



Tortoise Capital's Exclusive Webinar: Insights with Cheniere's CCO & CFO on U.S. LNG

November 12, 2024

Mark Marifian:

Yeah, no, we're excited. Good afternoon, good morning, everyone. Welcome to our webinar insights with Cheniere's executive team on the Future of US LNG. My name is Mark Marifian and I'm the head of product at Tortoise. And it's a pleasure to have Rob Thummel our senior portfolio manager with us today. So today we have the exclusive opportunity to hear directly from Cheniere's executive team and we're really looking forward to diving in.

So if you go to the next page, it's at Tortoise Capital, we're more than investors. We are dedicated partners in the energy investment world. For over two decades, Tortoise is guided by our focus on targeting impactful investments that really help shape the future of where energy's going.

What sets Tortoise apart? It's our focused expertise, it's our commitment to not only traditional energy but emerging energy sources. And so we simply don't want to invest in what's trending, but we want to leverage our depth of experience to identify what we think are going to be high quality investments that align with client values that are forward-looking and fit into the market's evolving demand.

So today's webinar is a prime example of that value in partnering with industry leaders like Cheniere, we're offering direct access to the insights driving one of the most transformative, if I may, segments in global energy, and that's US LNG. Cheniere has risen from import facility to the nation's largest LNG exporter and it's really a testament to their vision and strategy and also to Tortoise's focus and hoping to connect with you all today.

So just quick housekeeping, we'd love to have audience participation. The way you can do that is to type in questions into the Q&A box on your screen, and as those pop up at the end we'll try to answer them. But for now, Rob, I'll hand it over to you. And Rob's going to help lead a really an in-depth conversation with Cheniere's executive team. Rob, you can take it from here.

Rob Thummel:

Sure. Thanks Mark. And thanks everyone for attending. And many of you know us here at Tortoise, but we've been looking at the energy sector for over two decades and frankly, we're always evaluating these new energy technologies. If you think about, US shale started as an unproven technology back in the early 2000s and we began investing on that early on here at Tortoise. Liquefied natural gas was another unproven technology, and it wasn't that long ago. But thanks to this team here that we're going to talk to, Cheniere, LNG really has become a source of energy supply that's become essential, and LNG as a ticker has delivered some really good returns for investors.

So if you look at this particular chart, you can see the operational growth and the stock price appreciation of this company at Cheniere and it's been phenomenal. So really what started out as a concept and was originally designed, really the company was originally designed to import natural gas from other company or other countries, basically. Cheniere has quickly emerged into the name that everyone knows, the stock that everyone knows, and a supply source that everyone needs.

So I appreciate Randy for helping organize this and I appreciate Anatol and Zach for joining me today and taking a few minutes out of their day to talk about a discussion about some topics that people have. But as Mark said, we want everybody to listen as well. So you can cut the slide if you would like. And I guess I'll just start from a big picture perspective. And Anatol or Zach, either one of you or both can answer this, but maybe from just a big picture, top-down perspective, in terms of the global LNG market, how big is it in terms of volume, number of countries do you think that that we're shipping to, and how does that compare to really 10 years ago?



Anatol Feygin:

Thanks Rob. Maybe I'll start, and thanks Mark and the Tortoise team for having us. It's always a pleasure and as Mark already said, we've been traveling this world together for a couple of decades. More than I care to admit. Zach still has nice hair. I had that kind of hair when Rob and I first met. So it's been an incredible market in terms of its development, and US and Cheniere had a very big role in how it has developed and how it will continue to develop and grow from here. As Rob already mentioned in the early aughts, this was a crazy idea to import LNG because the US was going to be short gas. Obviously that was an enormous disaster, but it gave us a physical footprint in Southwestern Louisiana, that Cheniere's team that immediately proceeded Zach and I, had the foresight to put together and we joined when that was kind of in its early stages of execution.

We began construction on the liquefaction facility in August of 2012. As Rob said, only a couple of years before that, the world was still a little bit suspicious about unconventional hydrocarbon development and it is not suspicious about that anymore. We signed our initial long-term contracts in 2011. Started construction, as I said, on the early trains at Sabine Pass in 2012.

What that has become is on the one hand, kind of incredible in terms of scale. We, Cheniere today, are the second-largest operator of liquefaction facilities. We're second only to Qatar energy at 45 million tons. We are currently supplying that in what is roughly today a 400 million ton market. That percentage puts Cheniere relative to the global LNG market at about the same scale that Aramco is to the global oil market. That said, the other side of this coin that's relevant for these discussions is that LNG as a component of gas is only about an eighth of all of the gas that the world consumes, which is about a quarter of primary energy. So putting that together, LNG is about 3% of the world's primary energy.

