG is driving demand from

existing and new market entrants as a displacement fuel away from oil, coal, and nuclear for power generation.

Lastly, as you will hear from Michael, Cheniere will have abundant distributable cash flow to reinvest or return to our shareholders. We will stay disciplined and true to our financial analysis and capital allocation methodology and we are well positioned to attractively invest in the LNG value chain.

I would be remiss if I didn't have a slide on CEI's stock price performance. Let's work from the bottom up. Henry Hub prices are as steady as a mountain goat and are forecast to stay that way for the foreseeable future. Even so, out stock price has been volatile compared to our SPA contracts with a fixed fee structure and the lack of volatility of Henry Hub. This volatility in our stock price is not easily explained, as the correlations between our stock price and the oil parity index or Henry Hub prompt month are not strong.

My expectation is that, as we continue to deliver above your expectations, we will earn your trust. We will continue to be investor-friendly with guidance, earnings calls, analyst days, and hopefully be more accessible and transparent in our business. And lastly, as we all get more clarity on our future growth, the true earnings power of the Cheniere enterprise will be recognized. In other words, we will be patient and let our actions speak for themselves.

2016, what a year. It was a busy and productive time. I am extremely pleased that our workforce trusted me and continued to focus on the task at hand, even with the musical chairs in the C suite. While there will continue to be tweaks and improvements in the organization, we have laid the foundation, a strong base to continue to build upon. Last year was filled with basics – organizational clarity, span of control, compensation plan design, and lastly, identifying the leadership team.

This year, we will work on developing a strong leadership team – with emphasis on team – our capital allocation and strategic initiative processes, succession planning, and employee development, to name a few. It will continue to be a busy time with a lot of basic blocking and tackling, but we are focused on creating the premiere global LNG company. I have high expectations for what Cheniere professionals can deliver.

Our Engineering and Construction, Pipeline and Operations panel has a lot to share with all of you today. One of my initial goals at Cheniere was to ensure that we can build, own, and operate our facilities safely, efficiently, and effectively. I have spent a good portion of my time on those tasks, and a primary reason that I did not want a Chief Operating Officer in the org structure is, instead, I was those executives responsible for those areas to report directly to me. I am very pleased with our results as we continue to build liquefaction trains and natural gas pipelines under budget and ahead of schedule. More importantly, we continue to learn and improve.

On the Operating front, while it is very early days, we are pleased with the trains' performance. We are getting more comfortable with managing our natural gas supplies, operating the trains, and managing our marine operations. In summary, the trains are performing well, the train production test is ongoing, we continue to identify opportunities to maximize the trains' output, and our focus is to achieve and sustain best in class operating performance for the life of the trains.

You all know what a great job our financial team has done to strengthen our balance sheet and improve our near-team liquidity. What you don't see is what I will call the not-so-fun part of the job. We have begun to implement zero-based budgeting, capital project management and controls, monthly reporting, and forecasting processes, to name a few.

On the commercial front, the results are just as impressive. We are the largest natural gas buyer and transporter in America, one of the largest LNG marketers, one of the largest LNG shippers, and we are just getting started. Our experienced and strategically located global origination team will offer more

flexibility, more optionality on our contract terms. These attributes will continue to differentiate Cheniere from other LNG providers.

The Commercial panel will cover this graph in much more detail; in addition, they will do a deeper dive into customer segmentation, spot and short-term markets, shipping optimization, long-term origination, and lastly natural gas supply. But, my takeaway is this. First, the time to FID new liquefaction trains is now. Whether the design is small, medium, or large scale, the construction period alone is three and a half to four years. We are working closely with Bechtel to improve the construction execution, and we are making some gains, but it is still a very large, complicated, workforce-intensive project.

Second, global utilities that rely on LNG for residential heading and/or power generation need a stable, reliable, affordable source of LNG for the long term. Third, Cheniere has the flexibility to provide contract optionality today, like near-term volumes with a future ramp up, shipping DES or FOB on the Gulf Coast, natural gas procurement and management, and contract duration flexibility since we don't need to underpin project financing.

The 2030 demand forecast equates to approximately 30 new large-scale LNG trains. At Cheniere, we just want our fair share of the market.

So you may recall, last May when I started at Cheniere, the rage was on Midscale. Early on, the Cheniere Strategy Team developed what I'll call a competitor threat analysis to rapidly get me up to speed on those entities that were under construction, permitting or early stage development. We analyzed multiple parameters, like site characteristics – so is it greenfield, is it industrial, or is it an existing regas terminal – access to utilities, existing natural gas pipeline availability and capacity, and marine facilities. Those are just a few of the parameters, but those parameters we analyzed with publicly available information and we compared it to Sabine Pass as a regas terminal and Corpus Christi as a greenfield site.

The highlights of what the analysis uncovered are actually listed on this slide. It says our existing sites, with the already significant investment in people, infrastructure and financing, hold a competitive advantage to the next generation of LNG production in the lower 48. This isn't only true for Corpus 3 and Sabine 6, but for future LNG production at both sites. Unfortunately, we identified a weakness. So that weakness was our physical site constraints, otherwise known as real estate. So even with a Midscale design, the footprint for an equivalent LNG production facility is almost identical to a large-scale train. We expect LNG demand to continue its robust growth. We also believe that success breeds competition. Our focus is to continue to be the most competitive source of US LNG. So to maintain that position, we had to correct that weakness. Therefore, to ensure that the Sabine Pass site stays a viable low-cost provider of LNG, beyond Train 6, we've procured the rights to lease an additional contiguous 500 acres of property just east of our existing facility, and that's what's represented on this map.

At Corpus Christi, we believe Train 3 will be the most competitive LNG train in the US, and we're working hard to finalize the commercialization of that train to begin construction when Bechtel is mobilized at the site. As you also know, we've begun the permitting process for Trains 4 and 5, and that process is ongoing at FERC. We had the opportunity recently to acquire the rights from our neighbor, Sherwin, of an additional 400 contiguous acres, plus an additional marine berth, which is shown on this photo. The acquisition gives us significant flexibility to deliver the next wave of LNG that the market will dictate. We now have the capability to deliver either mid-scale or large-scale LNG production at extremely competitive cost. We're not going to rest on our successes. We will not be satisfied as a 7-train company. We're going to continue to drive innovation and development within Cheniere.

Just a brief update on Midscale. Early indications from our partners at Siemens, KBR and Chart are good. We're getting comfortable with the design, with engineering, construction and operations, and the initial capital investment at the expanded Corpus site looks to be in line with our forecast for Train 3, so we don't think it'll supplant or replace Train 3's commercialization. I've asked the team for a full lifecycle cost analysis, to be completed by the Cheniere Operations and Management personnel, to ensure that we're

not missing anything, that it's an apples-to-apples comparison, and we hope to complete that analysis early this year. For now, we're entirely focused on marketing the 9 million tonnes of LNG that we already have fully permitted at both sites.

So in summary, Cheniere has the know-how. We now have the sites to aggressively compete for the next round of LNG demand. We've invested in significant infrastructure to ensure that we are a full-service, reliable provider of LNG to our customers. We continue to expand our global marketing reach through the sales of spot LNG cargoes around the world. This allows Cheniere to develop customer relationships and present creative products and services for future sales. Lastly, our reputation is everything. We will continue to focus on operational excellence and readiness preparedness for the next train turnover.

With that, I thank you once again. I'd like to now introduce Cheniere's Chief Financial Officer, Michael Wortley.

Michael Wortley:

Good morning everybody. It's a pleasure to be back up on this podium. It's been a couple years since we've done this, but good to see so many friends and long-time supporters of the Company, whether it's the bank market — lots of our project finance banks here — the bond market, the equity markets. It's good to see everybody.

I would just reiterate some of Jack's points before I jump in. I've never been more excited about the competitive position of the Company today. The infrastructure that we have on the ground, the human capital and intellectual capital that we have in our offices downtown, and the know-how and experience that's been created over this five- to seven-year process, I think it's going to be really tough to compete with, and then the financial wherewithal that we now have, we're far less dependent on third-party capital for future growth, and it just gives us a lot of flexibility. So, I wouldn't want to be competing with this Company in the Gulf Coast. Jack says Train 3 is the cheapest train in the US, I think it is, and certainly, it's the cheapest in the world. So, very excited about the situation we're in.

I want to point out a couple team members. Len Travis, my Chief Accounting Officer, is somewhere in here. If you have any esoteric accounting questions, Len is your guy. Lisa Cohen is our Treasurer, manages our very large and supportive bank group, along with Treasury operations and insurance, which is becoming a much more important part of the Company, so you guys should find her and talk to her about some of that, if you have any questions. Finally, Zach Davis, many of you guys know. He handles all of the non-bank corporate finance work and helps me with really outlining the financial strategy and balance sheet strategy of the Company, that we're going to talk about, as well as running our financial planning and our planning organization now.

Then, I'm supposed to introduce myself. I've been with Cheniere 13 years, have worked all over the place. I was the first employee of Corpus Christi Liquefaction, so I got that project off the ground, and then I'm in my fourth year as CFO of the Company.

In terms of Table of Contents, we're going to talk a little bit about where we've been. We've chopped a lot of wood over the past two years on a lot of things I want to talk to you about and tell you why we did some of the things we did. Talk about long-term balance sheet strategy, I think we really owe the market that. We have raised a lot of really temporary bank capital, putting it into the bond market, what's the long-term plan for all of that, so we'll go through that. Talk about our liquidity both today and what it looks like over the next five years, and what kind of distributable cash flow we're likely to have, and then talk about capital allocation with some of that free cash, and then we'll talk about the projections for both this year and on a run-rate basis, and then some strategic and competitive considerations.

All right, before we jump in, I just want to orient everybody. So, this is a simple org chart. We have CEI at the top, that's our parent company; we'll refer to it as CEI. It has an 83.5% interest in an entity called

CQH, the balance trading publicly. So, that's CQH. CQH owns about half the LP interest in CQP, and then CQP owns its three assets: the legacy regas business, it doesn't have any financing added; the pipeline, also no financing added; and then Sabine Pass Liquefaction, which has a lot of financing added. We own the CQP GP and IDRs outright: we, CEI. We have our marketing entity, and then we have entity that we call CCH, Corpus Christi Holdings. It's holdings because it holds the liquefaction plant and the pipeline. They had to be separate for FERC purposes. So, we have five SEC filers. It went down to four for a minute. When we paid off the SPLNG bonds, our accountants were rejoicing, but then we did a Corpus bond and just registered it, so we're back to five. We'll talk about structure simplification later, but this is the entity and some of the acronyms that we use going forward.

All right, so where have we been? As I think about the past few years, it's really been about adding some permanency to the balance sheet. I think February of last year, we peaked at about $16 billion of bank capital that was relatively short tenured relative to our 20-year contracts and what is a 40- or 50-year asset. So, we have been putting that away in the bond market and have done about $10 billion of bonds, so we'll talk a little bit more about that. But, along the way, we've achieved investment grade ratings at Sabine Pass Liquefaction. That's a big accomplishment for us. By doing the $10 billion of bonds, we now have no bank facility at SPL, so that's going to make the process of cash flowing out of that entity much smoother. We'll talk more about liquidity later, but we have lots and lots of liquidity at the Company today, throughout all of our entities, and I'll go through that in a minute. And then as Jack said, financial transparency, we started doing the calls, and then we're back here today to really take you through all the guts of the finances of the business.

So, that's the past two years. I think going forward, it's going to be more about generating cash flow and being good stewards of that cash flow, and thinking long and hard about how we allocate that money, so we'll talk about that opportunity in a minute, and maintaining a sustainable balance sheet as part of all of that, so we'll go through that. We talked about the corporate structure, I'll get into that a little bit more later, and then we'll continue to spread out our debt maturities. That process is done at SPL. We're sort of in the early days at Corpus, but in good shape.

So, just a couple of slides. We've gotten five ratings upgrades during a time that has been pretty awful for the energy space, but we've been the beneficiary of five upgrades. We're at investment grade with S&P and Fitch. We're one notch away with Moody's, and hope that they will get there soon. They've said publicly they're looking for more operational progress. I'm hopeful that Train 3 being delivered to us over the past couple of weeks might meet that hurdle, but we'll see. This progress is really a result of promises made and promises kept to the agencies. We've worn out a path to the rating agencies over the past three years: going to see them, taking our Gas Procurement guys, our Engineering, E&C guys, our Operations guys, our Marketing guys, and telling them what we're going to do. And we've delivered on a lot of that, so a lot of trust has been developed between ourselves and the agencies recently.

That performance, our good performance over the past few years, has really been recognized and rewarded in the credit markets. We don't control, obviously, base rates, they're going to go where they go, but we keep a close eye on our spreads. You can see from the summer of last year to our last deal, spreads have come in — at SPL, they've halved, really – from over 400 to now inside 200, and that makes a big difference for us, given the amount of debt we have. And we were able to put quite a bit of debt away in the first quarter at very attractive rates because of our success and delivering on our promises. Corpus has been the recipient of some of the tailwinds at Sabine: we're getting more credit at Corpus and tightening spreads, because people are looking at SPL and seeing that we've proven the concept there with those trains coming on line. So, more work to do at Corpus, but certainly heading in the right direction.

We've shown this slide a lot, I've already talked about it, but flattening out that maturity tower. We've talked about sleeping well at night, and very large maturity towers in the next few years are not something we're comfortable with. The bank market's a great place to build a project, to delay draw financing, it's very efficient, but it's very short tenored, so only construction plus two, so we have to quickly shift our

work to terming that out. So, you can see where we were and where we are now at Sabine, in very good shape, where we've resized all those towers to fit more inside the EBITDA generating power of that business. And then, as I said, Corpus is a couple years behind, but I'd say we're ahead of schedule there and have made good progress of late.

Then, finally, this shows our cumulative construction spend on the 7-train project. We are $19 billion spent into a $23 billion construction project, so 83% spent. I'm happy to report we still have 71% of our contingency balance remaining, not ready to give that up yet. You spend a lot of contingency in the early days of a project when you're finishing up the engineering, and then you spend contingency at the end of a project when you're starting it up. So we're through the early phase, we've got to get through the later phase, but so far so good. The other thing I'll say is on the first three trains we're, on average, six months ahead of the guaranteed date, really just unprecedented as you look across the LNG space over the past 10 years to even get a project on time – here we are six months ahead. Our E&C group and our construction partners, Bechtel, have just really done a great job. So, lots of work a head of us, but so far so good.

All right, now let's look forward and talk about how we think about the balance sheet over the next five to 10 years. Before I get into the actual strategy, I want to frame it with a couple of things.

I want to remind you that one key driver of our balance sheet strategy is our unprecedented portfolio of long-dated off-take. We have 13 or 14 20-year SPAs aggregating $4.3 billion of fixed fee revenue. Only one of those has started, so basically all of that remains in front of us. All of our off-takers have at least two investment grade credit ratings, so we have very, very certain long-dated contracted cash flows. As we look at leverage, you can't just look at debt to EBITDA, because the EBITDA is so long-dated, and these projects, because of the quality of our off-takers, can support more debt, and debt to EBITDA can look high at times. So what the agencies look at the project level is a debt service coverage ratio, which looks at EBITDA to debt service, which includes amortization, on an average basis over 20 years. So, that's a metric that, if you're going to look at our Company and our balance sheet, you're going to have to understand; we'll talk more about that.

The other thing I want to mention is liquefaction plants are long-dated, long-lived assets. We put some examples up here, but a 100 million tonnes globally that's in operations is over 20 years old, and then another almost 70 million tonnes is over 30 years old. So, these plants last a long, long time. Doug will be up later, but he is maintaining our assets for longevity. The point is we have — even beyond the 20-year SPA life, this plant will operate for a long, long time, so we have to think about some measure of going concern debt that the project can handle, aside from the amount of debt that we can cover under the existing contracts. That's a key point.

The last thing I'll say, before jumping into the balance sheet strategy, is a perfectly working LNG plant isn't very useful without a lot of gas behind it, and so that's the case we have here. The smaller graph there is from five years ago, where IHS was saying we have 900 Tcf of gas available in this country at a price below $4.00. Fast-forward to today, that number is now 1,400 Tcf; 50 years of reserves sitting behind our plant. So, we have a plant that's going to last a long time, we have competitive gas behind it, and we're finding more and more every year, so it shapes up for a very long-lived asset.

All right, so what does the balance sheet strategy look like? In its simplest form, we're going to utilize leverage capacity at the projects first, and we've already done that, and that is going to be based on a 1.4 at Corpus and a 1.5 at Sabine debt service coverage ratio. That's where we are today. Then we have leverage capacity above the projects. So above Sabine Pass, we have CQP, where we're going to target five times leverage, which is a pretty standard number across the MLP space. You'll find that comping reasonably to many of our peers. Then for Corpus, the same thing: CEI is its parent and it will be levered at five times. So, both of those corporate entities have debt capacity at five times leverage.

The projects—that 1.4 and 1.5 is an incurrence test, and all you bondholders know this, for us to incur more debt at the project, we have to show at the time we're raising that debt that all that debt and existing debt can be amortized to zero over the contract life, so just contracted cash flows at 1.4 and 1.5. We will eventually run into that constraint. As our contracts roll off and we get into their life, we'll run into that constraint, and at that time we'll utilize the debt capacity up top to migrate some of that debt up, up to 5 times, and then once that's been exhausted, we'll have to amortize. I'll lay all this out for you in a minute but the result of that balance sheet framework is that we don't really see ourselves allocating a lot of cash flow to debt repayment for seven to 10 years, and that's living within these 1.4 and 1.5 constraints, and the 5 times constraint, which we think is reasonable. The business will generate a lot of free cash flow over the next seven to 10 years, and really what we do with that is going to really drive ultimate debt amortization. To the extent we're reinvesting in the business with cash flow, that's delevering in and of itself and continues to push out ultimate debt amortization. So, that is the framework. I'm going to say all that again in a simpler org chart here.

