

# Path Cleared for LNG Exports; Cheniere Rides Wave

the Associated Press

NEW YORK (AP) — Federal regulators have approved the first large-scale natural gas export facility in the U.S., signifying the rapid shift under way for a country suddenly rich in the natural resource.

It also represents a banner year and turnaround for the company building the facility, Houston's Cheniere Energy Inc., which in December was placed on Standard & Poor's Creditwatch due to the risk of default.

The Federal Energy Regulatory Commission cleared the construction of the Sabine Pass LNG terminal in Cameron Parish, La. The facility, which will chill natural gas into a liquid that can be shipped on tankers, will allow U.S. producers to export natural gas overseas for potentially huge profits. An existing LNG import facility at the site will be converted also to handle imports.

U.S. energy companies will compete with major LNG exporters like Qatar, which can charge customers in Asia much higher prices compared with prices in the U.S. That is largely because of the massive glut of supply in the United States, where drillers have freed enormous amounts of natural gas using new technology.

So much natural gas has been captured that there are concerns the country is reaching capacity storage and prices have been driven to 10-year lows. Prices fell below \$2 per 1,000 cubic feet Tuesday.

The shift to exporting natural gas has divided the country on numerous levels, from Washington to chemical manufacturers, many who fear that prices will rise when the U.S. begins exporting to Asia and other developing regions.

Sierra Club executive director Michael Brune criticized the decision, saying that exporting natural gas would encourage more use of hydraulic fracturing, the technology that has freed copious amounts of natural gas from shale deposits, but a technique that environmentalists say may be polluting groundwater, among other things. He said FERC was "willfully ignoring the health of millions of Americans who will be affected by reckless fracking."

Brune said the company's exporting license cannot be finalized until the Energy Department reviews the potential dangers of the relatively new drilling technique.

Congressional reaction was mixed. Rep. Ed Markey, D-Mass., called Cheniere's plans an "export tax" that will increase electricity and heating prices for consumers and increase gas costs for such industries as steel, plastics and fertilizer.

## Path Cleared for LNG Exports; Cheniere Rides Wave

Published on Chem.Info (<http://www.chem.info>)

---

But Rep. Charles Boustany, R-La., said the terminal could create thousands of jobs ranging from construction work to additional employment in natural gas extraction.

Beyond debate is just how much things have changed for Cheniere in less than one year.

Last month, S&P raised its ratings on company in anticipation of the construction of the Sabine Pass facility and removed Cheniere from Creditwatch.

"The execution of 16 million tons per year of 20-year, take-or-pay LNG sale and purchase agreements with creditworthy counterparties increases the likelihood of improved cash flows beginning in 2016," S&P wrote in February, two months after it had put the company on watch. S&P called Cheniere's outlook "positive."

Company shares, which could be bought for \$4 as recently as September, are now selling for more than four times that amount. They hit another four-year high Tuesday following the Sabine Pass announcement from the company late Monday.

Construction is expected to begin this year and partial operations should come online between 2015 and 2016. Cheniere has lined up \$4 billion in loans to help pay for the project.

When finished, Cheniere will be able to export 876.6 billion cubic feet of natural gas per year. Most of that has been purchased already by BG Gulf Coast LNG, Gas Natural Fenosa, KOGAS, and GAIL Ltd.

Several other companies are proposing similar facilities.

On Tuesday, Sempra Energy Inc. said it will develop a \$6 billion LNG export terminal at its existing import terminal at Hackberry in southwestern Louisiana.

Energy Transfer Equity LP has already told U.S. regulators that it wants to build an export facility at its import terminal at Lake Charles.

Sempra, based in San Diego, said Tuesday that its Cameron LNG unit already has permission from the Energy Department to export up to 12 million tons a year of LNG — or 1.7 billion cubic feet per day — to countries with which the United States has a free trade agreement.

Mitsubishi Corp. and Mitsui & Co. Ltd. have signed on as partners to develop and market the facility, according to Sempra. If the project is approved by the Federal Energy Regulatory Commission, Sempra plans to begin construction late next year with exports starting in 2016.

## **Path Cleared for LNG Exports; Cheniere Rides Wave**

Published on Chem.Info (<http://www.chem.info>)

---

**Source URL (retrieved on 01/26/2015 - 12:38am):**

<http://www.chem.info/news/2012/04/path-cleared-lng-exports-cheniere-rides-wave>