That is relevant because we as a company that developed this infrastructure that has grown to this 45 million tons, we have another 10 and a half million tons that's under construction. Another roughly 5 million tons in advanced permitting that'll go behind that at our second facility at Corpus Christi. In order to continue to grow and to continue to deliver this kind of superior risk-adjusted underwritten by multi-decade long-term contract, high credit quality counterparties growth, we don't need to win large percentage changes in how the world consumes energy. We need to partner with renewables. We need to work in places that value reliable, stable, and affordable supply of gas. And in terms of quantum, we need ones and twos and five kind of million-ton increments in order to continue to underwrite these facilities.

So we're very large, been very fortunate, in large part with Tortoise's support throughout the years to get here and have a very bright future and trajectory as the LNG market roughly doubles from here, from the 400 million tons to we think about 700 million tons in 2040. I'll stop there.

Rob Thummel:

That's helpful. Thanks Anatole. That's great. So from a country perspective, just ballparkish, how many countries now are importing LNG? Just globally, not necessarily your customers, but just globally? Do you have a good sense for that?

Anatol Feygin:

I do. It's 50 countries today. We have delivered to 40. We technically call them markets because some places are a little sensitive about what is a country and what is not. So we cannot deliver into some of those. Some of that is because of physical limitations that the import facilities are too small. Some of it is a legal issue like the Jones Act, we cannot deliver to US ports. So we have about 46 countries today that are addressable for us. We haven't checked all of them, but as I said, we have delivered to 40 of the current 50. Just put that in perspective, Rob, when we started out, when we started construction in 2012, there were 19 markets that could import.



Rob Thummel:

Yeah, that's always an interesting observation you make. You can't deliver to your own country because of the Jones Act, but that's for another day. But bigger picture, maybe country-wise, how many countries do you think will ultimately import LNG longer term? If we're at 50 today, does that double? What do you think?

Anatol Feygin:

No, I don't think it doubles. Obviously there are landlocked countries, double landlocked countries, countries that are too small. So I think it'll probably grow another 50% from here to something between 70 and 80 countries. It'll be mostly along the South, Southeast Asia. And I think as silly as it sounds, there are discussions now about Eastern Australia importing LNG. In fact, it has already contracted for a regas terminal, for a floating regas terminal that's being used elsewhere for the next year and a half. And some people say, "Well, that's insane that Australia, such a large producer of LNG would be importing LNG into its own country." And I of course point out that we do exactly the same thing as currently the largest exporter of LNG in the world.

So the beauty of this product is in many ways, it is very efficient. It can move all over the world. It can be redirected literally at a moment's notice to a market that needs it more. And as long as there is sufficient scale in using it and the product and utilization is not too fragmented, it can work quite efficiently and rapidly. What we saw in Europe after the Ukraine war started in '22, what we've seen in Egypt after the Arab Spring, what we've seen a lot of countries is that the regas infrastructure can be added and added at scale very quickly.

And what Cheniere brought to the market really unlocked for the world and enabled a lot of this growth is that in terms of a scale solution, we're the first ones to say, "Well, we don't own the resource. We have no dog in the race of where this product goes. As long as you take it to a country that we are not against trading with, something that is forbidden like in Iran for example, you our customer can have complete destination flexibility. Our esteemed competitor in Qatar does not allow for that, for example, it delivers the volume and it controls where the volume is ultimately destined.

Rob Thummel:

That's fantastic. It's interesting. So one last maybe macro question, maybe Anatol or Zach. So the US has become the largest exporter in the world. It still is fascinating to me, and I still think it's underappreciated. If you go back and look just at the history of LNG, I mean 10 years ago there basically wasn't any. Now the US is now just rapidly, things, and obviously the work that you guys have done, the US is the largest exporter, exports more LNG than Qatar, as you mentioned, who was the leader forever, more than Australia. Those two I guess competed forever. So just how has that happened so quickly, do you think? And how does the US really sustain and maintain that competitive advantage or that leading position into the future?

Anatol Feygin:

There are a number of components to that. Punchline from our side is we don't see somebody surpassing. We don't see the Qataris who will grow quite substantially from their current roughly 77 million ton portfolio. They'll add about 64 million tons to that, but the US will add more and will add faster. A lot of it is the same mechanisms and the same algorithm that has driven hydrocarbon production. We're good at execution, we're good at capital formation, and most importantly, we have the resource that can continue to grow and supply. And the world is very comfortable with that. The world that I speak to every day is comfortable with the assumption that Henry Hub, that we essentially pass through for the vast majority of our contracts is something that's going to be affordable and stable and will be responsive to increased market demands. So we are just in a wonderful position.