We have two projects. They have lots of debt at them. Sabine Pass is investment grade because it's got a 1.5 incurrence test and we're above that today, and really to be investment grade, you need to be about 1.3 or above. So, Sabine is down there. Its parent is CQP, as I said, ultimately levering it at five times debt to EBITDA on a deconsolidated basis. So, take the projects away, they're going to amortize over their lives at 1.5; we'll lever at CQP at five times. The same thing for Corpus, its parent is CEI; it'll be levered at five times. Then we've explained the ratios that matter for each entity. The projects, because they're so long-lived and their contracts are 20 years, the agencies look at a debt service coverage ratio, which is contracted EBITDA divided by debt service, and that debt service includes principal and interest. So, you take the average of that ratio over 20 years, it needs to be above 1.4 or 1.5 where you need to start amortizing, and then we use the traditional debt to EBITDA up at the holding companies.

So, what's our credit rating policy? At the projects, we want to be investment grade and we want to stay investment grade, and there are a couple of reasons for that.

One, as Jack mentioned, and you'll hear from Corey later, the largest gas buyer in the country—you need to post a lot of LC capacity if you're not an investment grade buyer, basically, in this market. We were buying a lot of gas prior to the upgrades at Sabine. Our Credit and Gas procurement guys actually did a pretty good job. We got about 50% open lines, but the other 50, we were posting LCEs from Lisa's working capital facility. We don't want to really have to be relying on a lot of bank LCE capacity. We're investment grade, we're now buying our gas on 99% open lines—one company I need to deal with, but—so that's a good thing. We don't want to lose that investment grade rating. It also puts $20 billion of debt into the investment grade market, which will free up capacity in that market for us to use at the holding companies when they start issuing.

Then for the holdcos, we want to be a strong BB issuer. I think that at 5 times leverage we can achieve a high BB rating. We're not doing any commodity activity there, so it's less important for us to be investment grade. The amount of debt, the debt quantum that'll be at those holding companies will be small enough that we won't be a major high yield issuer. I mean, our concern a couple of years ago when the whole entity was high yield was the prospect of having $30 billion of debt in a high yield market and the bankers would come in and rank us. We were basically the biggest high yield issuer in the world amongst esteemed colleagues like Valeant, Sprint and Numericable. So, we don't want to be on that top-five list. By having the projects investment grade, we'll be a much smaller high yield issuer and won't run into capacity constraints. Then I'd say because the 5 times is on a deconsolidated basis, we don't want to fool ourselves because we're deconsolidating, so we're also going to have an enterprise-wide limit of 7 times leverage all-inclusive. That's a turn or two higher than some of our peers, but, again, we think it's reasonable, because our peers don't have the offtake quality and cash flow visibility that we're going to have over the next 20 years.

All right, this is what all that means. We're showing you what the impact of this strategy is.

For Sabine, the first column there, seven trains, if we just say we're not going to refinance any debt up top using leverage capacity, we're going to run into that 1.5 DSCR constraint in the early 2020s, which means we're going to have to start amortizing that debt. If we utilize the leverage capacity up at CQP, as I talked about, it pushes that early 2020's date out into the mid- to late 2020s, and that's when we run into the five times constraint at CQP, and so that'll allow us to move $3 or $4 billion of debt up to CQP. That'll leave about $10 billion at SPL and CQP will have a total amount of debt of $6 to $7 billion. So, in the mid- to late 2020s, Sabine will have to start working down the remaining debt balance, and that, again, assumes no more new business, which is not our plan here.

Then for Corpus, we run the same analysis and we run into the constraint. Also, it's at 1.4 in the early 2020s, so debt would have to start being paid down at that time. By utilizing CEI debt capacity, that number moves out into the mid-2020s. We have $2 to $2.5 billion of debt capacity up at CEI, assuming the 5 times constraint, leaving about $7 billion at Corpus, and have total debt at CEI of $2.5 to $3 billion. So, that is really what the model looks like, assuming no additional growth. I've run some numbers on Corpus Train 3, and I'll show you how that impacts it. It really makes a big difference if we start reinvesting cash flow and delevering that way. That's the way I want to delever, not by doing nothing and then just paying down all this debt. We're going to reinvest in growth.

Okay, moving on to liquidity summary, I wanted to show you where we are today. We run the business with lots of liquidity, and we talk a lot about three trains having come online, but we are right in the midst of a major, major construction project at Corpus and Sabine and cash flow is just starting to come on. So having a lot of access to liquidity is still important to us. I was looking at Ed's presentation. We're actually at peak demand manpower today at the two projects, and I figured that would have been rolling off a little bit, but we are right in the thick of things, so lots of liquidity is important. We have about $800 million of liquidity at the CQP entity. Across those entities, we have some working capital availability: $100 million at CQP, another $100 million at SPL. We have contingency remaining at Sabine Pass of north of $300 million and then we have a couple hundred million dollars of cash at CQP. So we have lots of liquidity there if we were to need it.

Then shifting over to CEI and looking at it separately, Corpus has $100 million of working capital capacity for general corporate purposes. We just put in, in the first quarter, a $750 million revolver, very excited to get that in. Of course, all of our peers have standby revolvers and we finally have one, too, so I'd like to thank all the banks that are in that deal, and in our other working capital facilities. The CEI revolver took a fair amount of structuring just getting where we are, and we really needed the support of our relationship banks, so thanks for that. That gives us a lot of standby liquidity at $750 million, and we have $300 million of Corpus contingency. There's also a separate contingency, that's not on this, that we call financing contingency. It's really just a way for me to hide money from Ed, but he's here, so he knows about it now. So, we really have about $500 million in contingency that didn't make this slide, and then we have cash on hand, of course: there's still about a billion dollars. So, lots of liquidity, $2 billion up at the parent company.

This is an important slide. This is really a cumulative five-year sources and uses of cash on a deconsolidated basis, so just cash that CEI receives. Not counting the money that's going to go to Blackstone and CQP public unitholders and CQH, this is what we're going to see. So, $6.5 billion of cash over the next five years, and we have the components there: we're going to get distributions from our IDR interest in the GP of $800 million; we have $900 million of cash; then we have our CMI cash flows, using some conservative margin assumptions of really pretty low margins over the next three years, and then reverting more to a $2.50 level, which we think is more mid-cycle; $1.2 billion of Corpus Christi distributions, and that project will come on line in 2020 and start distributing all of its free cash flow up to us, and that'll equate to $1.2 billion; management fees from a lot of the entities at CQP, which will equate to $600 million; and then we're getting dividends from our interest in CQH, our 83.5% interest, and tax sharing payments, equating to $2.3 billion. I wanted to spend just a minute on the tax-sharing payments to make sure everybody understands that.

When we took CQH public, we said we're going to—we still consolidate it for tax purposes, so CEI is one tax return, but CQH, we're going to put together a pretend return, as if you were filing by yourself and you're going to pay us the taxes you would have otherwise owed to the IRS. So, CQH has a large NOL. It will be exhausted sort of by the end of this decade, early next decade, and then it will be a theoretical taxpayer and be making tax-sharing payments up to CEI. The issue is, or I guess the good thing is CEI is not going to be a taxpayer for a much longer period, really into the end of the next decade, into the next decade. So for about a 10-year period, CQH is going to be making tax-sharing payments to us that we'll be able to use, because we won't be a taxpayer. So, for you who are running a model, make sure that that money doesn't leave the system.

$6.5 billion coming in. We're going to have corporate expenses, G&A, the revolver expenses and some debt up at CEI that we have pay interest on. Over a five-year period, that'll be about $1.3 billion of use, and then we still need to put in about a billion dollars of equity into Corpus. That was how we financed it Day 1, with some back-ended equity. That will go in really ratably over this year and next year, and we've just started making those payments.

The punch line is we have about $4 billion of available cash over the next five years. Now, granted, it's sort of in the back three-fifths. It's not going to be this next or next year, or really even '19, but towards the end of '19, we're going to be in a pretty good position and have a lot of cash at our disposal. $4 billion, the goal is to build Train 3 with some of that money, and we'll also be in a position to buy back stock and pay a dividend.

I guess the way I think about it is we have two trains permitted and ready to go, Train 3 at Corpus and Train 6 at Sabine, and if those are $550 a tonne trains—we're saying $500 to $600—if you take $550, that's about a $5 billion unlevered cost. If we finance that 50/50—$2.5 billion that has to go into the projects—it still leaves us with $1.5 billion of free cash flow. I think we're in a very enviable position, that we're going to have adequate internally generated cash flow to not only grow our business, but show our investors some current returns in the form of a dividend or a share buyback, but $4 billion is about $15 a share, using our share count, which the assumptions are in the back of the book, with about 273 million shares, and even if we 50/50 equity finance the next two trains, we still have $6 or $7 left. Very excited about that. I've been with the Company a long time and I've never been able to talk about something like this, so it's great progress.

As we think about capital allocation, we'll generate the $4 billion over the next five years. The first gate is maintaining our target leverage metrics. If we're not 1.5 or 1.4 at the projects and we're not 5 times at the parent companies, we've got to pay down the debt, and as I showed you earlier, we're going to go right through that box for the next seven to 10 years, because we're going to be able to maintain those ratios. We're going to be into the growth, which is Corpus Train 3, or other projects along the value chain. You'll hear about Midship and the success we've had there, and we have a lot of other downstream opportunities where we're trying to grow markets and maybe make some investments downstream, but anywhere along the value chain growth, those investments are going to have to compete with the returns inherent in our stock. We've said that a lot. Zach's got a team who does nothing but beat those numbers up, and so equity returns have got to be competitive, or we're better off buying back stock. As I said, I think there's still room for a dividend, recurring or otherwise, and we can always opportunistically pay down debt. I'm thinking about February of last year when our SPLNG bonds were trading at like 11% yield to maturity. If we'd had money, we probably would have picked some of those up. But, anyway, that's how we think about capital allocation.

Moving on to the projections, I just want to make sure everybody is on the same page here. When we file our financial statements, we're consolidating 100% of the interest of all of our subsidiaries, even though Blackstone is almost a 50% LP holder in CQP, and then there are some others that trade public. Fifteen percent of CQH is public, consolidating all of that. We have been showing you Adjusted EBITDA on a consolidated basis on the calls; we'll continue to do that. I think what we'll start doing is peeling back the

onion and showing you distributable cash flow: taking just what shows up at CEI, after everybody else has been paid, and show you that number, which we view as a deconsolidated number.

This is what 2017 looks like, we think, $1.4 to $1.7 billion of consolidated EBITDA, and the range there is driven by a lot of things: we are in the middle of a serious ramp up, so Doug's ultimate production will impact that number; to the extent Doug's making more liquid; how much the Marketing guys sell it for, and so we've tried to put a range here that we think we can achieve. When Train 4 comes on, it's going to ultimately affect this number a bit. There are a lot of moving parts this year, but we wanted to get in the habit of putting numbers out there and get in the habit of achieving them. So, $1.4 billion to $1.7 billion of consolidated Adjusted EBITDA. As I said, peel back the onion, so take out the minority interest that's going to the CQP guys, namely Blackstone and the public, and CQH, back out interest expense and some cash that we're retaining at the subsidiaries, and then back out the other interest expense at CQP and the CEI interest expense. We think this year we're at $500 to $700 million of distributable cash flow. We need to put about $500 million into Corpus this year, it would come out of that number – so this is before capital and new projects. $500 million to $700 million gets us to $2.10 to $2.80 of distributable cash flow per share.

CQP is likely to see some distribution increases later this year. We have $1.70 in here as the low end, but if we can get to $1.90, and that happens really in the third and fourth quarters, so we stay at the $0.425 for the first and second quarter, but move up in the third or fourth quarter, that's really about a $2.10 run rate number. Even though you'll only see $1.90 this year, we'd be at a $2.10 run rate. I think that's probably where we stay. I'll talk more about this in a minute. Remember, we need to reinvest about $2.5 billion down at the project to finish Train 5. That was also part of the original financing plan; we're retaining about 60% of the cash flow down there. So, we'll flatten out at $2.10 – I'll call it low-2s number – for a couple of years, it'll be flattish. It may not be exactly flat, but flattish, and then we'll move to the run rate number when Train 5 is done; I'll show you those numbers in a minute.

So the knock-on effect to CQH: it's going to get effectively the same dividend. It's not a taxpayer, and the amount of units it owns is almost the same as the amount of shares outstanding. The $0.90 to $1.10 is just the beneficiary of that back-ended distribution growth.

For those of you who don't know what's in CQH, it's got 135 million subordinated units which have not received a distribution for about a decade, I think, but that'll be the first bucket that fills up. Before we can start raising distributions, we've got to pay on all those subunits, we think that happens in the third quarter of this year, and there's room to grow for everybody, also. So, that's where CQH will end up, with $0.90 to $1.10 this year, but then next year, on a run rate basis, very similar to CQP, because it's not a taxpayer yet. It's working off its NOL. Then, we want to—yes, forward-year guidance. In November, probably, we'll talk to you about what we think 2018 looks like.

All right, run rate. The run rate is going to be really the first full year when all the SPAs are up and running. We don't know exactly when the date of first commercial delivery is going to be for Train 2 Corpus, but it'll be some time in the first half of 2020. That's really when we'll hit our run rate stride. Same format here, we think we're about $3.8 to $4.1 billion of Adjusted EBITDA, and that range is driven almost 100% by ultimately how much the plant produces. This range here, as we have footnoted, assumes, on average, for all seven trains 4.3 million tonnes to 4.6 million tonnes on the top end. Doug's got several slides in his deck and he'll talk to you about how we got to that. Then we pull back all the minority interest and interest and think we're at a distributable cash flow for Cheniere at $1.5 to $1.7 billion, and we have that on a per share basis at $5.40 to $6.30, it's about $5.90 at midpoint assuming 273 million shares. You can look in the back of the book. We have some debt that's going to convert and we have to make some assumptions about how that works, but you can make your own assumptions. We give you the information in the back of the book. CQP gets to about $3.00 to $3.20 on a run rate basis. I looked at our numbers that we came out with a couple years ago and we were a little bit higher than that, but the difference is really driven by our marketing assumption. I was assuming $3.00 for the unsold capacity a couple years ago, and today we're assuming $2.50, with an 80/20 split. CQP sees 80% of the $2.50, so

we're really going from $3.00 to $2.00. That's what's driving almost all of the distribution coming down a little bit. I think our margin assumptions are conservative, but we'll see. CQH we have on an after-tax basis, and we have our tax assumptions in the back of the book, but when we hit run rate, CQH's NOL should have come down to zero, it'll be a taxpayer, and so we're at kind of the $2.60 level for CQH.

Then we wanted to give some color on what we think Train 3 would do to the numbers. Don't ask me what our assumption was for contracting; we ran all kinds of assumptions, but we think we can deliver $400 to $600 million of EBITDA for Train 3. Then you back out interest. Here, we assume 60/40 financing, so we have some interest; we can deliver about $400 million of distributable cash flow or at the midpoint about $1.35, which is a 25% increase to our 7-train midpoint. I can't think of many companies that can grow their cash flow at 25% by just getting their next project done. So, we're very excited about that and all focused on getting that done. As I said earlier, if we build Corpus Christi Train 3 with 40% equity, which is what we assumed here, you can see what that does to our need to amortize; it pushes it out another four to five years, because we're growing EBITDA so much faster than we're growing debt by using so much of that cash flow. Corpus Train 3 does a lot of good things for us, and so that is the focus of the Company today.

Another thing I'll say is that Train 3 is about $2.5 billion. At $500 million of EBITDA, we're investing at a 5 times multiple, which is pretty attractive.

Just some housekeeping items on CQP and the distribution philosophy there. All the Class B units are likely to convert, almost certain to convert in Q3. An optional conversion could happen in Q2. Blackstone's pretty good at math; I think they're going to PIK through Q2, and then they have to convert with respect to the third quarter distribution. They'll have, I think – the numbers are in the back, but – a couple hundred million common units. CQH also is a Class B unitholder and they're going to convert into about 90 million Class B units, and they'll be getting cash distributions with respect to the third quarter. I mentioned the $2.5 billion. That's why CQP distribution will go up some at the end of this year and then stay flattish for a couple of years, because, as I mentioned, we financed from Day 1 with an assumption of $2.5 billion of early cash flow from Trains 1, 2 and 3 going back into the project to finish Trains 4 and 5. That's $2.5 billion, that's about 60% of the cash flow generated over that couple-year period. So, that's what's driving the distribution profile.

In terms of distribution philosophy, we expect to maintain a pretty tight coverage ratio on the contracted cash flows. On the Marketing piece, we're going to have to be a little bit more conservative, given the volatility that can be there, so we'll employ some kind of banking mechanism to help smooth some of that out, but get to run rate in 2020 – we'll talk more about the last bullet point in a minute, but we may have to retain some cash to fund Train 6 at Sabine.

Corporate structure: we've said a million times, it's our preference to simplify the structure. I'll just reiterate we're not going to do that at the expense of the LNG shareholder, LNG stock, and we're not trying to get bigger or consolidate the empire just for getting bigger sake. It's got to make sense for us, and of course, it's got to make sense for either CQH or CQP. We'll just see how that plays out. Obviously, we made a run at CQH; weren't able to get a deal done. I think the best course of action for us right now is to focus on getting our currency up. I think if we just keep executing, we'll have a stronger currency and we'll be able to go back and maybe make another run at CQH some day, but won't do so with something that doesn't make sense for the LNG shareholders. I can't say much about CQP. Obviously, Blackstone is converting into a very large stake, but from my perspective, I think about CQP as "is it a useful financing vehicle for us going forward?" Train 6 is going to cost $2.5 billion or so.

As Jack mentioned, these are not high-cycle projects. They're three-and-a-half, four-year construction projects, so it's hard to go out and issue a bunch of equity to finance the equity piece of this and maintain a high distribution payout because the negative carry just eats you alive. So, what we're left with is withholding cash flow, which maybe CQP holders are fine with, but because we're in the high splits, the GP ends up paying for most of the construction, so it comes out of Cheniere's pocket, and then we end

up getting most of the benefit when it comes on line. In the meantime, you have the LPs wondering where a lot of their distributions went for three or four years. To me, that's a better model employed at a C-corp. I understand a lot of MLPs are employing much more conservative coverage, so they can reinvest in the business, but we'll just have to see how that plays out. We can't say anything more about that; it's obviously a sensitive situation. I'm not going to speak on behalf of Blackstone, and we'll just see where we get.

