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TELLURIAN COURTS MIDDLE EAST INVESTORS FOR \$30BN LNG PROJECT IN THE US

The US energy company will finalise investment decision by the first half of this year

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Amos Hochstein, senior vice president of marketing, Tellurian at the Middle East Petroleum & Gas conference.

US energy firm Tellurian is looking to partner with investors from the Middle East for its planned \$30 billion (Dh110.1bn) Driftwood liquefied natural gas project and aims to finalise its investment decision by the first half of this year.

"We are looking forward to bringing in partners as shareholders in the project who will then receive their LNG at the cheapest rates in the world for LNG out of the US," Tellurian senior vice president for marketing, Amos Hochstein told *The National* on the sidelines of the Middle East Petroleum & Gas Conference in Dubai.

"We are talking to those partners now," he said, declining to name the potential investors.

Driftwood LNG, owned by Tellurian, is developing an LNG production and export terminal on the west bank of the Calcasieu River, south of Lake Charles, Louisiana. Once finished, the terminal will be able to export up to 27.6 million tonnes of LNG per year to customers worldwide.

US regulators in January issued a final environmental impact statement for the Driftwood LNG export facility, moving the firm closer to a final investment. The company hopes to begin LNG export operations by 2023 and reach full operations by 2026.

Mr Hochstein said 60 per cent of the project will be held by the company's partners and stakeholders, and a \$500 million investment would translate to a 3.6 per cent share in the project. It will allow the stakeholder to lift 1 million tonnes of LNG a year for 15 years at the cost of around \$4 per million BTUs.

The ability to trade cheaper LNG around the world at different times will be the main attraction for the Middle Eastern investors with the financial capability to invest in the project, he said.

"When you come in as an investor you are both an investor and an off-taker at the same time. For Middle East countries ... that enables them to get the cheapest LNG into their portfolio," he noted.

It is particularly important for the regional investors as they do not have to take that LNG back to their base and can trade it around the world,” Mr Hochstein said.

Abu Dhabi's strategic firm Mubadala Investment Company's integrated petroleum and petrochemicals unit last year said it is seeking to position itself as a strong player in the North American natural gas and chemicals industry.

The company, which is known to have had discussions with Tellurian said it had made “a small investment in shale or unconventional gas” and “was monitoring that space”.

However, an acceptable Henry Hub price - the benchmark used to price natural gas - and an acceptable liquefaction cost is needed to make the US a more competitive player in the global gas markets, Musabbeh Al Kaabi, who heads Mubadala's Petroleum and Petrochemicals division, said at the time.

Mubadala, which invested \$3bn after its integration with International Petroleum Investment Company in 2017, is betting on petrochemicals sector investments.

“Overall in the US, it's [a] very interesting dynamic, because [of] access to a highly competitive feedstock thanks to the shale revolution, and that's why [I] see an almost strategic shift to North America when it comes to the petrochemicals industries,” Mr Al Kaabi noted in a March 2018 interview.

Mubadala's Petroleum and Petrochemicals platform, which is part of the estimated \$225bn state fund, valued its portfolio at \$40bn in 2018, with just over \$8bn spent in the last year alone in a raft of upstream and downstream investments.

Apart from possible interest from investment conglomerates like Mubadala, energy giants such as Saudi Aramco could be in the race to join the Tellurian project as it would allow the Saudi company to participate in an international gas project, Siamak Adibi, a principal consultant at FGE energy consultancy, said.

“Saudi Aramco is the largest oil company in the world but in terms of gas business they are not really active and would like to be global players on the LNG side,” Mr Adibi said.

“The best case would be the US because they offer flexible projects where the Saudis can take volumes, trade it or if they need they can use it for their home consumption,” he said.

Earlier in April, French oil and gas major Total signed a non-binding deal, agreeing to invest \$500m in equity in Driftwood Holdings and off-take 2.5 million tonnes per annum of LNG.

“We will reach a final investment decision in 2019, in the summer of 2019 or thereabouts,” Mr Hochstein noted.

Indian gas importer Petronet LNG has also signed an initial agreement with Tellurian to invest in its proposed Driftwood project.