I think it is also relatively unique in the US and what you've seen from Cheniere is this execution along the US Gulf Coast. There are other places in the world where this can be built, but I put to you that very few that can offer the kind of execution capability, the kind of labor. And one of the things, as Rob knows very well, Cheniere has delivered is the



performance of bringing our facilities online on budget and ahead of schedule. So we, on our first nine, trains as we call them, have completed those on average about nine months ahead of schedule.

Our expansion project to Corpus Christi, we have told the world that we're tracking again to be well ahead of schedule. The first of those trains is guaranteed for October of next year, and we're still on track to make first LNG by the end of the year and deliver that initial train in the first quarter. So order of magnitude about six months ahead of schedule.

So there are very few places in the world, the vast majority of projects that are being executed are about two-thirds to three-quarters of them, depending on the wave, are put into service late. And of course that has not been Cheniere's experience and that of course helps drive this growth and this comfort that our customers place in our ability to bring this critical infrastructure online and serve them reliably.

Rob Thummel:

Yeah, I want to maybe expand on that just a little bit more. Because I want to emphasize that point again because I think this is really underappreciated by a lot of people and you make a major point. You're building, I mean, these are massive capital projects. And when most people hear massive capital projects, most of the time, I guess what we've experienced in the last, at least maybe since even Covid, is oh, they're always going to be way late and they're going to be way over budget. But you guys have consistently been under budget or at budget, either one, and often early. And so is there anything in particular that you could point to that you've shared with the public that has been able to allow you guys to be the anomaly, the rarity? Because this is definitely a rarity when you just think about large scale projects across the energy sector.

Anatol Feygin:

Zach, you want to take this one?

Zach Davis:

Yeah, I'll chime in and thanks, Rob. I think it goes back to a lot of things that had already been discussed of why the US has become such a large player in this space. Like as CFO, when our stock fluctuates between, let's say 11 times to 13 times on an enterprise value, that doesn't resonate when you start saying words like Angola, Mozambique, or even Mexico or building pipelines through Canada versus what we do in Texas and Louisiana with the most interconnected pipeline capacity to every basin east of the Rockies. That almost can't be replicated by anybody else.

But with that said, I think what's different about LNG, the ticker LNG, Cheniere, is that we've kept the main thing, the main thing. We got two of these just crown jewels in Sabine Pass and Corpus Christi that it's almost hard for us to take anything else seriously. We've spent around \$45 billion to create this position in LNG, meaning every project we do, we take advantage of the existing assets and these existing tanks, births, pipelines, footprint, foundation work that's already been there, making it cheaper and less risky to further build.

So yes, this company started as an import company at Sabine Pass, which created a brownfield advantage even for the first couple trains at Sabine. But now with where we stand with 30 million tons at Sabine and on our way to over 25 million tons at Corpus, this partnership with Bechtel that we have, which is our EPC contractor, is basically at this point legendary. That we've had this long-term partnership with them since the days of regas, and what we've done is really not confuse the story or change the strategy with them on building brownfield infrastructure at the existing sites that they're very familiar with, that they've built to date, and having incentives for them to be successful with us. And I think that's a big difference to many others in this space that have had issues building large, large-scale infrastructure.

On top of that, all we are is Sabine in Corpus. Yes it's Cheniere, and we're known as US LNG, but we're basically two projects. Every single employee at this company either directly or indirectly supports Sabine and Corpus. And if you meet someone that doesn't, please let me know who they are. Because that's literally all we do. Our boss Jack is basically watching the percentage of completion every day of every item for stage three. He's watching the gas flows to each of the trains every day and knowing exactly the ins and outs of it.



So the fact that we're pretty lean and focused makes a big difference compared to almost every other company that's building these things where it's basically a subsidiary that might not even move the needle or be talked about on their calls. And so it's just the importance of, yeah, we live for Sabine or Corpus or we die with Sabine or Corpus, I think heightens the focus and has allowed us to be this successful with Bechtel building these projects years early and has paid serious dividends to us and our shareholders.

Rob Thummel:

Thanks for that, Zach. I appreciate that. Gabby, put up slide five for us. I want to share a little bit of how we look at things and share with our investors, and the guys at Cheniere kind of know this, but then I want to expand because I want to expand upon this.