New LNG investment considerations, a couple of things are different for us these days, and I've already hit on it: one is lots and lots of cash flow, and discretionary cash flow at that. That's just going to give us a lot more flexibility in how we finance these projects. I don't need a huge portfolio of 20-year off-takes that I go take to the big project finance banks and finance it that way. I don't really have to do that. I have flexibility to use cash flow; I have the flexibility to use debt up at the parent to handle some of this. So, that is just a huge advantage that we have.

I think the other advantage we have is our front office, our Marketing business, and to see really what they did when all these contracts were signed up, first of all, but also to have seen them in action over the past year and managing a huge shipping portfolio, moving cargoes at a very attractive price on very short notice, with relationships all over the world – it is just going to be a huge advantage to us. Our ability to sell FOB or DES, we can handle all that; we're really a full-service shop. We used to only sign contracts that had conditions precedent in them that said if we don't FID a new train, we don't have to service this contract; we don't have to do that anymore. We have lots of capacity in the Marketing book, we can go sell capacity and move that over out of the book at some point to underwrite new construction. So, we just have a lot of flexibility. We're well positioned to compete in this evolving market, and the contract tenure is getting a lot of press lately. They can bring a portfolio of five different contracts – a 5-year tenor, a 7-year tenor, 18-year tenure, whatever, and that'll work for us.

I wanted to just here, on the second half of the page, to talk about, given all of that, how are we going to look at new investments. This framework is not set in stone, but if we're not going to sell 75% of the train on a 20-year basis – you know, making an investment decision on that is not very difficult – but if we're in an evolving market, we're going to need a framework to think about making new investments. The first thing I would say is, I want to see, and I think the management team wants to see, enough contracts to really guarantee a positive unlevered return over the first 10 years of the project. It's got to be a little bit better than getting our money back. On top of that, we're perfectly comfortable, given our low-cost position – you have to have some courage when you're the low-cost guy in a global market – but perfectly comfortable assuming some conservative margins on both the unsold capacity in the first 10 years and then for the re-contracting piece, and if we can assume conservative margins for that volume and out-earn our cost of capital, I think we're comfortable making that investment. One caveat and that is the unsold piece can't ultimately ever make up more than 20% of our portfolio. We're not going to just keep doing this. At some point, we've got to take some of that unsold capacity and term it out, and by "term" I'm thinking three, five, seven years at least, migrate that out of the short-term book, so that we can then fill it back up with new contracted assets. So, I think we have to think about it a little differently going forward. We're not going to go out and just starting building LNG trains, but I think we have a little bit more flexibility going forward.

Finally, what are the key takeaways? Number one, I just think our execution to date leaves us positioned to grow at our two sites, and I just keep hammering that home. When I was at Anadarko early in my career, their saying was "big oil fields get bigger" and "the best place to find oil is where you already found it." I feel that way with our sites. Our real estate group and business development people have done an amazing job stitching together every parcel that surrounds us, both on the waterfront and upland, and that is really, really hard to replace. So, we're well positioned there.

I think we have a sustainable balance sheet strategy that's going to drive a lot of free cash flow over the next five to 10 years, which we're going to use intelligently.

The last thing is, as I said and I would just hammer home, I think we can have our cake and eat it, too. We can reinvest a lot of money; grow the business, while at the same time paying our shareholders, which they've waited a long time for. It's not going to happen in the next couple of years, but it's certainly on the horizon.

So with that, I'll invite Jack back up and we'll do a Q&A.

Jack Fusco:

We'll start right down here with our first question.

Faisel Khan:

Yes, thanks. Faisel Khan with Citigroup. Just going back to some of your commentary around new investments, and particularly Train 3 at Corpus Christi, you have a customer there already, so the question is – I'm just trying to understand some of your commentary. So you're saying that you would take sort of shorter-term contract durations if you had the right deal, you could move forward on that train in a sort of expedited fashion, but then I think you have a clause in that contract where if we don't start construction by a certain date, then it's hard to move forward. Can you talk a little bit about how you see that evolving?

Michael Wortley:

Yes, I mean, I think we need to get going on Train 3 per the EDP contract sometime next year – I think Anatol has a more specific date – maybe mid next year, but yes, at some point you can't service EDP's contract, so that's why we have a lot of efforts to get there on Train 3. Then yes, perfectly fine with shorter term contracts, but as I said, we've got to see an unlevered return in the first 10 years. So, if we have a bunch of two-year contracts and we can't show that, that's not enough to get the project underway.

Faisel Khan:

When you talk about getting your money back in a little bit better than 10 years, you're saying that that's on a consolidated basis for Train 3, right, including the contract you have plus other short-term contracts, as well?

Michael Wortley:

Absolutely. So, just looking at Train 3 in isolation, is it contracted enough to show us some return in the first 10 years. We'll take some risk on the unsold piece, given our competitive position in the market.

Faisel Khan:

Okay. Thanks.

Alex Trzesniewski:

Hi. Alex Trzesniewski, Granite Point Capital. Just on Slide 29—I've been talking to LNG people outside of the United States, particularly in Australia and this is about the abundant shale gas reserves makes price increases unlikely. There's still skepticism outside the United States about the accuracy of that, you might say. I mean for some reason, I don't—I'm trying to understand why people outside the US are so skeptical about the actual longevity of these reserves and whether they exist the way we think they exist.

Michael Wortley:

We have all of our Commercial guys, who spend all of their time in front of these customers, so it might be better to get their perspective, but I would say the US signed up 60 million tonnes of export capacity. We were half of it, and you had Sempra and a couple of other guys. So, I think we got over that skepticism for a lot of these folks.

Anatol always points out to me that when BG and some of these early guys signed up, gas prices were $4.50 or something like that, and now, of course LNG prices are down a bit but Henry Hub has halved. I'd really—I'd leave it to some of the Commercial guys to tell you what they're hearing in the market.

Jase Scott:

Jase Scott, Point72. I just had a question on the $6.5 billion of deconsolidated cash flow. The CMI cash flow here, it says that it assumes a current implied gross margin through 2019. I was just curious what that number that you're using there is.

Michael Wortley:

I don't know what the number is. Maybe Zach can tell me, but …

Jase Scott:

I assume it's less than $2.50.

Michael Wortley:

Very low. I mean we're taking the higher of the Asian price or the European price netted back to us and that's the margin we assume, and it's pretty narrow. It steps up, as I said, in 2020 and 2021 where we think the market is probably a little better.

Jase Scott:

Right. So the $800 million here does not include any of the contracts you've signed at CMI today.

Michael Wortley:

The legacy? Yes, that would be in that number.

Jase Scott:

That would be in that number.

Michael Wortley:

Yes. The in the books—we call that the in the book stuff that we signed in 2012. That would be in there. So yes, that's driving some of the early number.

Jase Scott:

Okay. Thank you.

Zach Davis:

That margin's sub-$1.50. If you could just look at the forward curves, you'll see it's $1.00 to $1.50.

Christine Cho:

Christine Cho, Barclays. I just wanted to go back to your slide from the beginning about the option for land adjacent to your existing properties on Sabine and Corpus. I think for Corpus it looks like it's coming with the opportunity to also have another marine berth, but I wasn't sure for Sabine. I would think that if you do double your capacity there your marine capacity wouldn't be enough, but just any plans there on what you're thinking?

Jack Fusco:

Yes, you're right, Christine. The land acquisition at Corpus already includes the third berth there, and at Sabine, we have real estate that we would have to construct the third berth.

Michael Wortley:

And congratulations on your numbers. I think you stole our model.

Male Speaker:

When you guys about $4 billion of kind of excess capital at CEI on Page 36, does that include any contingency? In other words, if you don't spend any of your contingency, how much more could we see added to that number?

Michael Wortley:

Yes, you're right. You're looking at that correctly. We assume we burn through all the contingency and it doesn't show up. So, as we said, $500 million at Corpus that we still have. If we didn't spend that, that would have ripple effects to the $1 billion of equity that we need to put in. We wouldn't have to put that in. So, you're looking at that correctly. I wouldn't assume we don't spend any of that contingency. But, you're right, if we don't, it washes up on our shores, so to speak.

Male Speaker:

Have you guys spent any contingency at Sabine Pass?

Michael Wortley:

Absolutely. I mean, look, contingency is there to be spent. I mean the engineers will tell you it's just you can never figure out every little thing on a project of this size and complexity, so we've absolutely spent contingency. We still have a whole lot left though.

Craig Shere:

Michael, in the guidance assumptions, what were you thinking in terms of capacity utilization of the trains?

Michael Wortley:

4.3 to 4.6, I mean they're running, yes.

Jack Fusco:

Craig, we're going to spend a lot of time on this in Doug's presentation. What I've learned about in the LNG world, which is completely different from the power world – in the power world, when you talk about

capacity or availability or production, there is standard nomenclature that's basically worldwide – in the LNG world, it is completely different. No one uses the same definitions for capacity or production, or anything for that matter, so what Doug is going to do for you today is go through the way we define it, which is the way I think you all should model it, which is different even in the US between ourselves and Freeport and Cameron and Cove Point. So, I would say the devil's in the details when it comes to that number, and I think that's one of the things we want to get across today.

Craig Shere:

Thanks, Jack. I just want to follow up on your comments about the Midscale design opportunity. I'm sorry, I'm a little confused. Could this potentially take the place of Corpus 4 and 5, or is it just for those expansion opportunities with the additional acreage that you've secured? If it does take the place of the 9 mtpa for two more Corpus traditional trains, does that mean you have to go back to FERC and start over again in terms of the application process?

Jack Fusco:

A lot of questions in the one question. Number one is does Midscale take the place of Corpus Trains 4 and 5? No, not necessarily, it doesn't have to. We have enough flexibility now at the site to where we could do Train 3, Trains 4 and 5 and Midscale at that site and as Christine pointed out, we have the third berth. So, what the contiguous land acquisition did for us is give us a ton of flexibility there, where before we would have been constrained and we would have had to make that decision.

On a permitting perspective, if we decided that the Midscale was going to be cheaper, be able to be financed easier, et cetera, and that's the way we wanted to pivot after we commercialized it, then we would go back to FERC and amend that permit; we wouldn't have to start over on that permit. If we decided we had enough demand to do 3, 4 and 5, and Midscale, then we would file a new permit, but as you know with this current administration, we believe that things will move a lot faster than they have in the past.

Ted Durbin:

Ted Durbin with Goldman Sachs. So, you give us EBITDA but previously in slides you've given us run rate cost estimates. I think it was like $270 million or so, maybe a year ago. Are those numbers still good for sort of the seven trains on a run rate basis? Has anything changed there on whether it's maintenance or other things now that you've got things up and running?

Michael Wortley:

Yeah, I mean there hasn't been much change really. As we were looking back two years ago, the marketing margin assumption changed but we were pretty spot-on, I think. We've cut some costs in areas, brought down the corporate G&A number a bit; maybe some other areas went up a little bit, but no, I would say no significant changes. I mean Doug's numbers haven't wiggled too much.

Ted Durbin:

Okay, great. Then just one other question on the capital allocation sort of framework you're coming at. How should we think about the dividend versus the buyback when we get out to, it sounds like 2019 or 2020 is the time when you'll make that decision? How do you weigh the difference between those two versus Corpus at a 5 times return is of course the first place you'd probably the money, but after that?

Jack Fusco:

Ted, I think what you've heard from us is our desire is to grow this business and we think it's more effective to grow at our existing sites, but if we can't we're not going to keep it. We won't keep your cash. So, we will figure out, Michael and the team will figure out when we have it what the best way, the most accretive way for all of you is to get your cash back, and that's what will make that determination.

Michael Wortley:

If we don't have any growth and the stock is at 500, we're going to just give you the money back.

Pavel Molchanov:

Thanks, guys. Pavel from Raymond James. When you think about your opportunity to expand capacity beyond the seven trains, you clearly have a range of options. Have you gotten any sense from the DOE, in particular the new governance at DOE, will there be any kind of single company limit for individual LNG asset owners that may ultimately cap what your ability to expand capacity is versus the other players that are in the queue looking for permits?

Jack Fusco:

I had the opportunity to go with Robert Fee – Robert is our interim Head of External Affairs – through DC. We actually stopped in and met with the former governor Rick Perry at the DOE. I've known Governor Perry for many, many years because as some of you know I've done a little bit of business here in Texas and here and around Houston over the past decade. I'm not getting that sense at all. I think you're going to see the administration be extremely aggressive on the permitting side. They all appreciate the fact that the markets aren't there but they don't want to be the bottleneck to exporting fossil fuels from America.

Jean Ann Salisbury:

Hello. Jean Ann Salisbury from Bernstein. Of the 60 mtpa or so gap that you guys show that you see in 2025 based on projects under construction, can you give us a sense of roughly how many announced projects or mtpa you think are truly competitively vying for that volume? As a follow-up, if we begin seeing a wave of competitor FIDs later this year, how would that affect the financial and sort of LNG strategy that you just laid out?

Jack Fusco:

Let me ask the Commercial Panel who are sitting there; are you all going to get into that? Andrew, are you going to cover that slide of the 60-mtpa gap? Yes? Okay.

Can we just wait for that?

Jean Ann Salisbury:

Yes, no problem.

Jack Fusco:

Until we go through. If it's not answered, will you ask it again?

Jean Ann Salisbury:

Of course.

Jack Fusco:

Then I promise we'll get an answer for that.

Mike Webber:

Thanks. Mike Webber, Wells Fargo. Just wanted to jump back to Corpus 3 and the 10-year return hurdle, if you will. If you're filling in the remainder with shorter-term contracts, that leaves a pretty wide array of residual value risks, right, where you could kind of push that wherever you want. I'm just curious how you think about measuring that residual value risk assumption if you are going to move forward with shorter-term contracts and leave some rollover risk towards the back of that 10-year return horizon, and what sort of benchmarks we should look at for how you're measuring that?

Jack Fusco:

On Corpus 3, the 10-year payback. Mike, there's already a long-term contract associated with Corpus 3. That's for 0.77 mtpa but …

Mike Webber:

Right. So if the remainder is filled in with something shorter, how do you measure that residual value risk you're kind of baking into that cash flow profile?

Zach Davis:

This is Zach. Michael mentioned that we'll try to get our return back with the contracted cash flow, but to meet our cost of capital we'll assume something very conservative, much closer to what we said we're assuming for the next couple of years to get to 4.5 million tonnes or so for 20 years. So if a contract is 10 years, we'll go back down to that bottom level for the next 10 years to get to our cost of capital over 20 years.

Mike Webber:

Okay, thanks.

Diego Kuschnir:

Hi. Diego Kuschnir from Tudor, Pickering, Holt. Jack, on your Page 11 where you show marketing tightening in 2020, that seems to be the general consensus; everything we see seems to be along those lines and you point out that FID decisions, you need to start to making them now. How come we're not seeing the markets on the buy side? If everyone agrees you need to make the decisions today, how come we're not seeing really any, any contracts whatsoever being announced at the moment?

Jack Fusco:

That's because nobody wants to be the first one out the gate. There's a lot of confusion in the marketplace right now on what the right fixed fee number is because there are quite a few developers going around town that were making promises that I think the market now realizes they can't keep from a cost basis. So I think as this number becomes more and more prevalent, and you saw it this past winter – you had a little bit of snow in Tokyo, you had a tsunami warning at Fukushima, and then you had a cold winter in China – and the LNG market, the natural gas market took off. That means that supply and demand is fairly tight. So, I think at least the longer-term customers, those customers that are real utilities that need natural gas for power generation or residential heating, are worried about it and we're starting to get a lot more activity, and that I think you're going to hear from the Commercial team on contracts and contract structures.

I'm hopeful that it will happen. Now remember, our view, I think the consensus in the industry – and Andrew Walker is going to come up here, he's our head of strategy – is somewhere between 2021 and 2023 where you start to really see the supply and demand get in balance. So, there's a little bit of leeway in those numbers but not much.

All right. Well, we are done with our Q&A portion.

Anatol Feygin:

Good morning everyone. I'm Anatol Feygin. I have the honor of being the Chief Commercial Officer for Cheniere. Unlike Michael, who did a tremendous job and did all the heavy lifting himself, I'm going to Tom Sawyer this piece and farm out key pieces to some of my esteemed colleagues here.

My objectives are many-fold but they really funnel down to one thing and that is driving shareholder value by delivering growth via Train 3. I am very fortunate to be leading a tremendous team. I will probably introduce them a handful of times throughout this presentation. You will hear from four of them directly; three of them are in the audience today. I will point them out and those who are presenting will introduce themselves. Those who are not, I will say a few words about. They will be joining us after these presentations and are absolutely critical to our success, so please reach out to them with any follow-up questions you may have.

It is a tremendous team and we are endowed with a wonderful set of assets, a wonderful competitive position. We are, first and foremost, believers in the resource that North America has access to. We are believers that brownfield is much more competitive and the hand that we're dealt makes our position enviable and our growth is effectively ours to lose. We will convince you today, I hope, that the team that is in front of you is eminently capable on delivering on this growth and capturing – I would even say – our unfair share of the growth that we see in the forward markets in LNG.

Again, our capabilities are world-class. I will touch on those and each of the presenters here will again impress upon you how world-class they truly are.

We will go through this in five parts. My brief introductory remarks on commercial strategy and initiatives. Then you'll hear from Andrew Walker, our VP of LNG Strategy and Communications, to set the stage on how we see the world of LNG evolving. He'll be followed by Corey Grindal, who runs our Gas Supply team, truly world-class. Can't throw out enough superlatives there. Followed by Eric Bensaude, who makes the LNG business run on a day-to-day basis by delivering volumes against the contracts we have in place, as well as optimizing the position we have in the market and running our very large and growing shipping portfolio. Finally, Ramzi Mroueh, who runs our Origination and is as responsible as anyone for the 30 million tonnes that we have in our books today.

