

Testimony of Senior Vice President Christopher Smith
Cheniere Energy, Inc.
Before the
U.S. House of Representatives Committee on Natural Resources
Subcommittee on Energy & Mineral Resources
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Chairman Gosar, Ranking Member Lowenthal, and Members of the Subcommittee, it is an honor to appear before you on behalf of Cheniere Energy, Inc. We appreciate the opportunity to discuss the global economic, energy security, and environmental benefits of exporting U.S. natural gas. I'd also like to recognize Representatives Graves and Gohmert from Louisiana and Texas, where we live and work.

Cheniere Energy is a Houston-based energy company that provides clean, secure, and affordable U.S. natural gas to the world. Cheniere is a full-service liquefied natural gas ("LNG") company, which makes us unique in the U.S. LNG industry: we procure natural gas from the robust North American natural gas market, construct and operate pipelines and contract capacity on multiple existing pipelines to transport that gas to our facilities, build and operate large-scale liquefaction facilities, and offer U.S. LNG to our customers either at our facility or delivered to import facilities around the world. Cheniere owns and operates the Sabine Pass LNG Terminal in Cameron Parish, Louisiana and is constructing additional liquefaction and export facilities at the Sabine Pass LNG Terminal and near Corpus Christi, Texas. Cheniere has a global presence with offices in Houston, Washington, London, Santiago, Singapore, Tokyo, and Beijing.

Cheniere's operations create jobs at home, and project American influence abroad. Cheniere is the first company to commercially export LNG from the contiguous United States. Cheniere is constructing or operating around half of the approximately 10 bcf per day of LNG export capacity under construction in the U.S., making Cheniere the largest U.S. LNG exporting company.

Cheniere expects to make an approximately \$30 billion investment in American energy infrastructure. Cheniere has directly created thousands of jobs and, from local services to increased domestic energy production, tens of thousands of indirect jobs across America. Cheniere, with our engineering, procurement and construction ("EPC") contractor Bechtel, sources materials for our facilities from nearly 1,600 different manufacturers across 46 states. Supporting U.S. energy exports and free trade supports U.S. jobs and American manufacturing.

Cheniere's investment is having an impact on global energy markets. When all of our production capacity currently under construction is online, which is expected to be by 2020, we are projected to be a top-5 global LNG supplier alongside longtime industry participants such as Shell and Qatar Petroleum.

Cheniere Energy is uniquely committed to U.S. success on both energy production and environmental stewardship, as it is that combination that supports the long-term growth of U.S. natural gas exports. An important part of our business model is the fact that we're selling an affordable, reliable, cleaner fuel that customers around the world want. Cheniere sells into a global market, and every Cheniere customer resides in a country that has committed to reducing emissions under the Paris agreement. LNG is contributing to a global shift towards a lower-carbon energy mix that favors natural gas over coal and liquid fuels - reducing air pollution and carbon emissions. Many countries – developed and developing, traditional LNG importers and emerging markets – are choosing natural gas as a lower-carbon, affordable and reliable option for their energy portfolio.

Cheniere is already the largest physical consumer of natural gas in the U.S. We are currently consuming approximately 3.2 Bcf/d of gas per day, and once our seven trains that are either operating or are under construction are in operation, we will be consuming approximately 5-6% of total US gas production at a level just under 6 Bcf/d. This gas consumption, which supplies our export facilities, is responsible for many jobs associated with the upstream domestic production and transportation of natural gas across the country. Cheniere sources gas produced across the country, including Texas, Louisiana, Arkansas, Pennsylvania, Ohio, West Virginia, Oklahoma, Illinois, and Kentucky. We have also purchased gas produced in the Montney basin in Canada.

Our market position domestically and internationally provides us with a unique responsibility to promote standards that support the value of the LNG that we sell. Methane leakage rates are a critical variable in the Greenhouse Gas lifecycle of LNG. We are committed to working with our suppliers to maintain high and consistent environmental standards, including working to reduce methane leakage as well as promoting water conservation and recycling.

