

Liquefied Natural Gas (LNG)

Straight Talk on Liquefied Natural Gas (LNG) Deals

Moving an LNG project from inception to completion involves many players and many levels of risk. We help our clients to identify the risks inherent at each stage of an LNG project as well as to identify solutions to mitigate those risks.

Andrews Kurth's practice crosses all aspects of international LNG transactions, including the regulatory approval process, corporate matters (including entity selection, corporate governance, and joint venture considerations), engineering, procurement and construction contracts, long-term off-take agreements and terminal use agreements, gas supply and transportation agreements, operation and maintenance agreements, corporate, structured and project finance and securities offerings (including master limited partnerships). Our cross-disciplinary approach offers clients information to identify and manage risks involved in each aspect of an LNG transaction, and to minimize the likelihood that the identified risks in one aspect of the transaction can have unanticipated consequences in another.

A Tradition of Top Projects

Andrews Kurth's rich history covers over 100 years in the energy industry, beginning with the earliest Texas wildcatters and the development of the Port of Houston. Throughout that time, we have been a leader in the field of energy law.

Representative transactions include advising:

- Sabine Pass LNG LP in the development and financing of its Louisiana regasification project.
- Sabine Pass Liquefaction in the development and financing of its Louisiana LNG liquefaction project.
- An equity investor in the development and financing of the Magnolia LNG Louisiana Liquefaction Project, including review of LNG tolling agreement.
- A construction contractor on the Pascagoula, Mississippi, LNG terminal.
- On the time charter and researching the state and federal regulatory requirements to establish a mobile, floating LNG regasification facility for use along the U.S. East Coast.
- A confidential client on a joint venture in Egypt to own and operate an LNG tanker and long term charter party.
- CNOOC on foreign partner selection for the Guangdong LNG import terminal.
- BP/CNOOC on development and financing of the Guangdong LNG import terminal.
- On the \$1.3 billion of financing for the Bontang LNG Project in Indonesia secured by two long-term LNG supply contracts.
- Tokyo Gas on tolling agreement with U.S. LNG facility.
- A confidential client on its acquisition of a 20% interest in a floating storage and regasification unit (ESRU) and related project issues.
- European Investment Bank on the financing of the GATE LNG regasification terminal and its subsequent expansion financing in The Netherlands.
- Centrica on the management of Isle of Grain phase 2 and phase 3 LNG import capacity.
- Barclays Capital on various Master LNG Sale and Purchase Agreements.
- Confidential client on bidding for Isle of Grain phase 2 LNG import capacity.
- A confidential client on the development of a floating storage and regasification unit (ESRU) project in the Middle East.
- A confidential client on a proposed Master LNG agreement with Qatargas.
- A bidder on its proposed acquisition of Hunt Oil Company's upstream and LNG assets.
- Quantum and Wartsila joint venture in El Salvador on the development of an LNG Regas Facility and related natural gas-fired power plant.
- A confidential client in Mexico on the sale of LNG volumes to Pemex.
- A confidential client in Mexico on the prospective acquisition of an LNG import facility.
- DKRW in the development and financing of the Sonora LNG project.

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- GNBC (comprising Marathon Oil and two international partners) in its development of the Tijuana Regional Energy Center located on the Baja peninsula of Mexico.

Regulatory Counsel

We manage a range of regulatory matters in the scope of complex LNG projects. We work with our clients to confront the economic, geopolitical and environmental challenges of large LNG projects.

We help our clients by:

- Obtaining public support for a project from federal agencies and state and local authorities.
- Representing our client as an intervener in various parties' proceedings before FERC regarding other proposed LNG facilities.
- Advising on current DOE policies and orders concerning the export of LNG.
- Advising on FERC regulations and policies applicable to the transportation of natural gas to LNG facilities.
- Implementing the procedures for FERC approval of proposed LNG facilities, including:
 - Environmental Policy Act review of the proposed project.
 - Preparing the approvals, applications and permits requesting FERC's and state agencies' authorization to construct and operate LNG import and export facilities.

Construction and Operation and Maintenance Agreements

Sponsors, lenders, contractors and other participants rely on the advice of Andrews Kurth's lawyers in the construction and operation of LNG facilities. Each liquefaction, regasification and storage terminal brings a unique set of challenges that require innovative approaches in the engineering, procurement and construction processes and operation of these facilities.

Our depth of knowledge in construction-related and operation-related LNG contracts includes:

- Engineering contracts
- Procurement contracts
- Turnkey Engineering, Procurement and Construction contracts
- Contracts for trains, shipyards, storage tanks, cargo terminals, pipelines, on-site power generation and related facilities
- Operation and maintenance agreements
- Management services agreements
- Shared facilities agreements

Long-Term Off-Take Agreements, Terminal Use Agreements, and Gas Supply and Transportation Agreements

Our clients rely on our lawyers' proven experience to help them make strategic decisions about the structuring of LNG sale and purchase agreements (SPAs), terminal use agreements (TUAs), gas supply agreements and gas transportation agreements, including analysis of the risks and benefits of alternative contracting formats and negotiating strategies.

We have advised on a broad scope of LNG SPAs and TUAs, including multi-year use-or-pay liquefaction tolling agreements, as well as gas supply and transportation agreements. Our lawyers in our Beijing, Houston and London offices are well-versed in these agreements, including the optimal choice of law in international LNG projects.

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Corporate, Structured and Project Financing

Our lawyers regularly assist LNG clients, and other energy-focused businesses, in private and public offerings of debt and equity securities. We advise on structuring joint venture arrangements and organizations and negotiating ownership and operating agreements.

Our lawyers have extensive experience in project financing industrial projects such as LNG facilities, petrochemical facilities and power projects.

Andrews Kurth was involved in the creation of the first MLPs in the early 1980s and served as issuer's counsel on the first "drop down" MLP in 1983. Since the 1980s, we have been a market leader in MLP transactions due to our deep experience in addressing the complex partnership, securities, tax and business issues associated with creating, governing and growing an MLP.

LNG MLP offerings we have recently advised on include:

- Currently representing the underwriters in connection with the pending IPO of Dominion Midstream Partners LP. Dominion Midstream will own a preferred equity interest in Dominion Cover Point LNG, LP, which owns LNG storage, regasification and transportation assets, and is actively pursuing the development of natural gas export/liquefaction facilities.
- Represented the underwriters in connection with the IPO of Arc Logistics Partners LP in November 2013. Arc Logistics' assets include a minority interest in Gulf LNG Holdings Group, LLC, which owns an LNG regasification and storage facility in Pascagoula, Mississippi.

Our other capital market transactions relating to LNG include:

- Cheniere Energy, Inc. in its \$625 million registered direct offering of convertible senior notes (March 2015)
- Cheniere Energy Partners, L.P. in its \$365 million registered direct offering of common units (March 2013)
- Cheniere Energy Partners, L.P. in its \$1.5 billion sale of unregistered Class B Units to an affiliate of a large private equity fund (August 2012)
- El Paso Pipeline Partners, L.P. in its \$500 million offering of investment grade debt
- Sabine Pass LNG, L.P. in its \$420 million issuance of Senior Secured Notes due 2020 and its concurrent tender offer for its Senior Secured Notes due 2013
- Advising on corporate governance and internal controls that maintain the integrity of operations and reputations, as well as compliance with SEC and stock exchange-required rules, and counseling issuers and special committees on complex fiduciary duty and ethical questions