I mentioned the names that are up here with me. There are three other colleagues that are in the audience that I'll point out as we go through this. This is a structure that we put in place in the third quarter of last year, once Jack had enough time to figure out how to guide us on best matching our corporate structure with our overarching strategy of being an integrated and full-service provider. We talk about this a lot. We think that this is an absolutely key issue that the global market has yet to fully appreciate, and we're trying our hardest to help them appreciate that. What we do here with these seven functions that I'm privileged to work with every day, is ensure that the molecule gets from the producers to the global end consumers. We handle the molecules upstream of the plant, turn them over to Doug, he refrigerates them for us, we pick them up in liquid form at the dock and move them to those optimal global markets.

Again, Corey Grindal is responsible for Gas Supply. Oliver Tuckerman is responsible for a group that we call Commercial Structuring and Corporate Development. He's the guy that makes sure we don't leave

money on the table and price things correctly and point the ship in the right direction from a global standpoint.

Michael Manteris is here in the middle. He runs our Business Development group. This is the group that decides where we should allocate capital to help us in optimizing and enabling this LNG value chain. Michael and Chad Zamarin, whom you'll hear from on the Pipeline side, are as instrumental as anyone inside our organization for putting this Midship Pipeline project together. Again, Andrew will be speaking in a few minutes and will kick off our LNG strategy and communication and our global view. He will be followed by Eric, who will talk about what we do on day-to-day basis, how we prove ourselves to our customers and how we make the most money possible for the enterprise. Then Ramzi will touch on our commercial origination strategy, how we go to market, and how we look to capture and position ourselves in this rapidly evolving LNG market.

Last but not least, Drew Lynch, the glue that keeps this whole organization together by enabling us to do what we do every day, providing all of the critical support to these functions and making sure that we run the ship as smoothly as possible in mid and back office.

Again, our three key objectives that funnel down to really growth via T3: number one, serve our customers; number two, maximize the value of our assets, and number three, never lose sight that we are here to underwrite incremental liquefaction capacity attractively.

We are the market leader along this value chain as it relates to the North American LNG players and we aspire to be the market leader globally. We appreciate we're not there yet and there are some other global players that have that moniker but we're gunning for them.

To put this into a little bit of perspective for you guys, the team that Corey has put in place over the last few years, today with just the three trains operational is the single largest, physical gas consumer in North America. We have already surpassed everybody else. There are traders that move more volume but in terms of end user, we are the largest today with the three trains, and as Jack often points out, Calpine is up there too. The giant difference is that Calpine was doing this to a portfolio of facilities all over the country and Corey's responsibility is to move all those Bcf a day into one node and, obviously, when Corpus starts up, into two nodes. So with a 7-train portfolio that we have under construction, he will be at any given point between two and three times larger than the next largest physical gas end-user.

To do this, we're very fortunate that we had an early start, that we defined our business model as we did with this full-service integrated approach and are responsible for procuring the molecules, unlike the tolling business model. We got out in front of this very early and in size, and today are the largest shippers and hold capacity for 20 years on some of the key infrastructure along the Gulf Coast, as well as upstream of the facilities. We think that that is a structural, durable moat that will make it very challenging for the next generation of market participants to do anything as attractively as Cheniere can.

In terms of Commercial Operations and Asset Optimization, it is really a world-scale organization already today. Sabine Pass will put just about 200 cargoes on the water this year, and the plurality of those cargoes will go into the CMI portfolio between the SPA cargoes, the commissioning cargoes, and cargoes that we have that CMI receives before the 20-year contracts kick in.

In order to accomplish that, we have a very large shipping book. We have chartered over two dozen vessels to date, just past our first full year of operations. At any given time, we've had 10 vessels as a max on the water at once, so a very large organization that really takes advantage of lots of things that appear in the market. Jack mentioned the surprising strength, surprising vis a vis market forecasts of a year ago that we saw in the fourth quarter and the first quarter of this year. Between the operation that we run, our shipping capabilities, our market access, we're able to take full advantage of those opportunities, especially since Doug kept the plant up and running and did as well as we did through that period.

It would be impossible without having this function. Again, this is the function that enables us to deliver volumes today and perform on contracts with term volume delivered or FOB at any given time and allows us to have this early mover advantage in securing incremental volumes.

If we look at Cheniere Marketing, just off the seven trains on a standalone basis, it would be a Top 15 LGN market participant in its own right.

On the Origination front, a global footprint, Ramzi will go into more detail on that. I expect you guys will have a lot of questions on that as well. We have offices in five countries. We have a truly global staff. I'll touch on some of the contracting activity that we saw play out in 2016, and I'll say a number of things about it, but one of my points is that we didn't miss anything. We were involved in everything we wanted to be involved in and can give you chapter and verse on all of those deals and why they were not for us. As you well know, in 2016, none of them were for us.

We've said this often. It remains true, and we'll provide as much color as we can on this. We remain in very advanced engagement with multiple counterparties, literally all over the globe, and this is a team that – the team that's in place is the team largely that got us here and got us the almost 30 million tonnes of SPAs that underpin the 7-train program in front of you today.

Finally, on the Business Development side, again, I mentioned Mike. He doesn't have a speaking role today but he would love to tell you about all of the things that he's working on. This is a commitment that Cheniere is willing to make, along the LNG value chain, that enables us to grow the platform. The key success here upstream of the plant is the Midship Pipeline project that you'll hear more about today, and the project we have downstream in Chile is another one of those examples where we're willing to put in some early stage capital, modest amounts of equity, in order to enable this value chain and to grow the LNG market.

Just a quick snapshot of in many ways – one of you asked the question earlier on the skepticism about Henry Hub, and as Michael said, this was a massive experiment by these end users to commit to 20-year deals about a product that by and large was not very well understood in 2011 or 2012. The fact that off the back of those early commitments Cheniere is going to be a Top 5 global LNG player in terms of production is truly staggering, and again, this is just off the 7-train platform. SPL itself, once the five trains are up and running, will be the third largest LNG facility globally, and we'll move up to number 4 almost definitely because RasGas and Qatargas will merge in about a year.

So, we have a massive footprint. Again, we firmly believe that we're dealt a great hand upstream of the plant, and with our capabilities in executing brownfield expansions, and there's absolutely no reason why we are not the growth engine of North American LNG going forward.

We think the macro landscape – Andrew will give you some more detail about this – is actually pretty attractive. You've heard both China and India, coincidentally, talk about the same percentages, from 6% natural gas as their primary fuel in their energy mix, moving to 15%. China is more definitive given its plans. India said in the next few years, and whereas you guys can say that sounds very aggressive, two points. One is we've seen some very aggressive ramp ups in global demand, from a standing start to one of the top five markets in three countries in the Middle East alone in terms of growth, absolute growth last year: Jordan, Pakistan and Egypt.

The other point, on India in particular, is it is consuming about half the gas today that it did at its peak. So, like many countries around the world, the capacity to consume gas is there. It's just a question of price, relative attractiveness, and end-use demand growth.

But overall, we have a relatively positive outlook on global GDP, and we have a very positive outlook on the natural gas-fired power generation globally as a source of competitive, reliable power that enables a much cleaner environment and also is attractive relative to where we've been historically in other

hydrocarbon fuels. So, we continue to see great successes on that front and are participating globally in a number of projects that rhyme with the Octopus project down in Chile.

We are a full-service provider. You've heard a number of times. It's difficult to put this into context today because some of our esteemed competitors, especially along the US Gulf Coast, aren't up and running yet, but we think that this is an absolutely critical point of differentiation and something that will enable us to capture market share as we move forward.

We spoke about being one of the largest pipeline capacity holders at five Bcf a day and rising. We, on an annual basis, have over a $400 million firm commitment to pipeline capacity and storage. We manage – and Corey will speak to this much more eloquently – we manage massive swings on an intramonth and even on a daily basis, and that is something that's going to prove a very large challenge as the non-integrated resource has to access the tolling capacity at these liquefaction facilities. The team has handled it with great aplomb to date and we fully expect that it will continue to do so.

The liquefaction piece will be handled in much greater detail by Doug and Ed. You guys know we have three trains operating; a heroic achievement to bring them online within a year, and I just heard this morning Ed is gunning for four trains in 18 months, and we're cautiously optimistic on that. So far all ahead of schedule and better than budget, so a great achievement there.

That helps us build a reputation. Even though the first cargo left these shores only on February 24 of last year, the fact that we continue to perform, continue to deliver cargoes, continue to support our counterparties, continues to check the necessary boxes in order for us to get this critical term business done that will underpin liquefaction.

For part of the business model, our product offering ends at that point and we are more than happy with our 11 SPA customers to pick up FOB and serve them by allowing them to fuel up whenever their schedule asks for it. However, a very large amount of global customers, especially as this business evolves and gets more fragmented, need the additional services that Eric and his team can provide, of delivering ex ship or delivering at terminal, and that is something that differentiates us from the tolling projects that you see along the Gulf Coast. We're the only ones—obviously we're not only the only ones operating but we're also the only ones that currently offer this service. I mentioned over two dozen vessels that we have chartered to date and continue to work that portfolio to optimize these volumes and handle the LNG that Doug keeps delivering.

Finally, downstream of the plant, we are happy to support those end users and participate with them, help them develop these projects, and provide the technical expertise. I'm probably stealing some of Ed's thunder, but there is no other project that has 100 people on their E&C staff that can help counterparties develop the right solutions, put the assets in the right place, service them appropriately. We're willing to bring those resources to bear in order to deliver the LNG that'll again underpin our future growth.

The Marketing business is doing a fantastic job. It's, as you know, 14 months old in terms of delivering volumes but it was the initial stages of putting it in place date back almost five years. We market volumes on a short, medium or long-term basis. The plants have seasonality, they have some level of performance volatility, and it is critical for us to be able to take advantage of that and be able to handle those volumes and deliver them into the best available market. It's unfathomable to me what would have happened during commissioning or during start-up if we actually did not have the shipping portfolio that we did and were not able to use those assets effectively and commission the trains on time and under budget.

We have some firm volumes in the portfolio. We are still in the process of figuring out how much, given some of the early testing that Doug is going through. I'm sure he'll speak more to this but this'll be the first summer that we are running multiple trains at Sabine. We need to check those boxes, but once we have confidence in how much firm volume in that Cheniere Marketing portfolio, we will be using that to leverage

our footprint and to be able to capture more term offtake by delivering those early volumes and legging into future term opportunities.

One thing, that actually at times is an explicit ask that Cheniere Marketing provides, is this ability to deliver those early cargoes and to help us build those relationships by delivering volumes. We have to date delivered to just over half of the LNG-importing countries, and that is a critical box to check as we deliver the Cheniere volumes and perform vis a vis customers to whom not only Cheniere, but also the US business model and Henry Hub gas, is a new trick. Absolutely critical to have that in our portfolio and be able to do that in order to capture future term business.

I promised to touch on this a little bit. This is what happened in 2016, these are all of the SPAs executed in 2016. There are a couple of messages in here. We can go through each one of them in chapter and verse after, but I wanted to make a couple of points. One is that only three contracts were signed against new facilities, and I would put to you that even though the SPAs were executed in 2016, a couple of these were in the works for a very long time. There was nothing in this portfolio that we would have wanted to win on the terms that were ultimately awarded. So, it's not that we missed anything; they did not fit our profile for a host of reasons, either they were Brent-indexed deals or it was a pricing issue, and a lot of these were option deals where Cheniere was ahead of the curve and put that position on before 2016.

The other piece I would point out, just to Michael's point on capital structure and how we think about the trains going forward, the fact that three-quarters of these were done from existing facilities—now, some of those were again those type of option transactions that aren't all that meaningful—but there were a fair amount of term extensions. So, to the extent that you think that these facilities are merchant after 20 years, we don't think that that's the case. I think it's fair to say that they're unlikely to have 20-year extensions on the back of those 20-year SPAs, but we do fully expect to extend terms on our facilities and the market has done that.

Finally, just a quick snapshot: JERA is still the largest LNG buyer in the world. This is how they think about their portfolio and their portfolio migration. Something that was very long-term oriented is going to something that is more similar to how we think about the power business, with base load, mid-merit and load following volumes. Again, our capabilities and our business model in North America are uniquely positioned to service those demands.

As I wrap up, just some key takeaways. We firmly, of course, believe that we are positioned with a great hand and we will be able to leverage this portfolio: the financing flexibility, the low-cost resource, and being as competitive as anybody globally in building liquefaction. We are endowed with this very large and attractive pool of upstream volumes. We fully expect an attractive natural gas market globally. We expect that with moderate pricing in the mid to high single digit range, the market will continue to grow, and we do think that LNG will grow disproportionally to the gas market as the flexibility and reliability, especially of these incremental projects, proves itself out.

Number two, we are a premier LNG provider with a proven track record. We have really – the team has really exceeded all expectations, both internally as well as vis a vis our clients in terms of delivering volumes and delivering on the promises we made in 2010 and 2011 when this heretical idea first started to come up. We think that the full-service business model, integrating gas supply, and being able to offer delivered volumes is absolutely critical to manage the bumps in the night, the surprises. The world has yet to see what happens when gas quality issues affect your liquefaction process, and the world has yet to see that because the teams have done such a fantastic job of managing through those issues.

We have global reach, we have the right team in place to capture these growing markets, we have an attractive cost structure and portfolio of volumes available today, and we will continue to leverage our reputation of reliability and execution. This world-class team will continue to execute and deliver growth and shareholder value.

With that, let me turn it over to Andrew Walker to start walking you through how, or why. Thanks, Andrew.

Andrew Walker:

Okay. Thank you, Anatol. How and why. Firstly, I think Jack asked us to just give you a little color about ourselves, so I'll say a few words about myself. Andrew Walker, VP for LNG Strategy and external communications in terms of conferences, where we speak, who we speak to. I've been at Cheniere about a year and a half now. Before that, I was with BG Group for 20 years, working in the LNG industry for pretty much all of that time, so I've seen this industry change and evolve. At BG, we did three very interesting things. We developed the concept of flexible LNG cargoes. We developed the model of portfolio LNG. We had a 12 million tonne portfolio when I was there, growing to 20, and we signed the first deal with Cheniere to offtake volumes from Train 1, which has now migrated to Shell with BG being taken over by Shell.

I spent a decade in the BG offices here on Main, Westheimer before that, so I'm very excited to hear from Randy that the Astros are finally getting to the World Series this year. I came to this very stadium with my son in carry – he was a baby so in a carry pouch the last time they nearly got there, so it's been some time.

With that, we'll move on to how we see the fundamentals of this marketplace. As Jack said, we see a market in which the fundamentals will underpin new contracts, shortly and over the long term. This decade has been a fairly cyclical decade, as I'm sure you know. The industry was pretty flat in terms of volume development from 2010 through today, and then we're going to have a lot of capacity, of which Cheniere is a big piece, added over the final part of the decade. 264 million tonnes traded last year, we're going to reach around about 365 by 2020, and then the fundamentals of the market start opening up. Continued growth in the next decade and we see growth rates returning to something closer to a kind of a long-run average for this industry, 100 million tonnes of growth over the 2020 to 2030 decade, opening up with declines, depletions in some of the existing projects to get 130 million tonnes of supply-demand gap by 2030. As Jack said, that represents about 30 trains, which we'll have to sanction by 2025 at the latest to meet that gap.

The question was asked earlier, I think from Bernstein, who's ahead of you in the queue to fill that gap? Well, when I first came into the industry there was an orderly queue, almost. The projects were lined up, almost like a taxi rank. They were dispatched. There is no queue now. It's really down to who is the most competitive, who is the lowest cost, certainly in the current environment, or who is prepared of the big capital-intensive projects to take a pretty gutsy countercyclical investment in anticipation of that market turning and tightening post 2020.

To be honest, I don't see many people who are ahead of us in that queue. Most of the big projects are moving back. The big projects in Australia have now kind of reached a hiatus. Canada and East Africa are lined up, but if you follow the FID progress or the timetables of those, you'll see them moving back.

Who could sanction? I think Coral will place the sanction, a small floating project East Africa. Beyond that, it's anyone's guess, other than I know we are extremely well placed with our train in terms of cost competitiveness, in terms of ongoing discussions.

One slight qualification on this supply-demand gap, it's a net supply-net demand. There are of course unders and overs. There are people who need – whose contracts will end before 2020, so although that's the net supply-demand gap, there are on an individual company basis people who are looking for earlier gas than that.

As you can see, that's the case in the lower chart where we are showing the SPAs that will come off over that time in comparison to the same demand view. Those SPAs, although the buyers will have a choice as to whether they renew them, some of those buyers are deciding they want diversity, they want

flexibility of supply, so that additional 90 million tonnes of existing SPAs that will roll off represent contestable demand for us, demand beyond that 130 million tonnes of supply gap.

This, as has also been said, is a long-lead industry. It takes four years, potentially longer if you have issues in the build. Some of the various projects have taken six years to reach start-up from the point of sanction. So, as the market looks forward, it's trying to gauge – the customers are trying to gauge when they need their future volumes, when they should contract. The customers, as has been said, need to contract fairly soon to meet the supply-demand gap post-2020, but you can see that's a challenge for a lot of those big projects in the current environment, and FIDs, as you can see from the bars, have been falling from '14 to '15. Very little sanctioned in '16, so we see the market turning quite quickly if we don't see a lot of FIDs soon. We believe Cheniere, with its two permitted trains, is effectively one of the shortest time-to-market suppliers that could take advantage of that. Ideally placed to react to the market when the market decides it needs to start buying for that post-2020 gap.

We are also a cost competitive supplier. Again, part of the question was, who do you see ahead of you in the queue? You can see that our incremental capacity in the Gulf is extremely cost competitive compared to the other big kind of moving suppliers out there into the Asian market, which is key as we'll see in a moment when we look at where the majority of the demand is. Against the big new supply regions, Western Canada, East Africa, extension of Northwest Australia, we are cost competitive in terms of our cost of resource. Three dollars is actually cheap gas, relatively cheap gas in terms of international developments these days, having to develop mid or deep water gas elsewhere. It will certainly cost you more than $3.00, and the US is a cheap place to build liquefaction capacity; $500 to $800 per tonne is the experience so far in the US versus $1,000 to $2,500 per tonne per annum over the last five years or so in other places, some of the places shown. So we are cost competitive. We have a time-to-market advantage to capture the growing supply-demand gap post-2020.