Since the startup of operations in February 2016, over 280 cargoes of U.S. LNG from Sabine Pass have been delivered to 25 countries and regions. In 2017, cargoes from Sabine Pass were landed all over the world, with Mexico, South Korea and China as the top three destinations. This is in line with recent trends in the global market, reflecting Asia as the most dominant source of LNG demand growth. About 45% of the cargoes from Sabine Pass were delivered to Asian markets, 30% to Latin America, 15% to Europe, and about 10% to Middle East and North Africa. The worldwide distribution of destinations from the Sabine Pass LNG Terminal is a result of Cheniere's business model and destination free contracts.

Cheniere's liquefaction facilities currently under construction or in operation across our two facilities are underpinned by long-term contracts with 13 third party customers which represent approximately 80% of their expected aggregate LNG production capacity. Our long-term foundation customers – a mix of International Oil Companies ("IOC"), National Oil Companies ("NOC"), Trading Houses and end-users (such as utilities) – purchase LNG at our facilities at a price linked to Henry Hub, and can pick it up to deliver to their end market or almost anywhere in the world. To date, Cheniere has initiated our long-term contracts with Shell/BG of the UK and Holland, Gas Natural Fenosa of Spain, and Korea Gas Corporation ("KOGAS") according to their date of first commercial delivery ("DFCD") under their contracts, and will shortly begin

long term supply to GAIL Limited of India in March. Cheniere's long-term foundation customers determine the final destination of U.S. LNG in accordance with U.S. law and regulation, and the multitude of destinations for U.S. LNG highlights its importance to the development of an open, transparent and free market for global LNG. Cheniere also manages a portfolio of our liquefaction capacity, chartering a fleet – currently over 20 – of LNG carriers to deliver LNG directly to our customers at import facilities around the world, directing cargoes based on market prices.

The same exports that grow our economy strengthen the global energy market, providing affordable and reliable natural gas to countries around the world to meet their energy needs. U.S. natural gas is an attractive alternative for many consumers, particularly those who are captive to a handful of suppliers, making them vulnerable to supply disruptions and, at times, geopolitical dynamics. Due to the commercial nature of the domestic energy industry, U.S. natural gas does not come with political requirements or pressures, helping to depoliticize the commodity. U.S. natural gas priced at a linkage to Henry Hub in the Gulf Coast – the most transparent and liquid gas price index in the world – provides price and supply source diversity to customers, who have traditionally purchased LNG based on a price linked to oil, helping strengthen competition in natural gas markets and the global energy market. U.S. LNG is making the global natural gas trade more competitive, more responsive to customer needs and more resilient. As a result it is making natural gas a more economic and more secure fuel for buyers around the world.

Cheniere and the U.S. LNG industry are well-positioned to compete in the increasingly competitive global natural gas market. Destination flexible contracts, affordable prices linked to Henry Hub, and diversified supply from the robust U.S. natural gas market are key factors that will drive the expansion of U.S. export capacity. Cheniere's on time and on budget engineering and construction record, growing reputation as a reliable operator and ability to leverage first mover advantages leading to the most attractive commercial terms are key differentiators that will help us continue to lead the U.S. LNG industry.

Indeed, Cheniere recently announced three new long-term Sales and Purchase Agreements (“SPA”). In January we executed a long-term SPA with Trafigura, and earlier this month we executed two long-term SPAs with a subsidiary of China National Petroleum Corporation. These CNPC transactions in particular demonstrate Cheniere's strategic positioning, our ability to execute, and a value proposition that is difficult for many to match. We are honored to be involved in this historic deal – the first direct, long-term LNG supply contract between a Chinese company and a U.S. LNG exporter – a significant milestone in energy cooperation between the United States and China. We expect these long-term SPAs to support our growth plans and we are focused on the remaining steps necessary to make a final investment decision Train 3 at Corpus Christi in the next several months, which would be the first new large-scale LNG capacity to progress to construction in the U.S. since 2015.

The United States is still adjusting from an age of scarcity to an age of abundance with respect to energy, and U.S. LNG is showing the benefits of that abundance. The export of natural gas from the U.S. as LNG is driving beneficial changes in the global natural gas trade - changes that help make the fuel mix of many existing trade partners more sustainable, more economic and more secure. It also has and is expected to open new trade routes and relationships - extending the

sphere of U.S. trade influence. To support U.S. LNG exports and domestic energy production, it is important for the United States to continue to advocate free and open markets, the rule of law and contract sanctity, and the importance of low-carbon energy sources. This will help ensure the continued growth of U.S. natural gas exports, creating jobs and economic benefits to the U.S.