



Cheniere LNG

A wholly owned subsidiary of Cheniere Energy, Inc.



Energy Summit 2004

*“Securing Louisiana’s Economic
Growth in a Volatile Energy
Environment”*

October 21-22, 2004



American Stock Exchange: **LNG**

Safe Harbor Act

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Securing Louisiana's Economic Growth in a Volatile Energy Environment

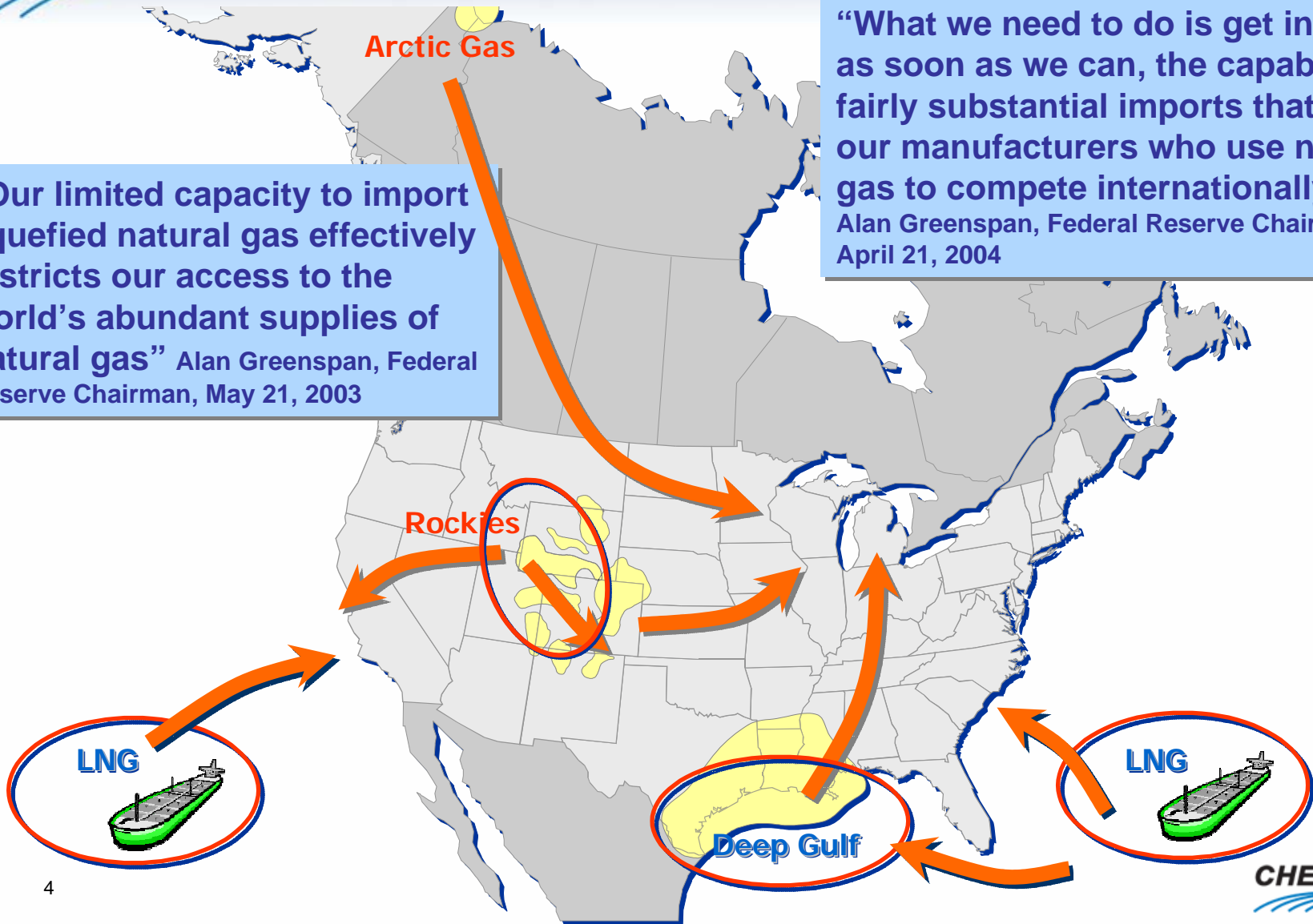
Too much or too little LNG development in NA over the next several years?