However, we do acknowledge that the market realities are changing; Jack used the words market realities. The market fundamentals show a gap, but that gap is evolving. This is a market that's growing and changing. You can see Asia, still a key marketplace for LNG, but you can see the traditional markets – Japan, Korea, Taiwan – flattening, maturing, and the growth actually moving to new emerging markets. India and China have both been mentioned, you can see they are a key part of the growth in Asia. Other Asia, Southeast Asian markets, Singapore, Thailand, et cetera. The Middle East continuing to underpin growth.

In this period as well, we're going to see volumes coming back to Europe. Europe during the period of tightness in the first half of the decade has relinquished volumes. We're going to see volumes coming back into Europe as the balancing market, helping to meet declines in domestic production in Europe. Groningen Field, for example, in the North Sea is declining. Also helping to balance growing Russian flows into that marketplace and helping to incentivize a move away from solid fuels, which I guess is coal. Not much wood burned in Europe these days.

So, the marketplace diversifying, the marketplace evolving, means that when you think about marketing you need to think in a slightly different way, which Ramzi will take you through in his piece.

One of the things I would highlight that has changed the marketplace is the FSRU, the floating regas facilities. When we go back and look at the markets that have emerged over the past, just over a decade since 2002, 24 new markets started importing; 14 of those were enabled by FSRUs. The lower capital cost and the fast time-to-market, typically six to eight months. Well, six to eight months is the record. Typically, 12 months, but you can put these things in place very quickly. You can start to bring in gas quite quickly with a lower capital cost, and that really is a model that is meeting the requirements of many of the new emerging marketplaces.

Anatol mentioned three growth markets out of the top six in 2016 were Pakistan, Jordan, and Egypt. Those were all markets that were facilitated by FSRUs in place. So, already we're seeing part of the growth coming from places that are putting FSRUs in.

That's a very quick overview. I guess that there will be questions. So, despite the robust growth we're seeing near term, we do see the fundamentals underpinning new sales soon and into the future. If you're going to be successful in this marketplace, you're going to have to be increasingly cost competitive and offer products that the buyers want to buy, and that diversifying by a set of new things in order to be able to work in their marketplaces.

Asia is still key, and that's a focus for us, but the marketplace is diversifying. There are other options. We think the current supply abundance is going to be good for the marketplace. It's going to make LNG look attractive from a security of supply availability and an economics basis, and we think that will further kickstart some of those new markets that have been constrained by access to LNG over the past decade. And don't forget the mature markets, those contracts explorations are contestable demand for us. We will compete for some of those buyers. We know some of those buyers are interested in diversifying their supply, diversifying their pricing, and we believe we are well placed to meet some of the supply demand gap in terms of the market fundamentals.

I'm going to pass to—Corey, I think, is next up.

Corey Grindal:

Thank you. It's great to be up here once again. For those of you I haven't met, my name is Corey Grindal. I'm in charge of our Gas Supply and Trading. I was brought in to Cheniere about four years ago to build the organization and to build the business that I'm going to talk about today. If you've been here for some of our previous Analyst Days, I'm going to highlight some of the slides that I've shown over the last couple of years, to show how we have built upon the foundation that I told you guys years ago we would build on.

But, as part of my introduction, again, I've been here for about four years. I've been in the energy business for almost 25 years. I started off as a pipeline engineer, got into trading in the late 90s, started a couple of trading companies, and then was brought here to Cheniere.

One of the things that I love to do, because we have the reach with all of the producers and all of the infrastructure companies here within the United States, is to tell the Cheniere story and to show our competitive advantage, because I think what I'm going to talk about today may be underappreciated, about the advantage that we have with the business that we have built here at Cheniere and the model that we employ here at Cheniere.

So I hope that you will get some of my excitement. Feel free to ask questions, but I will say that when I look forward to not only my business, but also the Cheniere business, on a go-forward basis, what will distinguish LNG producers across the world are competitive costs. I think that what you're going to see when you put everything together today are the competitive costs that we have at Cheniere not only today, but into the future.

I showed this slide for the last couple of years, saying what our strategy was going to be about having to do what we have to do. Putting things in perspective, when you look at the US projected production by the EIA in 2020-ish, we should be producing somewhere between 78 and 80 Bcf a day. When I look at what we have to do in supplying the seven trains that are under construction – which I think by 2020 we'll be under construction for another two, making it nine – but just taking the seven that we have to buy gas for, it's over five Bcf a day. Well, for those of you who are pretty good at math, that means that my team and I have to procure about 7% or 8% of all the gas produced in the United States to meet our contractual commitments.

When you look at what I've showed what we're going to do over the last couple of years, I've put some tidbits in here how we've done it, because we have been operating for about a year-and-a-half. We've been making LNG for a little over 14 months, but we started supplying the first gas to the terminal in December of 2015. We've taken care of establishing all the counterparties that we need and the market liquidity with already buying 2.3 to 2.4 Bcf a day and bringing it to the terminal. We have what we need there.

We transacted with over 68 counterparties in 2016, and we still deal with those 68 and then some for 2017. We have all the capacity that we need to meet our contractual obligations to our customers, as well as be able to meet everything that the plant can produce. We've reached beyond just the pipes that touch the terminal, further up to where the gas is actually produced – and I'll show some maps later in my presentation – I showed some of this in the previous years and this is pretty public information, not only what we've shown, but also by the pipelines that we've contracted capacity from, because a lot of it is in service.

I talked about, a couple of years ago, how we would go and we would term up at least 50% of our supply. When you look at what we have to do and the flexibility that our customers have, we have to view some things like an option where we need to be able to get rid of gas if we don't need it. But we also need to go buy gas when we need it, and going and buying 0 to 100 in a day or a month, that's not smart business. So, we have some supply that we've bought for term that acts as a foundation to the loads that we have to meet every day.

Then again, my management style is you need to have the right people, the right processes and the right systems. Today we not only have it, but we have it in full because we are operating well, and I think you're going to see some of those results.

A lot of data suppliers will provide this graph. We have our own graph, but you can see the ramp up that we've had since the beginning of last year where we really were at near-zero, all the way up to a peak load of 2.44 Bcf one day last month. We served it off a couple of different pipelines that we've got color-coded here, but in 2016 for the commissioning, as well as the operation of the two trains that we had going in 2016, we delivered over 300 TBtu, or 300 Bcf, to the terminal with almost 100% percent scheduling efficiency. I require excellence from myself as well as my staff, and I have 99.9% on here because if anything is really 100%, there's probably something that I'm overlooking, so that's why it's 99.9%. But we've yet to cut a customer. Even with all the fluctuations that you can see in volumes to the terminal here, we haven't cut a single supplier. We haven't failed to fulfill any of the contractual obligations that we have with our customers upstream of the terminal.

If you'll recall, too, in our customer sales agreements, we charge 115% of the NYMEX settle for that month when we sell LNG to our customers; 10% of that is allocated to Doug, 5% of it is allocated to us to be able to buy the gas, move it from wherever it's produced, and get down to the terminal. Doug will talk a little bit about this in his presentation, but we have outperformed our cost target of 105% of Henry Hub for the last year-and-a-half.

This is what I think is underappreciated, and I'm going to give an example on the next slide. We have the assets in place to enable us to effectively manage day-to-day plant consumption. Anatol said it kind of changes month-to-month; I'm here to tell you it changes day-to-day, if not hour-to-hour. We have learned a lot over the last year. We've learned a lot about how these trains run, in conjunction with Doug and his team, which kudos to them for giving us some instruction about how it would work, but then actually having it work is something totally different. But we are set up to handle whatever the market can throw at us. I say here that we've experienced day-over-day volatility of 200,000 a day. I'm going to say that was probably right with one or two trains running, but now with three trains running and the variables that go into multiple trains, there are some days where it is well in excess of 200,000 a day that we either have to bring to the terminal or take away from the terminal because of what the temperature fluctuations are or what the machines are doing.

Relationships, relationships, relationships are crucial in the trading business, and we take that seriously. We have all the assets in place, but, specifically, we have all the relationships in place that we need with our customers, as well as the infrastructure partners that we have that help us manage a very dynamic volume requirement, because it changes day-to-day, if not hour-by-hour. Then in the press last year, we did a big deal with Pine Prairie where they are going to help us by re-piping some of their facility, which will set us up for our 5-train operations to manage anything that's thrown out at us.

I was asked to give an example of how we manage things on a day-by-day basis, so what I did is go back in January when we were commissioning Train 3. If you'll recall, commissioning is commissioning; Bechtel tells us what they think is going to happen and when we start commissioning, if something isn't right, you've got to shut things down and you've got to go fix it and you bring it right back up. So when you look here at January 11, we were running about 1.8 Bcf a day. We were told, okay, you better get ready because we're going to start commissioning Train 3, which we did on Friday January 13, where you can see that volumes went from 1.8 Bcf to a little over 2.3 Bcf a day. Well, what you may not understand is in the trading world, when you trade, you trade for the next day, so when we trade on Friday, we're trading for Saturday, Sunday, and Monday. So we have a forecast that's just that, a forecast, but actuality may be different than the forecast.

You can see that on Friday we jumped up. We got going. We were moving it. Things looked great. Come Saturday, we had to bring volumes down a little bit. The flexibility required is when we look at our forecast, we're bringing 2.3 Bcf a day to the terminal, but we may have to take some away. Or if we were told to bring 2 Bcf and we went to 3 Bcf, you can see the volatility here that we put up with of having to bring more or take some away. We're doing all this, again, a volatile pricing market, so – I'm really proud of our traders and I'm proud of the fundamentals that we do so that we can stay on top of what the market is doing.

I've talked about the infrastructure in the Sabine Pass. What really makes it unique is that we have four different pipelines that directly touch the terminal, so it provides a lot of flexibility for us about how we're going to operate, how we're going to source gas. This is really unique to Sabine Pass. Cameron's got two pipes. Corpus has got a whole bunch of pipes that come into it, but we've got a 23-mile header that's going to connect all those pipes to Corpus. But I just cannot emphasize the unique supply infrastructure that we have at Sabine. It gives us diversity of supply as well as redundancy. Because of our first-mover advantage, you could not replicate the infrastructure that we have right here, not only the connections, but really the cost and the flexibility that we negotiated up front to allow us to do what I just talked about in the previous slides.

What this infrastructure does, though, is it allows us to do exactly what I've been talking about: to be geographically diverse over the United States, because if we're going to have to supply so much gas, you don't want to be buying it all at one place from one or two different customers. We transacted last year at 36 different locations on 13 different pipelines. So when I talk about the terminal pipelines and being upstream of that, the math shows you that we have been working way upstream of the infrastructure that directly touches the terminal.

Then on a go-forward basis, when you look at our annual consumption, we've got about a 25% redundancy on the pipelines at the terminal, which has really been key. I'm not going to get into a bunch of specifics, but Anatol's talked about quality. We've had some pressure issues with some suppliers, different infrastructure suppliers, and having some of this redundancy has allowed us to continue to operate as if nothing had ever happened, and we have the flexibility to move the gas around to fill some of that redundant capacity, which is why we bought it, to do exactly what I just talked about.

Moving on to Corpus Christi, when you look at that same model that I've been talking about for the last couple of years, I've added another step here because we're responsible for our electricity procurement down at Corpus Christi. At Sabine, if you'll recall, we generate our own electricity, but at Corpus Christi,

we're going to be buying power off the grid for some of our process. We have put our electricity contract in place. We have everything else ready to go. We'll be commissioning the pipe later this year to get Corpus Christi up and ready to go. What we're actively working on now is some of those term supplies that I talked about, so that we've got a good foundation of gas supplies coming in to Corpus Christi.

I'm pretty proud of the infrastructure that we've put to Corpus and you can see some of this geographical diversity we've put in here. There's really nowhere east of the Rocky Mountains that we don't have touch to, to bring gas not only to Sabine but also down to Corpus. When you look at Freeport or some of the other Texas projects, this, again, is extremely unique where we have the touch across the country like we do, to come down to South Texas. We've contracted all that we need for Trains 1 and 2, and we're ready to contract Train 3 with some options that we've been working with when we do commercialize Train 3. As I said, we're ready to commission Corpus Christi pipeline later this year so that when Ed and his guys are ready to start commissioning Train 1, likely next year, we're going to be ready to go.

So, key takeaways, and again, I could talk about this forever, but just to summarize it, we have the people, the processes, and the systems able to manage everything that comes our way, all of the supply that we need, all the logistics that it takes to get there, and to manage the loads. What we've put in place is scalable, as you can see; we've done it for Sabine and we're ready for all five trains. We'll be ready for six and anything else that's going to come our way there, as well as for Corpus Christi by taking the same model and having it ready to go next year.

Managing of intramonth, if not an intraday price in gas supply, it's kind of become old hat now. This is the largest full-service requirements load, probably in the world. But we've got a fully staffed trade floor from front to mid to back office, and then working with Doug's guys, we have all that in place. Again, I just think that this is – our model is going to stand, I think, very successfully on a pedestal next year when some of the other facilities come on. Then when it comes to competitive pipeline, I don't think that there's anybody who can touch the infrastructure we've got from a cost perspective, as well as a breadth perspective. Like I said, it can handle all the commercialized liquefaction and support the future growth. I'll let Chad talk more about Midship, but some of our supply touch is what kind of spurred some of the Midship Pipeline development.

With that, I'm going to turn it over to Eric.

Eric Bensaude:

Difficult for the Frenchman to speak after the Texan, especially when Corey reminds me every day that Texas is bigger than France. I'm Eric Bensaude. I'm in charge of Commercial Operations and Asset Optimization. I grew up in oil trading, working for Total. Then prior to joining Cheniere, I set up the LNG trading at EDF, the French power utility. I joined Cheniere 3.5 years ago to set up the asset optimization function.

I'm going to talk about two groups. The Commercial Operations Group is in charge of delivering into the SPAs, the long-term contracts that we have signed, and this function is run from Houston by Tim Wyatt, who will surely be happy to answer your questions. He has a team of 10 people, and his priority is really to maintain a good relationship with the customers, to make sure that we can schedule the lifting of the cargoes in an appropriate way, but more importantly it's to set up the appropriate procedures for us to deliver, because this is a new thing that no one has ever done before, delivering LNG FOB from the US.

The other part of my team is in London, and this is the one that runs Asset Optimization. We're there to monetize the excess volume and take advantage of any opportunity that we see on the market that allows us to extract value through that position.

If we focus on the customer side, the foundation customer side, out of the more than 100 cargoes we've delivered so far, 50 went to the foundation customers; there are about 50 to 60 that now have been picked up by Cheniere.

We have three contracts that are live. The first one that became live is the one with Cheniere Marketing, the one that allows us to lift the excess from the plants. The second one that came live was the BG one in the pre-commercial form and became fully commercial in November 2016. The third contract that is live currently is the Gas Natural contract. That one has a pre-commercial phase where part of the volume is lifted from Train 2, and we have some flexibility in the way we can nominate those cargoes. That contract will become fully commercial in August of this year. There will be another additional BG contract for Train 2 that will become fully commercial then as well. In 2017, we're expecting our KOGAS contract to become live in June, so Train 3 has now reached substantial completion and very fast we will be starting our long-term contract.

On the shorter-term side, we face a more volatile market. As you can see on this graph, we've tried to represent the historical margins in Europe and in Asia. The way we do that is we take the actual price that was reached in those areas, we net back the freight, and we take off the 115% Henry Hub portion of gas supply. That gave us, in 2016, average revenue of about $1.00 from Europe and $1.60 from Asia. Year to date 2017, it's more like $1.00 in Europe and $1.90 from Asia. We experienced a little spike in the market in the last winter where the margins went up to $4.00 net back from Asia. The market was tight because of cold weather in the northern hemisphere, low stocks in Korea, and low hydro in Spain. We lifted 25 cargoes in 2016, CMI, and that was more toward the back end of the year when the margins were better.

On the shipping side, we are one of the top five LNG shippers now. We chartered more than 25 vessels ranging from a 138,000 cubic meters to 174,000 cubic meters. We have had a peak of 10 vessels on the water at any one time. We're expecting to have 12 to 15 towards the end of the year, because of the sheer volume that's going to come from Train 4. We are the second largest user of the Panama Canal and our ships have crossed the canal more than 50 times now.

The Asset Optimization Department in London is the one that charters the ships and tells the captains where to go. As you can see, we've told the captains to go in quite a varied number of destinations. Out of those 19 countries, Cheniere has delivered into 15 of them. This encompasses the destinations that were reached by our customers Shell and Gas Natural as well. There are about 36 countries where you can deliver LNG, so we're growing that.

We have 60 MSAs, which is our Master Sales Agreement, in place to trade with participants in the market. There are probably 100 of them that can be signed, so we're in the process of increasing our coverage in the market.

I'm going to run through a little optimization example just to show you how once we've put a trade in place, have sold some excess volume somewhere, we can enjoy the volatility of the market to extract more value. I have sanitized this example because it's actually a real example. We've experienced that, so you won't see names of customers or contracts or timing or volume or ships, anything. The only thing that bears a resemblance to reality is the magnitude of the profit that was extracted from this optimization exercise.

Back sometime in early winter, we sold a cargo in Asia at $7.00 and we could source the LNG at $3.25. The freight was costing $2.50. If you work out the math, then the revenue that we extracted at the time from that trade was $1.25, roughly $4.5 million of revenue for this cargo. Later in the winter, as you saw on the graph with the margins, the market spiked and prices in Asia went up to $10.00. We had a customer in America who was really desperate to get some volume and a ship that was crossing Panama heading towards Asia at that time, so we negotiated to cancel our delivery in Asia for a payment of $2.00 per MMBtu, and we sold in the Americas for the $10.00 of the Asian market. Of course, our freight was reduced because we didn't have to go as far as the Far East, reduced to $1.00.

If we work out all the economics, there was an uplift of $3.00 in the sales price and an uplift from reduction in freight of $1.50. That's $4.50, but we had to give and share some of that profit with our initial buyer, $2.00, and we were left with $2.50 per MMBtu on that share optimization, which equates to about $9 million for that cargo.