So if you look at this slide, so Tortoise, what we do is we tier everything. We tier these companies. Zach mentioned hard to replicate assets. So obviously Warren Buffett made the term economic moat. And I've talked a lot about economic moats. And we think that companies like Cheniere have these big massive economic moats as a result. But Cheniere's evolved, but over time, I think what I'm trying to tie together here for all of you is over time here at Tortoises, we tier rank everything to provide the best risk adjusted return for our shareholders. Tier four is the worst rank. The highest risks are ones that... The lowest risk. And Cheniere kind evolved over time in our tier ranking in this way. We assess the management teams, the assets, the nature of the cash flows to determine which tier these companies should be in.

So prior to 2013, obviously Cheniere wasn't even a... Well, it was actually an E&P company I believe. And so it didn't even have a tier, it had the lowest tier. We weren't even invested. But over time, Cheniere evolved from being a concept and we began investing a little bit when we moved Cheniere into the tier three position. And that was before it was completed, but we figured out that the assets were going to work. But then when this team took over, and that's where I'm trying to get to, in 2016 we lowered our tier rating, our risk rating lowered, and our investment position started to move up. And you can see Cheniere moved into a tier two position. And then as Cheniere evolved from a construction company to an operating company, we were able to increase our [inaudible 00:21:20] at Tortoise.

And then in 2020, big change for us in a good way where we increased Cheniere to our highest tier, lowest risk. And that was demonstrated really by this clear path to cash flow growth and the introduction of a long-term capital allocation plan. And so that's a long-winded way, and Gabby you can get rid of the slide, for me to ask Zach about one of his favorite topics, which is the capital allocation plan. Because I know that that was something that we've really enjoyed.

But maybe two full questions. Let me ask you, first of all, I want to ask you about the quality of the cash flows. 'Cause I think this is one of the more underappreciated pieces of the story here. The quality of the cash flows here at Cheniere are really high. And maybe you define what you think quality cash flows are and why those cash flows are so high quality relative to maybe other companies.

Zach Davis:

Sure. I really like that slide. If you just give me a second with it, just to give a little more of the history, 'cause I think it would be fun for the investor to hear it. About that slide you just had. And I think it does go back to a few things like-

Rob Thummel:

One more back. Sorry, you want this slide Zach or you want the one before?

Zach Davis:

No, no back. Yeah, back to the previous one. Basically I joined in 2013. I think Anatol joined basically right around then too. Both of us are New Yorkers. I only convinced my wife to come in 2013 to Houston 'cause I said, "Don't worry, it's probably not going to work out." So we clearly were tier four at the time. Then in 2014 or 2015, we started building these two projects that honestly no one besides super majors or governments had ever built before. And if there was a Guinness book of world record for raising debt, we were doing that in that period of time. And then 2016 came around



and that was an inflection point where the founder of the company left and Jack Fusco came in as CEO. Basically someone had to be crazy enough to build this thing or to go for it. And that's what our founder luckily went for.

And then someone had to be the steward of something really massive at this point, a large enterprise value, mind you, a relatively small equity value. And that's where Jack came in and it was just about execution and bringing on the trains. And then 2020 happened. And we had finished a good amount of our projects, but we still had a large chunk of trains to complete. But 2020 was a very interesting year as a lot of the hypotheticals that were thrown at us say, "Hey, how does this company with no cashflow building these two massive projects survive in a world where their LNG is not as valuable? And in 2020 for a period of that year, nobody needed the LNG and actually asked to cancel their cargo and they didn't want to pay the variable to buy the cargo.

And what happened in that year, and that I think is probably our most impressive year, is that we used to provide guidance in November ahead of the year. So we provided guidance in November, 2019, and by the end of 2020, we hit guidance right in the middle despite being in the height of the pandemic, having canceled cargo, and kept our trains operating throughout and even our construction moving forward with Bechtel. And that's because of these contracts that you mentioned.

The contracts that we have, yes, I might be biased because I am the CFO of Cheniere, but please name another energy company in the world that has the contracts that we have, that can come close. We basically have 35 plus investment grade counterparties all over the world, all over Asia, all over Europe, even some North American. Many state utilities to the super majors, to the biggest gas producers in North America. The average rating of our counterparties is a minus. The average tenor of our contracts across a 35 plus is 17 years. And that's what set this apart. That's what allowed us to raise a bunch of debt back in the day when we had no cashflow but there was the promise of this contracted cashflow going forward, and was proven out in 2020.