- North America's need for LNG
- Potential North American LNG gateways
- Strategic opportunities

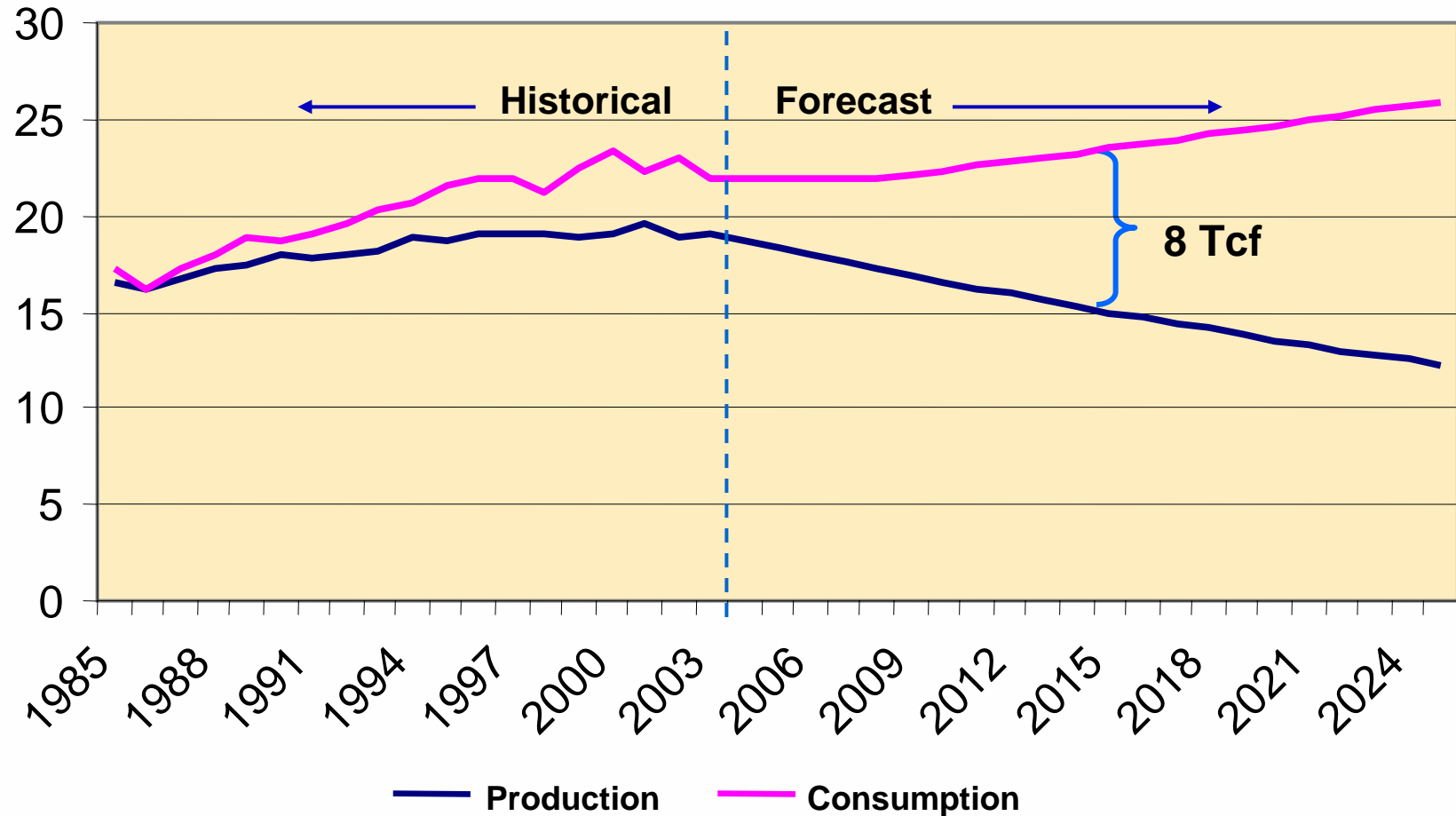
New Supply Must Come from New Areas...