The key takeaways I want to highlight are we have the right people in the right place, we have the right system, the right processes, and we can scale up the business. We're committed to delivering on our long-term contracts, as well as on our short-term contracts. We're equipped to capturing exceeding value from optimization and we can enable the commissioning of the trains. As we do that with excellence, we can build our reputation to help us sell more long-term contracts, short-term contracts, and medium-term contracts, and build more trains.

On that note, I'm going to hand over to Ramzi, who's the one selling the LNG.

Ramzi Mroueh:

Hi everyone. My name is Ramzi Mroueh. I'm responsible for Origination at Cheniere. Just a bit of background about myself: I used to work at Shell in the LNG Group. In the end of 2007, I joined Cheniere, and back then, Cheniere wanted to become the premier regas company. You all know about the ups and downs, so I stayed with Cheniere and now I'm really enjoying the solid platform we have, and I'm very excited about our growth prospects.

You've heard from Jack, Anatol, Andrew; our view on the LNG market fits into two themes. First, long-term we're very bullish on the LNG market and that's mainly driven by our view on demand growth. Second, the LNG market is changing. Buyers are getting smaller, the tenors are getting shorter, and the market is fragmenting and becoming more liquid. As a result, we've reorganized our Origination function to be competitive in such a market.

Today we have five offices. We have Houston and Chile to cover the Americas. We have London to cover Europe, Middle East and Africa. We have Singapore that covers Asia. We also have a presence in Japan, because we also want to be close to the Japanese customers. The team we have in place also reflects the diversity of that market, so that will allow us to be closer to the customers, understand their requirements better, and be able to serve them.

This slide is a different take on the one that Andrew showed, and that's where we segment the growth in LNG demand in a different way. The main point here is over the next 10 to 15 years, we see LNG demand growth mainly driven by two segments. The first segment is what we call growth markets, and the second one is what we call supplemental markets. In terms of growth markets – that’s what Anatol talked about – it’s China and India. They currently use 5% to 6% natural gas; that's part of their primary energy use. They both openly stated they want to get it to 15%. Even if they only get it to 10%, you add that to the strong economic growth expected in both those countries and then you end up with an explosive LNG market. This has already started happening, so last year, for example, both those markets grew at more than 30% year-on-year.

The next takeaway that will drive demand growth over the next 10 to 15 years is what we call supplemental markets. Those include the likes of Pakistan, Indonesia, Thailand, and Egypt. Those are markets that already consume gas and need LNG to supplement that requirement. A typical country in that category would have strong GDP growth, a mature gas market and existing gas infrastructure. Typically, they've been relying on indigenous production to serve that market and then suddenly in the last few years, that indigenous production has either plateaued or, in some places, started declining. So those two lines of strong GDP growth and declining indigenous production create a large gap fast. All that's needed now is to create market access, and that can happen quickly as well, and then suddenly you can have the 1 to 2 Bcf a day market.

I just want to give you a flavor of what categories of customers we are pursuing. First ones are the portfolio players. As you all know, our first customer was BG in Sabine Pass, and they were one of the first portfolio players. We like to think of those as our buyers who are buying LNG for their own book in order to aggregate or re-trade that LNG to other markets. If you take the scenario where the LNG market is fragmenting, you can assume that that intermediation service might become more and more valuable, and those players might play a bigger role in the LNG market. As you would imagine, with sophisticated players like the portfolio players, when they want to buy LNG, they run a very competitive process with a lot of pressure on price and other value. However, the benefit of those players is, first, they can act countercyclically, and second, they can move fast and they can move in size.

The second category of buyers that we are targeting is end users. We gave you three examples of end users that we are working with. The first ones are the Asia traditional end users, so those are big utilities in Japan or Korea, and those were the foundation of the LNG market. Those are what made the LNG market what it is today. While we see limited growth, and actually probably a decline in both Japan and Korea, there's an opening in the market because of expiries from existing suppliers. So that's either suppliers like Indonesia, where the LNG plant is coming to the end of its life, or contracts from Qatar where these contracts lived through the 20 years and then they haven't started re-contracting yet. We at Cheniere want to be in a place to compete for that gap.

These traditional Asian buyers, they were used to underwriting projects. They used to go and buy LNG, and the SPA that they used was a financeable SPA, so it was typically 20 years, was take-or-pay, and it provided a good credit. Lots of the new buyers in Asia, for example, or more generally as well, they're not really interested in buying LNG to enable a project; they want to buy LNG to serve their needs. Very often, those buyers have challenging credits. They often require—they want to buy DES, and they very rarely want to buy 20 years. They also very often require help in managing their demand uncertainty, and that demand uncertainty can come from uncertainty in power dispatch, uncertainty in regulation, uncertainty in start dates. So that's where Cheniere, with our existing portfolio and our existing volumes of 4 to 5 million tonnes in Cheniere, we can provide solutions for those buyers and we can customize an offering for their specific needs.

One example here is most of those buyers need the LNG and they need the LNG to be firm, and it's very hard for them to live with a condition precedent on the side of the seller subject an FID of a new train, which is sometime in the next year or two or three. That's where Cheniere can use its existing portfolio to commit LNG to those buyers and enable them to seed their market.

The last category I'll talk about in the end users are the European utilities. As you all know, they played a very important role in both Sabine and Corpus Christi, and the driver there was renewal of the Atlantic Basin Supply portfolio. They were expecting declines, particularly Algeria and Nigeria, from 2020 onwards, and they wanted to renew their supply portfolio. Now, we think there's still a gap there, but we don't expect much activity until there's more clarity how much and to what extent Algeria, Nigeria, and the other players Atlantic Basin can and will commit.

The final category that we are pursuing is market developments. As you've seen, what we've done in Chile is we are willing to go downstream and try to develop markets, either develop market access or develop the market itself, the demand itself, such as a power plant. This takes substantial time, it's very time-consuming, and it takes a lot of effort. For example, to develop market access only it could be as low as one to two years, but to develop demand that could be as high as seven years. However, we're still very keen to be in that segment, first, because we think we can add value to that process; Cheniere's capabilities fit with that kind of development. Second, it keeps our funnel healthy when contracting is slow. It also gives us a position downstream where we can control our own demand. Finally, particularly when that market development relates to power, that can give us a 20-year SPA, which is something that we like for enabling new trains.

As a conclusion, we have organized ourselves in a way so we can be successful in the changing LNG market. Our existing business enables us to compete in all segments of the market. We can provide buyers whatever they are looking for, whether it's FOB, DES, short-term, mid-term, or long-term. Finally, we are very comfortable that the current softness on the market is only cyclical in nature and we're excited about the long-term prospects of LNG markets.

Anatol Feygin:

Thanks, team. Thanks everyone for your patience. Let me open it up to your questions and I will quickly defer them to the panel.

Craig Shere:

On the subject of diversifying contracting, you mentioned legacy buyers who are looking to diversify and obviously not have all 20-year of some short-term, medium-term. Are you hearing from legacy buyers and potential new market entrants as far as consumers and interests in also diversifying through fixed-price supplies, so it's not a la carte but all-in delivered pricing for a part of the portfolio?

Anatol Feygin:

Thanks. Just to summarize kind of what flavors are the legacy guys looking at, if it's not kind of your traditional 20-year deals in general. I think as Ramzi and others have pointed out, today there are multiple degrees of freedom. Term is a degree of freedom, pricing mechanisms. I mean, they are good at math and they understand that the only free lunch is diversification. That said—and you've seen a number of buyers and entities, like METI in Japan, that guide buying behavior, speak to a percentage, a target percentage of non-oil indexed contracts, so that is working its way through the system. But, again, from a perspective standpoint, this Henry Hub experiment, which resulted in 80 million tonnes of Henry Hub-indexed contracts in the market, is physically only 14 months old. So, now the world is trying to figure out how well does this work; is a $3.00 or $3.50 a kind of structural cap on Henry Hub price, and how much of that is optimal in their portfolio? Especially as they think through the flexibility and the optimization dimensions that the US contracts offer. All of them are working through it.

In terms of fixed price, I think that is a structure that tends to appeal more to your, as Ramzi said, power transaction where you have a PPA that's got a fixed price, perhaps some inflation adjustment escalator. But in that construct, a fixed price resonates more than in a portfolio where it's yet another unknown and a pricing mechanism that they have even less experience with.

Craig Shere:

Thanks. One quick one for Corey on the pipe inflows to SPL. You have gas storage proximate to the trains, right? It's not just the LNG storage on site, so you can flex that and what's coming in is not necessary analogous to what's being run through the system, is that correct?

Corey Grindal:

Yes and no. We don't have natural gas storage; we have LNG storage on site. The natural gas storage that we have is connected to some of the pipelines, if not some of the upstream pipelines that connect to the terminal. We don't have a natural gas storage facility really at site; it's more upstream of that. That's what you're asking, right? Do we have natural gas storage on site?

Craig Shere:

Well, not necessarily on site, but I was under the impression that you have enough in the pipeline to proximate that, when we look at what's coming in on a daily basis, that all of what comes in is not

necessarily going immediately into liquefaction and either stored as LNG or shipped, but that some of it that we see coming in on those four pipes can be stored. Is that wrong?

Corey Grindal:

It is true. Going into a weekend, there are some times where we will withdraw out of storage to handle any type of fluctuations that may occur on the weekend, so some of our gas does come from storage.

Craig Shere:

Can you speak to the size of that?

Corey Grindal:

Well, it just kind of—I'm going to say it depends. It depends on whether we're commissioning or not, because commissioning is more volatile than when the train is actually operating like Trains 1, 2, and 3 are, and it really kind of depends on the discussions that we have with Doug and his group at the terminal about what does the forecast look like? How are the trains running? How does temperature look? How does the weather look? Not only weather from the temperature, but also weather from storms. We work a lot with Chad and some of the other pipelines about what they're seeing and how things are running on their system. So we use our storage in a myriad of different ways, not only just to control the swings but we use it at times to also boost pressure.

It's kind of a hard question to answer from a programmatic standpoint about how we use it. It's truly day-to-day.

Anatol Feygin:

But, Craig, order of magnitude, it's not tens of Bcf, right? Those fluctuations, while critical to operating and supplying 99.9% plus efficiently, are not meaningful numbers. They work their way through the system in days, not weeks.

Yves Siegel:

Could you just frame for me the amount of contracts that are expiring and how that sort of fits into the notion of having to get a contract duration sufficient to support a new construction? Because it would seem to me that if there's a bunch of contracts that are expiring, then, as a customer, I don't have to sign up for a 20-year contract if I know that there's going to be space available. Thank you.

Anatol Feygin:

Good question. Thanks, Yves. A couple of sides to that. So, first of all, just to frame it in the kind of macro LNG market, the LNG market in 2000 was a 100 million tonne market. As a ballpark, 20 years down the road, that space opens up, right? You're absolutely right that projects don't go away. Michael talked about these things operating 40-plus years and we fully expect ours to operate that and then some. The challenge is that in some cases they don't have resource behind it, or the resource behind it is going to be dedicated to domestic use, and we're seeing that, for example, in Southeast Asia. Our best guess at what that addressable wedge is are the numbers that Andrew showed you that that's the delta between the growth and that incremental number of a little over 100 million tonnes by 2030. Some of that will be refilled by those facilities extending term, and again, in those 2016 deals that were done, some of those were deals that added on more term to those facilities that had capacity open up and still had resource. So, that's the actual really addressable wedge is, again, a subset of that roll off, driven by resource and domestic consumption growth.

Jeremy Tonet:

Thanks. Jeremy Tonet, JP Morgan. Thanks for all the color on all the operations. I was hoping you might be able to touch on Corpus Christi and basis risk there. It seems like there's a lot of moving pieces with exports, with Mexican demand, talk of Permian supply hitting there. Just wondering if you could provide your thoughts on where that works out and how you guys manage that risk.

Anatol Feygin:

Great question. Corey, can I pawn that off on you?

Corey Grindal:

Sure. When you look at some of the slides that I've included for you there, you can see that most of the gas that we're going to buy is outside of the state of Texas. When it comes to basis risk, because of the heavy Mexican pulls, because of some of the other facilities coming online or the industrial load along the Texas Gulf Coast, you can see that the infrastructure that we have secured allows us to go to areas where we can buy a NYMEX-related product instead of having to buy on a localized Texas index. Transport helps us alleviate some of our basis risk.

Anatol Feygin:

Can I just ask a follow-up question? You, Corey, spoke to the Midship project and kind of your early discussions with producers, in part what got us to the dance. To finish off Jeremy's question on the Permian, kind of how are you guys thinking about that?

Corey Grindal:

I showed the Permian as a receipt point on that slide about Corpus Christi. I feel very comfortable saying that we will be buying Permian molecules into Corpus Christi.

Jeremy Tonet:

Would you be able to leverage kind of your position in a similar fashion with Midship where you could participate in a pipeline build out there and kind of use your equity volumes to create value?

Anatol Feygin:

The short answer is yes in terms of leveraging our position. We look for the most cost-effective and the most attractive option and we weigh buying versus building. The vast majority of capacity that Corey holds is contracted, but we have two, soon to be three, key pipeline projects where building was more attractive than buying. But one way or another, we will leverage.

Jeremy Tonet:

Thanks.

Faisel Khan:

Faisel Khan with Citigroup. I'd be curious to get the panel's opinion just given the vast of experience you guys have between BG, Shell and Total. When do you guys think that customers will actually sign contracts versus when they need to sign contracts? Simply because do they wait when things get desperate and – because in the forecast you guys have, the market doesn't get tight until 2021, 2022, which tells me that, okay, maybe there's not a real contract or long-term contract that gets done until then.

So I'd be curious to get your guys' point of view as working at major oil companies, when your customers really do look to sign contracts.

Andrew Walker:

Okay. So I'll talk from a market fundamentals point of view, and then I'll hand it to Ramzi from an origination point of view. Again, the key point is, that was a net kind of supply-demand, so that's a theoretical when does the market need to buy if it were fully efficient and everyone got together worked out where all the suppliers allocate it when they need new supply. The market is far from efficient, so actually that's just an indicator of when people believe there's kind of clear water and they can see a supply-demand gap. I meant to say in my comments to Tudor Pickering Holt, 2023 actually is the kind of magic year that most people kind of believe they can see enough clear water that that is the magic year when new supply is needed. We are talking to a range of people – and I'll let Ramzi talk to this – who is talking earlier, who is talking later, and who is talking kind of on that day. When do they actually transact? I think some buyers are more forward-looking and kind of can see beyond the cycle at the moment. Others are sitting fat and happy and will come back in the bit more of a panic.

Ramzi Mroueh:

Yes. I agree, Andrew. I mean the range that we hear from, in LNG the people like we on the cycle, and actually, the difference between optimistic people and pessimistic people is only two years. So everybody agrees that the market will get tight in '20, or '21, or '22, or '23. Lots of times, we talk to buyers and they say, “Look, we share your view that we're going to need to buy LNG from '23,” but it's very hard to act counter cyclically. It's very hard for them to take to their Boards, “Here. I want to sign this 10, 15-year SPA that looks today to be out of the money.”

So, we keep pushing and the buyers understand that as well. I think we, as an industry, need to enable, be able to do the first thing I already mentioned, which is try to contract now to be able to build more trains and not wait, wait, and then reach a point where everybody rushes, and then you have LNG prices around $15 to $20 and that kills demand. So we don't know which scenario it will be.

Eric Bensaude:

I would add, building on your reference to our experience with BG, Shell and Total, that these companies – and if you look at BP, if you want to add them in the lot – BP has recently put the balance sheet in front of in the Coral project. Those companies will probably act countercyclically, but they will be looking for a bargain.

Andrew Walker:

There are deals to be done, I think, is the bottom line. Whether it's going to be next week or next month, we can't give you that definition.

Faisel Khan:

It's one of those two.

Male Speaker:

Can you guys talk a little bit about what you're seeing in the LNG tanker market in terms of day rates? How that compares to where things were last year around this time, and also on the marketing end, how much of your tanker capacity is on long-term contract versus spot rate?

Eric Bensaude:

That is a very depressed part of the value chain. The current rates are between $22,000 and $30,000 a day. We are chartering very cheap ships at the moment, including chartering that we can do on just one leg. We use the ship to deliver in the Middle East and then the Qataris use the ship to bring their LNG somewhere else, so we just pay for the one leg. It's never been as cheap as it is now, and it will probably continue for another year or two.

As far as our portfolio is concerned, we have three ships on long-term charter and all the rest is chartered on the short-term at market rates, which have, I don't think, exceeded much more than $40,000, which is what we paid last year. We tend to run a slightly short shipping position because of the ample supply that the shipping market has. Doug tends to produce more cargoes sometimes than we had forecasted, and we always find the shipping that we need, so we'll be continuing to do that probably for a year or two.

Then our shipping needs will reduce in 2018 because we're handing over the four trains, so we'll have less flexible volume until we start up the Corpus Christi, for which we will be looking to charter more ships.

Christine Cho:

I have two operational questions. First, when we look at the pipeline deliveries into Sabine, can you, as a percentage of what's going in, say tell us how much is fuel loss and then how much is the gas that you're using for power?

Corey Grindal:

Doug will address a lot of that during his presentation.

Christine Cho:

Okay. Then the second question is when we look at the pipeline contracts that you have, if I sort of back into what you're paying, it sounds like it's $0.20 per Mcf, give or take. Is that a good number to assume for your forward trains if you develop more? And you said 25% redundancy for Sabine. Should we think that that number comes down as you do more trains, and is that also the number for Corpus right now?

Corey Grindal:

All good questions. I think your $0.20 is high for what we currently have contracted. I think on a go-forward, it's going to depend on where we're buying our capacity. Likely down to Corpus Christi, to get all the way down to South Texas, it's probably going to be a little bit more than that, but the places at which we're buying the gas covers that differential because we are, like I said, taking it away from just a 5-, 10-, 15-mile pipeline.

The second question is does the redundancy go down as we bring on more trains? The answer is yes, it does.

Christine Cho:

What’s the right number?

Corey Grindal:

Well, it’s going to kind of depend. We’ve got some plans for Train 3, where our redundancy will probably be, I’m going to swag 5% to 10%. I think that when we get down to all five trains in operation for Sabine, with what we currently have contracted, I think on an annualized basis it’s going to be 5% to 10%.