And now we are in a position where I try to remind folks that we are a contracted infrastructure company, even though our ticker is a heck of a ticker of LNG, we're not like a TTF ETF. We build these projects at really nice contracted returns and have created a lot of value. And honestly, you look at the share price today versus where it was in any period before this, we're pretty proud of it. But what I'm most proud of is the folks like Rob that believed in it maybe before many others did too, and get to be successful with us. And what makes us super proud of what not only what we did with the LNG stock, but what we've done in the world at this point.

So those contracts are pretty, it's fundamental to the capital allocation and. Then how I would phrase the capital allocation, getting to your actual question, is the foundation of this company is the fact that we're going to be contracted infrastructure. We're not a play to trade LNG day in and day out just because Bloomberg has headlines on it. We are based on those long-term contracts. And when you add operational excellence like we've had where we've brought on trains early, we've gotten more out of the trains than originally forecasted. We've stayed consistent on our production year after year after year, nothing works without those two things and we have to appreciate that.

But our capital allocation has evolved through the years. In 2022 when we brought a train on early and LNG prices went through the roof, we made incremental billions over the course of '22 and '23. And what we did with that was finally get to invest [inaudible 00:27:48] as a company. So debt pay down was a really big priority for us then. So as I said, we had a Guinness book of world record of raising capital in 2014 and 2015. I'm pretty sure we have a Guinness book of world record of having 22 ratings upgrades over the last three to four years across our complex just at every entity that we have.

So that was really important. Now we've evolved from that and announced an updated capital allocation this past June where basically I would now put the debt pay down and the dividend in a category together that stresses flexibility. Our debt pay down today that we do now that we are investing grade is basically getting us ready for our next phase of growth at the two assets, setting us up with incremental debt capacity so we can grow. And then the dividend, we basically increased the dividend by 15% to now \$2 annualized and committed to 10% annualized growth for the rest of the decade. And only then will we get to a 20% payout ratio or something similar to an S&P 500 like payout ratio. That



comes back to retaining as much cashflow as possible so that we live within cash flows and retain full ownership of Corpus and basically 75% of all the incremental economics of Sabine Pass at this point.

So that's really important. And then it leaves us with the buybacks and the growth. And when you add those two things together, that's where the magic happens in this stock. The growth is basically the same type of growth we've done today, contracted brownfield growth at Sabine and Corpus. So the top line DCF will grow that way. And then we're all about the buyback and we've shown it through the execution of originally a \$1 billion plan. We finished a \$4 billion plan after that that we finished in the new announcement this past June of another \$4 billion plan. And with all that, we're going to get to a point where we're going to be over \$20 per share of cash flow after deploying around \$20 billion across those four pillars of capital allocation.

So it's a pretty simple story, two projects, and we're pretty balanced on the capital allocation front. But man, are we excited about the fact that we'll keep on reducing that share count over time and all we're trying to do is accretively grow the two assets from here.

Rob Thummel:

Well, thanks for that Zach, and I'm going to pause just a second and encourage anybody to submit some questions. About halfway through here and I'm happy to ask some more questions. And while you're thinking about that, I do just have to say a couple points you made there that resonate, Zach, with me are I'll never forget calling for anybody in 2020 when there was concern about certain counterparties, it was well publicized in the media that weren't going to pay. And Randy said, "Well, go read the contract." And I read the contract and it was very clear they were going to have to pay, and what did they do? They pay. And I'm sure that wasn't the only one and you guys dealt with a lot of those, but that was one of the driving factors behind us increasing our weight in our allocation because of that durability of those cash flows, because of that quality cash flows.

And once again, in my opinion, I don't think that the company gets enough credit for that. But go to the next slide, Gabby too, that we have, and this is my slide, not Cheniere's, but it's Cheniere's data. These guys did all the work. I'm just reporting what's been publicly reported. But if you just look at once again, just over a few year number of years, this isn't very long. The company has increased the dividends per share by 50%. And Zach highlighted the growth was 15% this year and they've stated that 10% going forward, which is very attractive from a growth perspective. \$5 billion plus of buybacks as well, which has reduced the share count with the goal of going even further. And what I think is underappreciated there is when you reduce the share count and you just do its simple math, that accelerates EPS growth, that accelerates the cash flow per share growth going forward, it makes it even higher by just simply reducing the share count.

And then lastly, this is the slide that obviously Zach talked about, that the company is now below four times debt to EBITDA, this doesn't even count the cash that's on the balance sheet. And obviously just a few years ago, significantly higher debt, but the company was still in 2020 to a certain extent, a construction company that was becoming an operating company. And as they've become a true operating company, they've been able to rapidly, rapidly reduce the debt and get themselves into a great financial position. I'm going to look and see some questions that we have. And Gabby, you can cut the slides.