“What we need to do is get in place, as soon as we can, the capability of fairly substantial imports that enable our manufacturers who use natural gas to compete internationally.”
Alan Greenspan, Federal Reserve Chairman, April 21, 2004

“Our limited capacity to import liquefied natural gas effectively restricts our access to the world’s abundant supplies of natural gas” Alan Greenspan, Federal Reserve Chairman, May 21, 2003

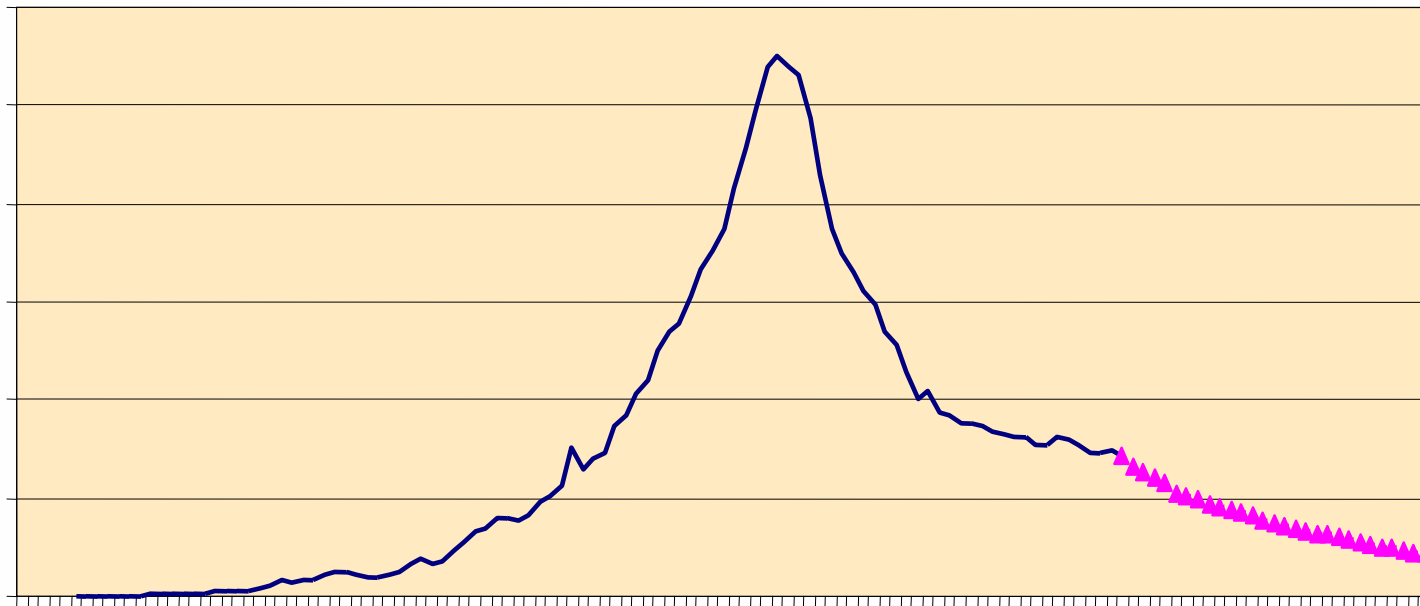


Production vs Consumption (Tcf)



Cheniere estimate based on 2% annual average decline in production, 1% annual average growth in consumption post-2008