Fotis Giannakoulis:

Fotis Giannakoulis from Morgan Stanley. Anatol, I want to ask you about you've talked about the cost of Corpus Christi 3 is going to be the lowest compared to Australia and other projects. How does this cost compare with other US projects? Is the $8.00 the total delivered price to Asia, and what is the differential with other projects?

The second part that I want to ask is, how flexible can you be in terms of pricing? Can we see, except the tolling fee, that fixed tolling fee, some combination of tolling fee and commodity price-linked exposure?

Anatol Feygin:

Thanks, Fotis. If you take a step back, to put Corpus Train 3 into context, Corpus was envisioned and really designed as a three-train facility. A lot of the advantage that we have with the brownfield Train 3 is because of the pre-spend on the greenfield Stage 1, or Trains 1 and 2.

First, we think the Gulf is the cheapest place to build liquefaction. We don't see any place in the world that can compete with the resources that can be brought to bear, the flexibility, the access, the available infrastructure. We think the Gulf of Mexico wins, and we don't think anybody can be as competitive as Corpus Train 3 brownfield expansion. We think we're in the driver's seat there. We think it's ours to lose, and we're very optimistic about getting Train 3 commercialized.

In terms of a dollar number, kind of combining a couple points, Eric spoke about where our shipping rates are today, and the long-term charters, you know as well as anybody where those are, given new build economics today.

Our math that Andrew showed you on that supply build-up of $7.50 to $8.50 delivered into Asia is based on an $80,000 per day rate. So clearly, combining all of those, we think that if you believe in a $3.00-ish Henry as your initial building block, that number is right in the center of the fairway.
Ramzi, do you want to talk about the flexibility of pricing, whether what can we offer, what we're discussing with customers?

Ramzi Mroueh:

Yes, so generally we're a Henry Hub seller. We've explored some fixed price alternatives, and as partly working with Corey's team or we bring, as a partner, an upstream producer, or we bring a bank. Actually, we didn't see very strong appetite for fixed price beyond the next two to three years.

We also see there's a lot of demand in northwest Europe. People are looking for European in the Index. That's very hard to replicate over more than three to four years, also, so if somebody can crack that, that would be interesting for many buyers.

Michael Webber:

Mike Webber, Wells Fargo. Just in terms of the development of the emerging market, the previous slide, you have a two to seven year development window, and the most recent growth in Jordan, Egypt, and even Pakistan has been more conventional FSRU business and in the kind of two to three year time horizon. But when you start moving beyond that on the risk curve and start going into Brazil and places in Southeast Asia, you're talking about long-term displacement of NGLs and floating power, and just much more difficult projects. So, within the context of what the opportunity set looks like if you were to replace gas in emerging markets, how much of that opportunity set is on the two to three year window versus the kind of seven to eight year, riskier window?

Ramzi Mroueh:

I mean, it depends on different markets. There are some markets like Pakistan where all you need to do is put the FSRU in place, and then they can take full capacity very quickly. That's because the gas market behind the FSRU is fully developed and the short is there. In addition to Pakistan, we think Bangladesh will operate the same way, Thailand to a certain extent, and Indonesia.

Now in the other markets, like you mentioned Brazil, where, over there we will participate in what they call A-5, A-6 and these power tenders, then it's a case of partnering up with a power player, working together to win an auction, and then the LNG should start flowing five years from the date we won the auction. That would give us time to put together financing with the power plant and with an FSRU.

Michael Webber:

Okay. I guess one more, and to follow-up on the freight question. LNG carrier rates are low, but the back half of last year, we saw them jump 150%, which coincided with more volumes coming out of the US Gulf. So, from $20K to $50K. I'm just curious, within that – it's more of a function of the global freight market reacting much less efficiently than anyone expected, with more merchant volumes. Has your approach towards your forward freight cover changed within the context of what happened in the back half of last year, and is there a point at which you worried about being caught short from a freight perspective?

Eric Bensaude:

I think this fact you're referring to last year was very much due to the cold winter in the Far East that had attracted volume quite far away, so the ton mileage was going up. We are seeing more ships coming onto the markets, simply because of the delivery of new projects. Ships are normally ordered way before and delivered way before, because the last thing you want when a train starts is to not have a ship. So, a lot of the buyers from the US already have ships that they put on the market, and that's why for the coming one or two years, they will be available to the market prior to those projects being commissioned. I don't see why the market will pick up.

In addition, we have some ship owners that have built ships on spec, which is something new that has occurred in the last four to five years. Those ships also need utilizing.

Anatol Feygin:

Just to add a little bit, some numbers to your questions. To date, almost a quarter of the volumes out of Sabine Pass have gone into FSRUs, delivered either by us or by offtakers. In terms of shipping length, the numbers, the day rates that you see that Eric was quoting, that's against a backdrop of volumes out of Sabine being up 1,000% year-on-year. Now granted, off a small number, but pretty meaningful growth out of the US, and also very meaningful continued growth out of Australia. So, we do watch that market obviously with a very close eye, and are always worried about it, but at the moment, we're not concerned for our needs over the next two to three years.

Thanks everyone. We'll be around for any follow-up questions.

Jack Fusco:

All right, everybody. We have saved the best for last: the engineers and operators in the company. On our panel this afternoon we've got Ed Lehotsky who runs our Engineering and Construction efforts for LNG trains, we've got Chad Zamarin who runs our Pipeline, Engineering, Construction and Operations, and we've got Doug Shanda who operates our sites, both at Sabine Pass and at Corpus Christi.

With that, I'm going to turn it over to Ed.

Edward Lehotsky:

Thank you, Jack. My name's Ed Lehotsky. I'm leading Engineering and Construction, and then I have a short presentation here I want to give to you. But after all the kudos I got from Jack and Anatol and Michael and the job we've done on building these plants, I figured I'd just drop the mic and walk out of the room.

A little bit more about myself. I've been with Cheniere for almost 14 years now, lived through and helped build the regas terminals in Sabine, also permitting and actually starting Corpus Christi liquefaction and other projects around. Before that, I was 25 years with KBR and worked on several projects. Train 3 at Sabine is the sixth LNG train I've seen all the way from the dirt up to the startup. That may sound impressive to you, but this is really impressive, this is the team that we've assembled to help us oversee the construction, oversee Bechtel building these plants.

Throughout this presentation, I want to touch a little bit about why I think we were successful so far in building and starting up these plants. I'm going to tell you a little bit about our secret sauce. I'm not going to tell you all of it, but just a bit. These guys are the base; this is the base of the sauce, this is the meat. Our team's got over 1,500 years of combined experience building petrochemical plants, LNG plants, and 750 years of that is in LNG, all over the world. My folks have worked on around 20 different sites, everywhere from Yemen to Qatar to Australia, to the United States now.

The other thing that's not shown on this slide but I'm going to keep mentioning is our partner Bechtel, who has been really instrumental, very good at building these plants, sometimes under pretty hard conditions, battling the weather, battling the mosquitoes, but still getting done on time and under budget.

This is a snapshot of the progress we've made so far. As Jack said, three LNG trains finished up 10 months apart from each other, has never been done before, and I challenge Bechtel and our team to get the fourth done in 18 months.

We think we're getting better each time we do it. Just to give you an example, a metric, when we finished Train 1 and Bechtel handed it over to us, it comes with a list of punch list items. These are things that have to be fixed after handover, but they're not bad enough to tell Bechtel to keep the plant. For Train 1, there were a couple thousand punch list items. For Train 3, there were 16.

So as we built and started these plants up, we of course have lessons learned, and we used them and we did things better each time, so I expect that we'll continue to do better with Train 4, Train 5, and then of course, Corpus 1 and 2.

To tell you a little bit about what we built, you can see in the blue, Train 1, 2 and 3, are operational. Understand when we built Train 1 especially, we had to do a lot of upgrades to the existing regas facility to turn it around, so that the LNG flowed in the other direction, towards the ship instead of away. But there was a lot of infrastructure there that was easy to convert. The LNG tanks were there, the berth and the mooring systems, the electrical power generation, most of that was there – it had to be upgraded and improved, but that was all done with Train 1. Train 2 and the rest are going to be built upon that foundation, and of course much faster and cheaper.

As I said, we've learned as we go along. Train 5, we think, is well ahead of schedule, even the accelerated schedule that Bechtel bases their work on. One of the challenges we have at Sabine is the soil. The natural soils are about the consistency of axle grease, and I'm not kidding about that. We have to mix cement, lime, fly ash into it, just so that you can walk on it. That took something like seven months on Train 1, but we were done three months earlier on Train 5. So again, lessons learned, and application of those lessons learned.

Moving on to Corpus Christi, we're doing very well on that. That job is about 59.1% complete with Train 1 and 2. I want to stop here and talk about another one of our secret sauces, or ingredients of our secret sauce, replication philosophy. All the trains that we have are based on a template design that was developed by Bechtel and ConocoPhillips, and we try to stick as much as we can to it, making changes only because of certain issues and codes and things like that.

There's one difference between Sabine and Corpus Christi, and that is that the gas turbines, the pollution control, the NOx control, are a little bit different at Corpus and Sabine. Sabine, we use injected water that's injected right into the gas turbine, which gives us lower NOx and other emissions. At Corpus Christi, we use a different technology called DLE, dry low emissions, which basically uses air to do that.

Now Sabine, using water actually gets more power, because as you inject that water into the flame, you get steam, you get a little bit more power – about 9% more power. At Corpus, we don't have the water available – actually, we chose not to do that because, up until a couple years ago, Corpus was in a severe drought, so we went to the dry technology. In order to not sacrifice that bit of production, what we decided to do was chill the inlet air to the gas turbines. Now, when you do that, the gas turbines think it's always winter, it's always 44 degrees out there. The turbines then run more efficiently and produce more power. So we're going to be getting about the same amount of power, and therefore about the same amount of LNG, out of Corpus Christi per train as we will at Sabine.

Corpus Christi, as you can see, is well underway. Just for your information, that's where the chillers are, big air conditioning units that then pump water to chill the inlet air; and then Trains 1 and 2. One thing we didn't build when we built what we call Stage 1, Train 1 and 2, is the third tank, the one in the middle. That'll be part of the Train 3 build.

This slide surprised me when we first put it together. I've been in the LNG industry for almost 40 years now, and always worked overseas, Australia and Malaysia, Indonesia, and I never realized just how much of this technology and this equipment is sourced out of the United States. Everything from the gas turbines to the control systems, a lot of that comes out of the United States. This is a great slide, when Robert Fee is, or Jack is, talking in Washington, how much investment we make in the United States with the equipment and materials. In addition to that, the amount of labor that we utilize to build these plants. Seventy-eight million construction man-hours for these seven trains, and about $7 billion in wages to the workers.

I want to make one quick correction to this. I just noticed when I was looking at it, the workforce peak is really going to be around 7,500, and the reason is that these charts were based on Bechtel's plan. Since they've been able to finish these trains ahead of schedule, even ahead of their accelerated schedule, the work has moved a little bit to the left and so the peak's going to be around 7,500 or so. That's another advantage that Bechtel has, it's a win-win, they get done earlier and we make more LNG quicker.

Again, the key takeaway, we've been very successful in building, commissioning, starting up, and now operating the first three trains safely, on time, and ahead of the contractual dates. We're going to continue to do that with the other trains under construction. We're going to continue to incorporate the lessons learned and get even better on turning these trains around. We're very proud of the investment we make in America, and the work that we give to other people, to the contractors and the rest of the people.

We think, because of the team that I have, because of the experience we're getting, because we have a great contractor in Bechtel, that we're positioned well to construct, Train 3 at Corpus, Train 6 at Sabine, and all the other trains that we have plenty of space for there on our job site.

That's all I got. Next, for Chad.

Chad Zamarin:

Thanks, Ed. I'm Chad Zamarin, responsible for our Pipeline organization. I've been with Cheniere for about three years. Prior to joining Cheniere, I was with what's now TransCanada; at the time, it was the Columbia Pipeline Group. I was responsible for a very large pipeline system, over 15,000 miles of pipe, moving gas all over the eastern, northeastern part of the United States. When we look at Cheniere, what we may lack in mileage compared to some of our peer groups, I think we more than make up for in terms of how critical this infrastructure is to our business, and just the size and scale of what it is that we do with our assets.

If you look at our mission, our mission is very focused. We are focused on making sure we can get reliable supply to our terminals every day, on time, as needed. We're also looking to extend the supply reach of our business so that we can have a very diverse supply base, we can access different basins across the United States and ensure that we, again, can source gas competitively from across the entire country.

Then we're also looking to attract additional investments. If you look at what we're doing, and we'll talk a bit about the Midship Pipeline Project, our position as an LNG company really provides us with a tremendous advantage in the marketplace. If you look at the amount of capacity that Corey talked about and the amount of gas that we source from the domestic grid, we've been the cause of a tremendous amount of upstream investment and infrastructure development to get that gas pointed towards our terminals.

You know, I tell a lot of folks, when I worked at Columbia Gas, it was a system that was built over a hundred years to take Gulf Coast gas up into the northeast. Fifteen thousand miles of pipe, gathering from the Gulf Coast and delivering it to the markets up the northeast, and just over the last five years alone that entire system has turned into a northeast gathering system that's delivering gas to the Gulf Coast. That's happened at every other major pipeline company on the eastern side of the United States. So, a pretty remarkable shift in our domestic dynamics, driven in large part by LNG demand, of which we are obviously the main driver.

I'll talk about the three assets that we have. It's, I think, an interesting portfolio, one that's currently operating and serving our Sabine Pass facility, one that's well under construction at Corpus Christi, and then another project that we've just finished developing commercially and we're now moving into the permitting and preparation phase in earnest.

Our Creole Trail pipeline is a system that was built for the original regasification and delivery of LNG into the US market. Over the past couple of years, we spent time turning that system around. We built horsepower and interconnectivity into upstream pipelines so that we can bring gas into the terminal. You'll see that it's a 94-mile pipeline system, but we don't do anything small. It's 42", large diameter pipe, which is a unique and large size for pipe in United States from a historical perspective. We've got over 50,000 horsepower of turbine compression at our compressor station in Louisiana that pushes the gas from three upstream interconnects – Texas Eastern, Transco and Trunkline – down to the Sabine Pass terminal, and moves over 1.50 Bcf a day. At peak during the last several months, as Sabine Pass has ramped up, we've delivered well over the design of the 1.50 Bcf a day.

You can see the flows have trended with the production at the plant. We operate the facility from here in Houston, we have gas control in our office here in Houston, and we will do the same for Corpus Christi, and ultimately for the project in Oklahoma.

This map shows the pipeline. In order to reach back, not only with our own infrastructure – and you've seen from Corey's slides, the work that we do to find capacity or develop capacity that reaches into other parts – this system reaches back into an area where there is good connectivity to upstream pipelines that can source gas all the way from the northeast and other parts of the US, down to our terminal.

For Corpus Christi, Corpus is well under construction, preparing to deliver the first gas for the terminal that is in development. You saw on Ed's slides, we've made a tremendous amount of progress on the LNG construction side. Our goal from a pipeline perspective is to make sure that we're there, ready to provide gas when the terminal is ready to start its first commissioning.

This pipeline is a little bit different than Sabine Pass. This is the single header into the Corpus Christi facility. Corpus Christi is an interesting location, it's the tail end of those systems that were built to gather gas in Texas, Louisiana, and the Gulf Coast and take that gas up into the northeast. So this is the origin of many of the long-haul pipelines. You'll see that we're connecting to several of those, and we're going to be aggregating gas into this effectively header pipeline that then delivers into Corpus Christi.

So, 42" wasn't bold enough, so this pipeline is a 48" pipeline. Again, a very large pipeline that will provide over 2.25 Bcf a day and we think even more than that, of deliveries into Corpus Christi LNG.

You can see that we're well underway; we're more than 50% complete in construction. We've had favorable weather in Corpus Christi this winter and spring. We mobilized and started construction at the beginning of the year, and we'll be done with commissioning this system by the end of this year, largely. There'll be a little bit of work to do early next year, but well in advance of our needs to provide gas supply to the terminal for the commissioning of Train 1 at Corpus Christi.

The map here shows that we are effectively reaching— if you could imagine the rest of the Interstate pipeline, there's a corridor that runs here in south Texas where, again, was a lot of the original gathering of gas from south Texas and even further south than this facility; there was offshore production that came onshore in this area, and there was a network of pipelines that run along the Gulf Coast up past Houston and into Louisiana and further on into the northeast, many of these lines do – we're tying into several of those pipelines. You see here Transco and NGPL, two lines that we also used to serve our Sabine Pass facility, and then Kinder Morgan Tejas, TGP, and Enterprise.

Then finally, I'll touch on the Midship project. I think this project is really a testament to what Cheniere has done as far as creating a new market. This is a project that's right in the backyard of some very large competitors in this space; some very well established companies that have been there, in many cases, for over 100 years. But what we saw as we started moving out into the marketplace, there are parts of the United States that, currently, we can't access from a supply perspective, but really want to get to our terminals and want to be a part of our supply portfolio. We think that's good for our LNG business. We think it should be attractive also to our customers that want to make sure they're accessing a very reliable source of supply.

As we looked at Oklahoma, the SCOOP and the STACK, we're very excited about what's happening in that basin, but our ability to get existing capacity to reach into that basin ends just on the doorstep; it doesn't get us into the door. We went out and talked to a lot of different companies, looked at what they might offer from a pipeline capacity perspective. We didn't find what we thought we needed to make sure that that gas from the SCOOP and the STACK was pointed to places where our terminals could source that gas.

So, we've developed this project, 200 miles of 36" mainline and 33 miles of laterals. It's a little bit different than our other pipelines, which are kind of the beachhead, the last mile of pipe into the terminal. Here, we're actually connecting to processing plants in the SCOOP and the STACK, and we're making sure that that gas is pointed into infrastructure where we hold capacity and can source gas for our LNG plants. So, deliveries to Corpus Christi and Sabine Pass can be made through – you saw the connections that we've talked about – through NGPL, both the Corpus Christi into our pipeline there, and NGPL delivers directly to our plant at Sabine Pass.