We got a couple of questions for you guys in a little bit of time that we have remaining that I'm going to ask you. So we have a new president and a new Congress, I guess. Anatol or Zach, maybe give us your thoughts on what does that mean broadly, if anything for you guys maybe over the next four years. And I'll follow up with a specific question after that as well.

Zach Davis:

Go for it, Anatol.



Anatol Feygin:

Yeah, thanks Rob. One of the things that we are proudest of, and by the way, I'm still digesting the fact that you thought of us as tier three back then, but you're absolutely right. But one of the things that we're so proud of is that we have done this and have had this disciplined growth and superior risk adjusted returns through every permutation of administration, as Zach already said, through a global pandemic, through the Ukraine war. And it's all been in partnership with all of our stakeholders, including the regulatory bodies. It's not always smooth sailing, it's never without its challenges. We always have things to discuss and to navigate. But again, as Zach already mentioned, they're all completely focused on how we prosecute this infrastructure strategy that is order of magnitude 95% contractually supported. So we are confident that we'll be able to navigate this well in the Trump 1.0 administration.

As you can imagine, we had a lot of interaction with the administration. I found myself on the road with Secretary Perry all the time, then with Secretary Brouillette all the time. We had a lot of touch points, but ultimately it led to the same thing that we prosecuted under President Biden, which is again this disciplined growth, ability to receive the permits. We mentioned already the stage three project that's under construction and the modest expansion of that that we call mid-scale eight and nine, that's proceeding through the Federal Energy Regulatory Commission with an EA, which is an environmental assessment, a slightly faster review process than a full EIS.

So this is a known entity. We're very comfortable. We think that we bring a lot to the table, Cheniere with its reliability, with its performance. We make those that bet on us regulatorily and politically also look good. The ability, as Zach already mentioned, to bring a train online, literally coincident a year early and literally coincident with the start of the Ukraine war is what enabled all of those additional volumes to get to Europe. And for '22 Cheniere was a larger LNG supplier to Europe, not directly as Cheniere, but through our customers as well than any other countries.

So all of those things and the geopolitical aspects of the product and the flexibility are not lost on either administration frankly. And we think all of that will be good. We think at the margin that reduced regulatory burdens will also be good, but at the same time, we've been very public that we are supporters of the Paris Agreement. We're supporters of the methane rule. We like a disciplined industry that has good actors that continue to drive down the emissions profile of our product. We just issued our revised lifecycle analysis. We are the only LNG producer that has published a full peer-reviewed lifecycle analysis, our first one in '21, and our updated version literally just today came out in a peer-reviewed tier one journal.

And we're very focused on that because Zach already mentioned that we've spent 45 billion on these projects and counting, and we think that this is one of the key ways that we extend the runway for many, many decades for this product. We think it's critical for the energy transition, and we think that our commitment to reducing the profile of our product, we just committed to a methane target a couple of weeks ago as well, and we think that that will transcend all administrations. We like for there to be clear rules of engagement.

We were not fans of the political theater that was the pause. But we are very supportive of the DOE reviews and the process and the discipline that says if this is done the right way, it is in the public interest. Because the pros and cons of our industry that is the hydrocarbon industry writ large, but especially in US and Canada, it is very fragmented and that has great benefits, production growth, lots of actors, competitive market innovation, but it is a continuum of actors and not everyone is as focused on its emissions profile as someone like an EQT for example.

So we're very optimistic. We think we will continue to work well with this administration. But again, other than the political theater of the pause early this year, we have navigated the Biden White House and have delivered this growth profile during that as well.

Rob Thummel:

Yeah, you touched on it, but the stuff you're doing from a carbon tagging perspective I think obviously is industry leading and I guess gives you a chance... I mean obviously it's something you chose to do and actually measure I guess is the differentiator here, right? You're actually measuring your carbon emissions not just from your facility so that you can



[inaudible 00:38:51] focus on reducing the carbon from your facility, but also across the entire LNG value chain. You're focusing on that, and I guess that's probably pretty important for some customers, especially in Europe.

