

News : Cheniere planning for additional expansions at US Gulf Coast LNG facilities

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Published on - Thu, 04 Aug 2022 16:06:55 EST

- Potential permitting reforms 'very positive'
- 'Constraints are very different today'

Cheniere Energy plans to pitch further expansions of its liquefied natural **gas** facilities in 2022 on the back of rising demand for **US** supplies and a brisk pace of contracting activity tied to **US** export projects, the company's top executive said Aug 4.

The country's largest **LNG** exporter has "a clear line of sight" to get its Corpus Christi **LNG** terminal in **Texas** to over 30 million metric tons of **LNG** production capacity per year, on par with its flagship **Sabine Pass LNG** facility in **Louisiana** , **Cheniere** President and CEO Jack Fusco told investors during an earnings call.

Fusco's comments suggested possible capacity additions of at least 5 million metric tons per year at the **Texas** export facility, which has three liquefaction units capable of producing a total of about 15 mt/y before a recently approved expansion that will add seven midscale liquefaction trains. The potential capacity increase at Corpus Christi would include "a few more midscale trains" and debottlenecking work to wring out additional **LNG** supplies from facilities the company has already commercially sanctioned.

"In terms of growth plans, **we** believe that is the lowest hanging fruit, and it is expected to be extremely cost-effective and potentially seamless," Fusco said, adding that **Cheniere** 's construction contractor is already on site.

'Pursuing growth'

Cheniere in late June made a final investment decision on the seven-train expansion of the Corpus Christi **LNG** facility, which will add roughly 10 mt/y of **LNG** production capacity. During the second quarter, **Cheniere** signed deals totaling nearly 3 mt/y tied to the company commercially sanctioning a further expansion of the terminal.

Cheniere executives said the company is also considering a larger expansion at Corpus Christi on land adjacent to the recently approved expansion project and that the company is developing plans for a "potentially significant expansion" of **Sabine Pass** .

"You can be certain **we** 're pursuing growth at both facilities," Fusco said, outlining "early stage development of over 30 mt/y between those two sites."

Cheniere plans to provide more detail on its growth plans later in 2022 as it moves into the federal regulatory process for the projects and discloses capital spending plans for the coming years, Fusco said. Executives see additional midscale expansions as attractive because they can be built "very quickly" and advance through federal regulatory review faster than a larger-scale expansion, Fusco said. New export facilities would require approval by the **Federal Energy Regulatory Commission** .

Fusco described **US** permitting reforms being discussed by Senate Democrats as a "very positive development" that "should enhance the regulatory tailwinds for well-developed commercially sound brownfield projects like ours and what **we** are about to propose longer-term."

Cheniere is one of several **US LNG** developers to accumulate a series of long-term **LNG** contracts that have supported the prospects of additional **US LNG** capacity advancing to construction. Deals secured by **Cheniere** with **Asian** and **European** buyers during the second quarter accounted for about 140 mt of **LNG** through 2050, the company reported. Contracted volumes over the past year cover about 15 mt/y, or up to over 240 mt total.

Demand for **US LNG** has surged with persistently high prices abroad and concerns about security of supply following **Russia** 's invasion of **Ukraine** in late February. The **Ukraine** crisis exacerbated market dynamics that had seen **gas** supplies tightening since mid-2021.

More than 70% of **Cheniere** 's **LNG** cargoes went to **Europe** during the first six months of 2022. But **Cheniere** executives said the company continues to see **Asia** as the primary driver of long-term **LNG** demand growth.

Gas supply, construction contracts

The market upheaval means that securing long-term contracts needed to back financing for multibillion dollar **LNG** export facilities has become less of an obstacle for new **US** projects than it was two years ago, according to Anatol Feygin, **Cheniere** 's executive vice president and chief commercial officer. **US** developers have signed more than 30 mt/y worth of firm long-term contracts in 2022 and preliminary deals covering more than 20 mt/y.

Feygin said lining up **gas** supplies and securing engineering, procurement and construction contracts that support project economics are increasingly important factors in determining which **LNG** projects advance to construction.

"The constraints are very different today," Feygin said. "Those boxes are getting more difficult to check."

Cheniere on Aug. 4 posted adjusted EBITDA of about \$2.53 billion for the second quarter, up from about \$1.02 billion in the prior-year period. The S&P Capital IQ consensus estimate of adjusted EBITDA for the second quarter was about \$1.93 billion.

Cheniere also raised its full-year adjusted EBITDA guidance to a range of \$9.8 billion-\$10.3 billion, with about half of the \$1.6 billion increase from its previous guidance attributed to the expected proceeds of the early termination in July of a terminal use agreement with **Chevron** Corp. for regasification at **Sabine Pass** . **Cheniere** also cited higher-than-expected margins from its **LNG** marketing operation.

In a separate release, **Cheniere** Energy Partners reported second-quarter adjusted EBITDA of about \$977 million, up from \$690 million in the second quarter of 2021. The S&P Capital IQ consensus EBITDA estimate for the second quarter was about \$1.04 billion.

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