There's a lot of gas out there, there's a lot of development. We've initially got nine receipt meters at plants in the SCOOP and the STACK, and we, as you all have seen, expect that to grow as that basin continues

to ramp up over the next several years. There'll be three compressor stations, and I'll just mention quickly on the schedule. We're in the midst of our pre-filing process, actually coming to the end of that. We expect to file our application on this project in the next several weeks. We successfully concluded the open season for this project, which is a requirement for an Interstate pipeline project, a couple of weeks ago, and we have enough commitments to move forward with the initial phase of the project, which is a Bcf of supply. If you look at the map, a little bit different than maybe what our traditional focus has been for pipelines, but I think an important and integrated piece of how we get gas to our terminals. We're touching most of the major existing and near-term planned plants in the SCOOP and the STACK.

Just to reiterate, we're focused on developing good, attractive investments that fit within the fairway of what we think Cheniere's business is, and enhance the broader business. We diversify our supply and we improve our ability to reliably deliver gas to our terminals every day so that we have it available for our customers when they need it. I think we've demonstrated, on both our Creole Trail project and our Corpus Christi project, that we have the capability to deliver projects on time and within budget. We're a relatively smaller part of the bigger organization but we've got a world-class team of pipeline operators. We don't take it lightly. As I mentioned, we've got only 95 miles, we'll have another 25 miles at Corpus, another 200 miles. The mileage may not be there, but that 1,500-mile pipeline system I worked on in the northeast delivered about 7 Bcf a day of gas. Just between these three projects alone, we're going to deliver over 5 Bcf a day of gas, and it's the most critical gas for our business, so we think we've got the capability to further leverage that footprint and continue to develop projects that continue to enhance our overall value.

With that, I'm going to hand it off to Doug Shanda, our Head of Operations.

Doug Shanda:

Good afternoon everyone. I'm Doug Shanda. I lead the Operations organization here. Jack said to mention a few things about me, I was sitting there thinking about how long I've been at Cheniere, and actually yesterday, it was four years and six months. It's been quite a ride in those four years and six months, and it's only getting started right now, exciting times.

Before I joined Cheniere, I spent some early years at Oxy, worked in a lot of different businesses at Oxy. When you work for a company like that, you get a lot of diverse experiences, so it was a great experience. Just before I joined Cheniere, I actually worked for Hunt Oil out of Dallas and I was seconded into the Peru LNG project. So, I was on the Engineering Team in London and then I moved down to work on commissioning in Peru, and then I ended up transitioning to Operations to head the operations there for the liquefaction facility in Peru.

As Jack stated earlier, our core goal here for Operations is achieve operations excellence, and that's really achieving and sustaining safe, efficient, reliable operations. One of the things we've done to do that, to support that goal is we've gone out and we've sourced a world class Operations team. One of the things we did across the organization is we identified those roles that were really key, critical roles that required liquefaction experience and then we went out and we sourced the best people we could find. If you look across the entire Operations organization, in total, individuals have about 1,330 years of experience, and about 800 of those years are in liquefaction. If you drill down a little bit further and we look at our operators, on average they have 14+ years of operating a facility somewhere in the world just like the one we've just built. It's that key experience in operations that's going to get that little bit extra out of these facilities.

If you look across the entire Ops organization, we'll end up with about 780 people across the 7-train platform, and on any given day, we'll have a little over 500 resident contractors. When we have outages, that contractor number could increase up to 300 people a day just to support the outages that we have.

At the facilities, we have some very seasoned people in charge at the facilities. At Sabine Pass, we have Aaron Stephenson; he's got over 30 years of experience. He's been in Yemen, Yemen LNG. He worked in the gas fields, in the oil fields in Yemen; he comes with a lot of experience. He's got 12 years in LNG.

Then at Corpus, we have Ari Aziz, who's got over 20 years of experience and 10 years in LNG. The interesting thing about Ari is Ari's actually worked on both sides of the fence. He started out in Operations at Atlantic LNG, which is a facility similar to ours, and he worked on the commissioning side and the engineering side for Bechtel. So he's seen both sides of the fence. He's been a real asset for us.

The burning question everybody has is how do we define nominal production capacity? As Jack mentioned earlier, there's really not a consistent definition in the industry, and there's always things that go into building up what you'd call a nameplate.

What we do is we have nominal capacity, and that's the approximate capacity before we make some adjustments. Those adjustments, they're listed out there. The big impacts are going to be around planned maintenance, reliability. There's some upside there, too. You're going to get a little overdesign when these things were built. There are always debottlenecking opportunities available. Then of course, minor impacts may come from process conditions – colder winter, better production. We always hope for cold winter.

These adjustments, will they be the same at Corpus Christi and Sabine Pass? For the most part, they will be, but as Ed mentioned, we do use different turbine technology, and so one of the differences will be the expected planned maintenance. The turbines that we've employed at Corpus Christi, the DLE type, they require a little bit less planned maintenance. Therefore, the effective production over the 20-year look will be a little bit higher at Corpus. So if you think about the nominal capacity, it's an average over the 20 years taking all these adjustments into account.

Then the capacity, will it be the same every year? The capacity for each train is going to vary, but it mainly varies due to the amount of planned maintenance. Of course, all seven trains in the complex are not going to have a major outage in the same year. The outages, the planned maintenance is really around fired hours on the turbine. Because the trains have started up at different times, they all won't be down at the same time. What that does is, over the seven trains, it tends to flatten out the annual capacity, if you looked at it in an aggregate.

Here's a little slide we put together to help explain, how we think about capacity. If we think about the nominal capacity that we started with, we had 4.5 mtpa. Then what you have to take out of that is the planned maintenance. Then you take out for reliability, that's all the unplanned things that happen. That gets us down to about 4.3 mtpa, and again, on the 20-year average we're looking at this.

Then you've got some upside that works back into that: process conditions were favorable, and we're going to go a little bit more over design that's available, there's going to be a little bit on top of that. Then, again, debottlenecking opportunities will most likely always be there in a liquefaction train. That gives us the range that Michael mentioned earlier, the 4.3 mtpa to the 4.6 mtpa. That's the run rate expectation that we have for these.

Now, we have done a little bit of preliminary assessment on the over design. We need to do a little bit more work. These are early days. We really want to get some good runs through this summer to really understand how the trains are going to perform in the summer.

One of the things that's unique about Sabine Pass, if you compare us to other facilities built, is we have more of a temperature swing in our facility than most LNG facilities. Most LNG facilities are built a little closer to the Equator, so they don't see the swings we do. We really want to get through the summer to be able to really understand that well.

The low-end years that we see in production, those are going to be driven by years where we have, on a single train, where we have major maintenance planned.

One of the areas, and Corey mentioned it earlier, is our performance against this 115% of Henry Hub. We look at it more on a volumetric basis. Corey looks at it from a price basis; we look at it from a volumetric basis. That performance is measured by the percentage of feed gas we use for fuel, anything that's converted to condensate, and anything that we may lose, whether it's flaring in an upset condition, things like that, against the total LNG produced. That's the 5% and the 10% that Corey mentioned that equal this 15%.

That performance is mainly driven by fuel used on transportation and losses in transportation. On the facility, it's driven by weather. In warmer weather, we have less power on the turbines, so we use the same amount of fuel gas, but we produce a little bit less LNG in the summertime than we do in the winter. In the wintertime, it's positive. Startups and shutdowns impact this performance, and then just general equipment performance. Right now, what we've seen is that at the facility we're able to average between about 9% and 9.5%, and that's what we expect in the run rate here. On the gas supply side, just on a volumetric basis, that's between 1% and 1.7%.

On facility maintenance, we're quite blessed with this facility. Again, we're sort of unique when we think about other liquefaction projects. We don't have liquids removal at the front end of the plant, we don't have a gathering system, we don't have wells and upstream to take care of. We draw gas, nice, clean, dry gas that Chad supplies to us and Corey buys for us off the pipeline, so that really helps us out quite a bit.

When we think about the maintenance that we do, the maintenance is really driven around the heart of the train, which is the refrigerant turbines and the compressors, and all the pieces of that packaged equipment that go to run the turbines and the compressors. All of that planned maintenance is covered under a contractual service agreement with the vendor, who is General Electric.

I mentioned the pipeline quality gas. This has a tendency to just reduce maintenance in general. We don't have corrosive process fluids, which means piping and equipment requires little or no maintenance, and it's going to have a long-lived life.

Then of course, as I mentioned, we have no dedicated upstream facilities. We're not reworking wells every three years that really draw a big amount of cash to do that. We're pretty simple and easy and confined on our site, with very minimal maintenance expenditure. Together, all of this really helps to reduce the maintenance costs on this facility, but also it promotes the long-lived life of this asset.

When we think about the main piece of maintenance, it's again around the turbines, for the refrigerant compressors. That is covered by the GE CSA, and that's all the planned maintenance. That is a fixed fee contract that we have with GE. Planned maintenance is covered under that contract, and it's all built into our OpEx numbers. That contract includes repair and replacement of major parts and components as part of that.

One of the things to keep in mind, too, is with the turbines, when we do maintenance on these turbines, essentially, to reduce the amount of downtime, we basically take a new turbine and we put it in the hole, we pull the old turbine out and that goes to GE's shop where they rebuild it. They refurbish it, and it comes back to us like new. So if you think about how that turbine looks, over a six-year cycle, we may essentially have a new turbine at the end of the six-year cycle.

The takeaways for this is, one, we're really targeting operations excellence, and that's how we're going to maximize production. Experienced people are key to us. The experienced Operations team has brought tons of lessons learned. We have people from over 23 of the operating liquefaction facilities in the world,

and that's a massive amount of information, a massive amount of experience, and we've been able to bring that expertise and those lessons learned to bear here at Cheniere.

Again, the current guidance on capacity is 4.3 mtpa to 4.6 mtpa. We do have debottlenecking opportunities. We've identified those. It's early days yet, we still have some more work to do to flesh out the full list, and then we'll itemize that, we'll look at which ones have the return and make sense for us to do, and we're going to take those opportunities. There's a little bit of optimization that goes on that is almost, you could consider, free optimization, because it really results from how we change the way we operate the facility.

Again, utilization on the 15%, we're down around 11%, so we're doing well against the 15%. Major maintenance costs, all covered by the CSA because the majority of the maintenance is around the turbines, and all of the maintenance that we do, the outages that we plan, are always driven around turbine maintenance, so that's why we really expect low maintenance costs. We expect a long-lived asset due to the fact that we're using this nice, clean, US pipeline tariff gas. We don't expect the corrosive issues that we see with other process flows or other projects that have to deal with high-sulfur, dedicated gas fields.

The best thing about what we've done here at Sabine, and you can really see that in action now is, what we've done at Sabine is a scalable model and we can implement that anywhere quickly, efficiently, effectively, and hold down costs as we build out more trains in the future. We're showing that as an example between Sabine Pass and Corpus. We've basically lifted up the model at Sabine and we're dropping it down in Corpus. It's costing us less to stand it up. It's scalable; we're taking a five-train model and we're making a two-train, but it's easily expandable as we add trains, as we're doing at Sabine. Each time a train comes on, we're incrementing our Operations footprint to deal with it. So far, it's been quite successful. Thanks.

Jack Fusco:

Doug, I'm going to ask you the first question. Why don't you touch upon the operator training that you have ongoing at Sabine, with the simulator, and then on-the-job training?

Doug Shanda:

For our operators, we've hired a lot of local operators, not just experienced operators. That worked for us. We start out and we bring them in and we give them about 12 months of training, and that's a combination of training from Cheniere and from Bechtel, ConocoPhillips. Then we put them in the field for six months to get on-the-job training.

One of the things we do is we have an operator training simulator. What we require is an operator must spend at least four hours a month on the operator training simulator. What that does is it really helps us improve, because the operator can then be put through the paces of things that are not normal operations. That helps our entire staff get up to speed a lot quicker on how to handle unusual operations, to make sure that when something happens the operator knows how to accurately respond without losing the train and causing a production loss.

Craig Shere:

Doug, so when you're talking about the 115% of Henry Hub and how that is divvied up and how you think you're going to come up with, say the 5% or so of excess profit in there, there was a line underneath that said, the ability to get price advantage, I guess on the original sourcing. What is the potential size of that and how do you see that playing out over time?

Then Chad, the Corpus Christi pipeline capacity to serve and expanded footprint of Trains 4 and 5, what would be entailed with that?

Doug Shanda:

On the volume side, we consistently expect to be about 4% under that. That's 4% of the gas we're getting paid for that we're not using. So that 4% is turning into LNG that we can sell.

Corey's done a great job of aligning the gas supply to get the best prices for the facility. When you think about it, just on a pricing basis, if Corey is beating Henry Hub and we're using less volume against that 15%, that all goes into the margin.

Chad Zamarin:

The question about Corpus Christi pipeline and Trains 4 and 5, as part of our expansion plan in Corpus Christi to expand beyond the first three trains, we have already designed and would plan for a looping of that system, so a second pipeline, a 42" pipeline that we would run along the same route as the existing 48".

Yves Siegel:

Two quick questions. One is on the Midship Pipeline, can you say how much of the capacity Cheniere will use and how much third party business do you think you'll have?

Chad Zamarin:

Sure. So, I think one of the really neat things about that project is, it's primarily supported by third party commitments to the project. We've announced, and those producers have been very willing to announce that Devon, Marathon Oil and Gulfport Energy are our largest foundation shippers on that project. It's about a Bcf a day of initial capacity. Cheniere is going to have to hold less than 10% of that capacity, and the capacity that Cheniere's going to hold is substantially supported by purchases of gas in the basin that cover the transport for that commitment.

What we love about the project is it delivers that entire Bcf of gas into a location where we can buy it on our NGPL capacity or at other points across the grid, and source it into our terminals. So we like the idea that all of that gas, that highway is pointed towards our market, but we didn't have to take the tremendous amount of the capacity commitment to make that happen.

Yves Siegel:

Thank you. The second question is you mentioned the cost of a liquefaction facility of $500 to $800. Given the learning curve that you folks have been on, what's the opportunity to get cost below $500?

Jack Fusco:

It was $500 to $600 a tonne.

Edward Lehotsky:

The opportunity is there – but not as much as you might think – because we're duplicating these plants, the equipment we buy is the same equipment. We are looking at the midscale as another opportunity with our plans to build another ConocoPhillips 4.5 million tonne train. We're always talking to the vendors, especially GE and the other big vendors to see if they can work with us and get their costs down, but I wouldn't anticipate any big quantum leap in the cost reduction of these facilities.

Jack Fusco:

Yes, and I'd just say, Yves, the reason we are able to achieve such a competitive cost is because of the infrastructure that we've already built. So if you think about the marine berths and your ability to handle dredge spoils, for instance, you could look at $700 million to $1 billion in building a marine berth with loading arms and cryogenic pipes running out there. If you look at the tanks at Sabine Pass, there are five storage tanks, 17 Bcf of storage. Those tanks are $120 million to $150 million each, so we already have it built and that's why we are very competitive. We think we should be the next train FID in America.

Female Speaker:

Similar question. The construction times of trains to date have been three and a half to four years, and that's usually what people assume for the next wave. Is it possible or even likely that the next wave of the US Gulf Coast trains could be significantly faster, given the learnings that you're talking about, and just that there should be a much lower workforce and EPC utilization after 2019?

Ed Lehotsky:

For the Cheniere trains, yes. Because of our lessons learned, because of our duplication philosophy, because of our brownfield sites. I don't expect any great decrease for some of the grassroots facilities. Some of the ones like Sempra have not shown that they're going to get done faster, so I think we have a big advantage to not only get these done cheaper but also faster.

Jack Fusco:

So if I could add to that just for a second, because what Ed's not telling you is he identified early on that there was going to be a challenge with productivity of welders on this very unique stainless steel piping. He immediately formed a partnership with a technical community college in Port Arthur and funded development of programs to take students, quite a few students, and develop their capabilities on being good welders. So the weld rejection rates have went from 7% down to, two and a half?

Ed Lehotsky:

Yes, two; even less than two in some cases.

Jack Fusco:

So, phenomenal improvements in productivity that resulted in our ability to really build these trains faster. I'm not sure there are a lot of other companies with that foresight to set programs together that are actually training workers to come work in their facilities.

Ted Durbin:

Ted Durbin with Goldman again. Thinking about Corpus 3 and sort of the synergies you're getting from having the crews on site right now, building 1 and 2, what might you lose you if you can't move to commercial commitments on that in terms of the ability to deliver Corpus at that rate, if all those crews have to roll off, or even thinking about Sabine as you come closer to construction there?

Ed Lehotsky:

Yes, you're talking about having to demobilize and remobilize resources at Corpus Christi. That is going to be part of the cost. We're working with Bechtel on that to try to minimize that, and of course the faster we FID it, the less the impact will be. But you've got to remember, a lot of the infrastructure is there

already. The tanks that they are building at Corpus Christi are really being completed in record time, and that's really a relatively small crew that can move over quickly. What we have to do is try to leverage these good welders that we're developing as best we can, and also try to move the civil crews over, and we're talking to Bechtel about a couple of ways that we can bridge that in between and trying to do that with a minimum of remobilization costs. Wait to see when we actually get started to see how successful that is.

Jack Fusco:

Thanks to our panel, and this takes us to the closing remarks.

I know it's been a long day. I hope you found it interesting, productive, and useful. Again, I want to thank all of the presenters for taking the time from your busy schedules at work to work for Randy and Investor Relations today.

To summarize what you've heard, Cheniere is ready, willing, and able to compete aggressively for the next round of LNG demand. We are well positioned for additional construction at the existing two sites. Our balance sheet, and you heard from Michael, continues to get stronger, allowing us significant flexibility from the high-cost project finance markets. Our operations and gas procurement personnel can expand significantly with marginal cost increases. Then lastly – which I don't know about you, but I really enjoy the diversity of our commercial panel and the group – our global Commercial team is located in Houston, London, Singapore, Tokyo and Santiago. They're active, busy with not only our existing customers but also with future customers to help supply them with the next round of good US LNG.

I want to thank all of you for interest in Cheniere.