Anatol Feygin:

Well, that's right. I mean, I don't want to leave people with the impression that we measure everything. We have these very robust programs that we are years into, but again, any given day... So this morning we were delivering about 7.3 BCF to our facilities for the day. And as most of you probably know, that's about seven and a half, almost 8% of all of the gas that's being produced in a lower 48. We buy that from almost a hundred different producers. We move that on a couple dozen different pipeline systems. So it will take a very long time for us to really know on a measured basis what the profile is of all of those components of the life cycle analysis. But we're aggressively heading in that direction with our partners like EQT, like Williams, others that are also committed to providing that transparency. And Rob, you're absolutely right that in certain engagements with somebody like NG out of France or Equinor out of Norway, you simply wouldn't have a seat at the table if you were not committed to this or were not providing that kind of information and transparency. The cargo emission tags you already mentioned that provide that profile with every vessel that is delivered to our long-term customers from Sabine and Corpus.

So it's a journey. We are a couple of years into it. We only announced our commitment to this in 2018, so not nearly as far along as arguably we should be, but we're making great progress and again, have a lot of these market leading deliverables and we'll continue to do that. And we think this is a component of us being long-term greedy. This keeps us around for decades upon decades, and we have contracts already even with European counterparties that go beyond 2050 as well as with Asian counterparties. And we think that that's just the start and if we continue to invest and deliver that transparency and that performance, I think it's a century kind of question, not decades.

Rob Thummel:

Yeah. Well maybe long term we'll have the menu, I guess, of alternatives, and customers can pick from who has the lowest carbon. I guess you guys are leading away there. I know you'll do well there.

We had another quick question, Anatol in a little bit of time we have left is [inaudible 00:41:36] relate to the EU, and if you have a few seconds, you might share how important you guys were to the EU and how you have been really since the Ukraine war. But the question specifically is do you anticipate more demand from customers like the EU who will offset the anticipated Trump tariffs by buying more LNG? But maybe started with that, might share with everybody how important you guys have been in really just keeping the lights on and keeping people warm in the EU during this period of time?

Anatol Feygin:

Yeah, I guess the good thing is that that is exactly what happened. I'm not sure, we have a hypothesis that the calculus of having Europe be short gas was part of the calculus for the invasion in February of '22, not counting on the scale of the response of cargo diversions and the US LNG volumes and some others coming to the rescue and helping Europe rebalance with very austere measures in terms of curtailment and of course price shocks. The massive negative of that, I have to say, is that it took that volume away from a number of other markets that could not compete on price with what Europe was doing in '22 and into '23. So I already mentioned that for a period Cheniere delivered more LNG to Europe or LNG that was produced by Cheniere exceeded any other country, and that was obviously critical. We're getting back into kind of a normal range now. We're at import levels that are more akin to where we were in the second half of '21 and not in the crisis period of '22, '23.

We just did a transaction with Galp Energy Company out of Portugal. That is one that goes beyond 2050 or tranche of it goes beyond 2050. And we think that you'll see some more of those, but I would never say that we expect that Europe, even in the current dynamic, to be a large driver, simply because it is from a gas demand standpoint is not a growing market.



We do think, we Cheniere think that Europe will need a lot more gas than Europe thinks it will need. And that transition away from gas will take a lot longer than REPower EU or even Fit for 55, which are two of their Brussels plants. But we will see some direct contracting by European counterparties. And of course there are always portfolio players. I already mentioned Equinor and others that are based in Europe that will take advantage of the destination flexibility. So you'll see more. You've already seen the commentary from Wonderland to that effect, but don't forget that EU does not actually transact, right? Member states don't actually transact. It's different companies with different motivations. And one of our proudest transactions of that period, and probably the most off the run was a deal we did with the German industrial company BASF.

Rob Thummel:

Well thank you for that. Another quick question we got, Anatol is a good one for you. Is there any shortage of LNG tankers to be able to increase export capacity from the US?

Anatol Feygin:

No. Of the things that are kind of different this time... So charter rates today are barely covering cash costs. That is quite unusual in the winter, they're hovering around 20,000 a day. We think that steady-state, long-term charter rates are more in the neighborhood of 90,000 a day. A new carrier costs order of magnitude 280, \$290 million, and that has remained at those elevated levels for the last few years. The reason why we have this low-price dynamic is primarily something we mentioned earlier, that a lot of the supply, a lot of the projects, unlike those that are being prosecuted by the Cheniere-Bechtel combination are delayed. And so vessels have been delivered ahead of those projects. And we think that the Korean yards who are still the major supplier supply somewhere between 55 and 60 vessels a year will continue to be dominant and will continue to deliver that kind of volume.

But increasingly, you're seeing great capabilities out of Chinese yards that are now approaching 15 to 20 vessels incrementally a year, which is a substantial incremental supply and we don't see that tightness. And the other thing that's going to be different, I think going forward, Rob already asked the question of how many markets there are. I don't see a market that's going to be constrained from an import infrastructure standpoint, whether that is Singapore, Vietnam or Philippines or Puerto Rico or any one of the 50 are in a very good position in terms of infrastructure, something that was a constraint in China in 2018, '19, in Europe post the Ukraine war. But now the quantum of import capacity that has been deployed makes it very difficult to see how either shipping or import capacity is going to be the constraint for this market growth.

Rob Thummel:

That's very helpful. I got one more question and then I'll turn it over back over to Mark. And it's a question I'm going to probably ask you a million times, you've heard it. I don't know if it impacts you guys as much, but I'll probably ask you again in December when I see in New York, AI. What impact does AI have, at least from a demand perspective for Cheniere, do you think?

Anatol Feygin:

I think that often when that question is asked, it is asked from a domestic perspective. It is a very power-hungry application. I think a lot of people on this call probably know chapter and verse about GPUs and their energy intensity. Our message there is it is a very much a global phenomenon. There is, yes, US is a very large demand center for data centers. It is fairly concentrated in a couple of regions. It does provide some good opportunities for domestic gas demand growth, but that is also true in Singapore, in Malaysia, in Japan, in Thailand. Basically my shortcut answer to that is any place that US has a lot of faith in and or a military presence in is a good place to develop data centers. And that is just really also from the perspective of the US hyper scalers and where they're developing. The single biggest data center hub is in Northern Virginia. The second biggest is in Beijing. Now, that's not going to be territory that Azure or AWS develops, but in terms of Chinese gas demand, that is as meaningful a driver there as it is anywhere else in the



world. So it is a great opportunity for gas globally writ large, and Cheniere's molecules will find their way to supporting that growth.

Zach Davis:

I'll just add that one of the unique aspects of Cheniere is being first in this business in the US, we locked up a lot of pipeline capacity in a way where we're the or if not one of the largest customers of Kinder and Williams. And so a lot of this pipeline capacity would be very difficult to build at this point. So it's unlikely that the gas flowing to the Gulf Coast, flowing to our facilities would be competing with AI demand, whereas there is a lot of gas in West Texas or in the Marcellus that can't get to us. That would be a opportunistic gas for AI electrification. And then I'll bring it back to the big picture of why we keep on working at Cheniere, because it's just going to be a winner, is the fact that the basis of what we're trying to do with our LNG is basically displace coal as the emissions of LNG or full life cycle, or literally 50% of the emissions of coal.

In addition to that is to provide energy security at a reasonable price. To the other 7 billion people in the world that's growing to 9 billion over the next 30 years that want to sniff a little bit of what we've been able to experience in the top 1 billion folks in this world as energy per capita and GDP per capita are almost entirely correlated. What happens though is that the 1 billion folks in the western world seem to find new acronyms and new ways to electrify and create more energy demand, and it's put an incremental premium on what we offer in a really flexible way all over the world. So we're hopeful that we can assist in the displacement of coal over time, but we need more regulations and government supportive of LNG build out to do so. In the meantime, we'll work with whichever administration comes our way and take advantage of these two unbelievable assets to keep it going.

Rob Thummel:

Well with that, it's a great way to summarize that. I have to express my great appreciation to Anatol and Zach for taking their time out of their day to join us. I really appreciate that as always. And Mark, and I'll turn it back to you to wrap things up.

Mark Marifian:

Yeah, thank you Rob for leading today's discussion. To Zach and Anatol, thank you guys for sharing some inside facts. We found out a couple of Guinness book of world records today, so that was always helpful as well.

But in all seriousness, Cheniere's leadership in the LNG market really I think exemplifies a forward-thinking approach and what's really needed in our ever-changing energy landscape. So we're really excited to continue to see where that story leads. I'd like to thank the audience for joining us today. We will have a replay of the webinar in the coming days if you'd like to revisit any of today's insights. If you do have any follow up questions, please feel free to reach out to your Tortoise sales representative that we have listed here on the page and we'll look forward to talking to you soon. Have a good rest of the day. Thank you all.

Rob Thummel:

Thanks everybody.

Disclaimers:

This transcript contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although Tortoise believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this publication. Tortoise does not assume a duty to update these forward-looking statements. The views and opinions in this commentary are as of the date of publication and are subject to change. This material should not be relied upon as investment or tax advice and is not intended to predict or depict performance of any investment. This publication is provided for information only and shall not constitute an offer to sell or a solicitation of an offer to buy any securities.