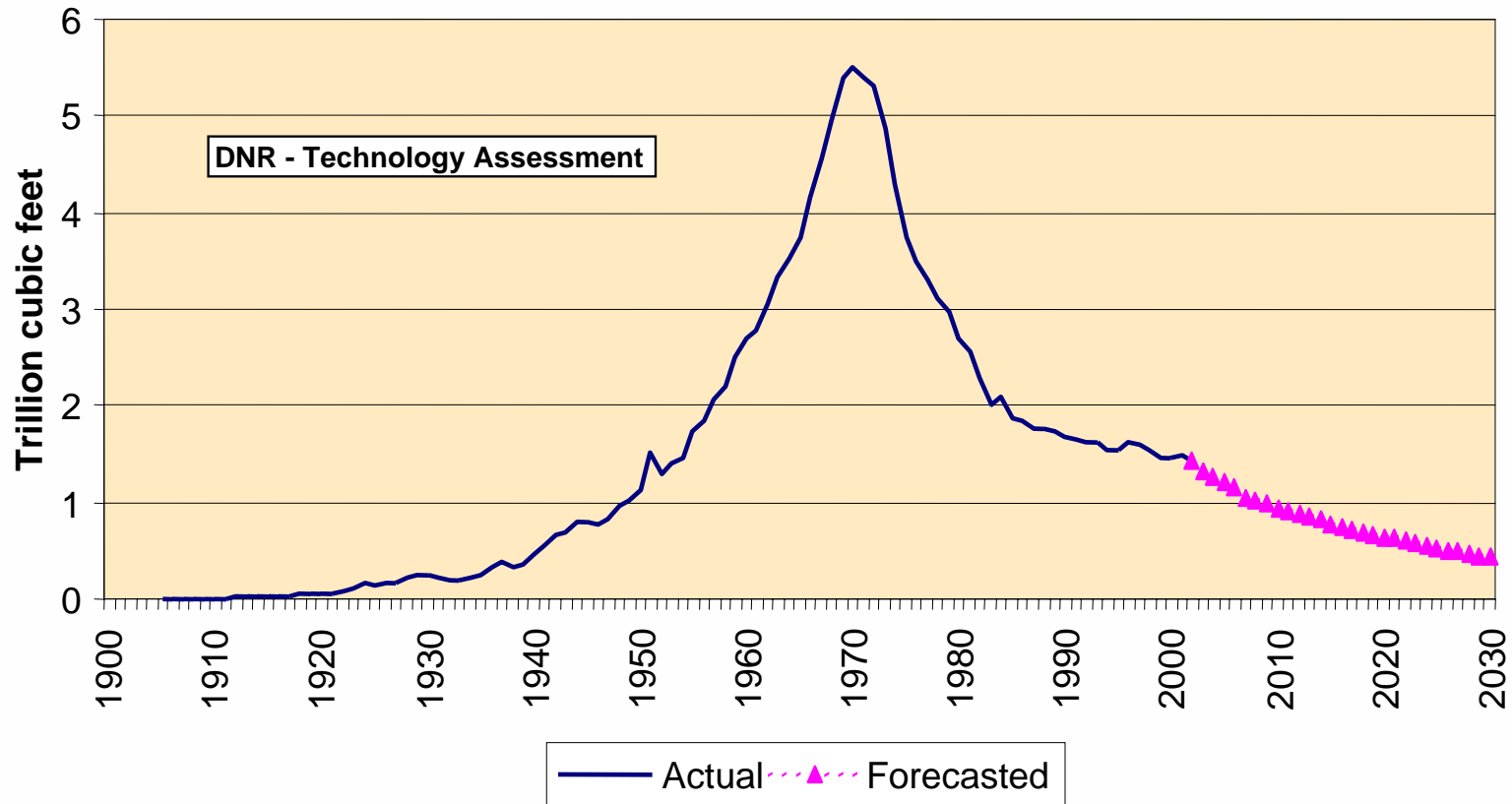
Profile of Decline ...



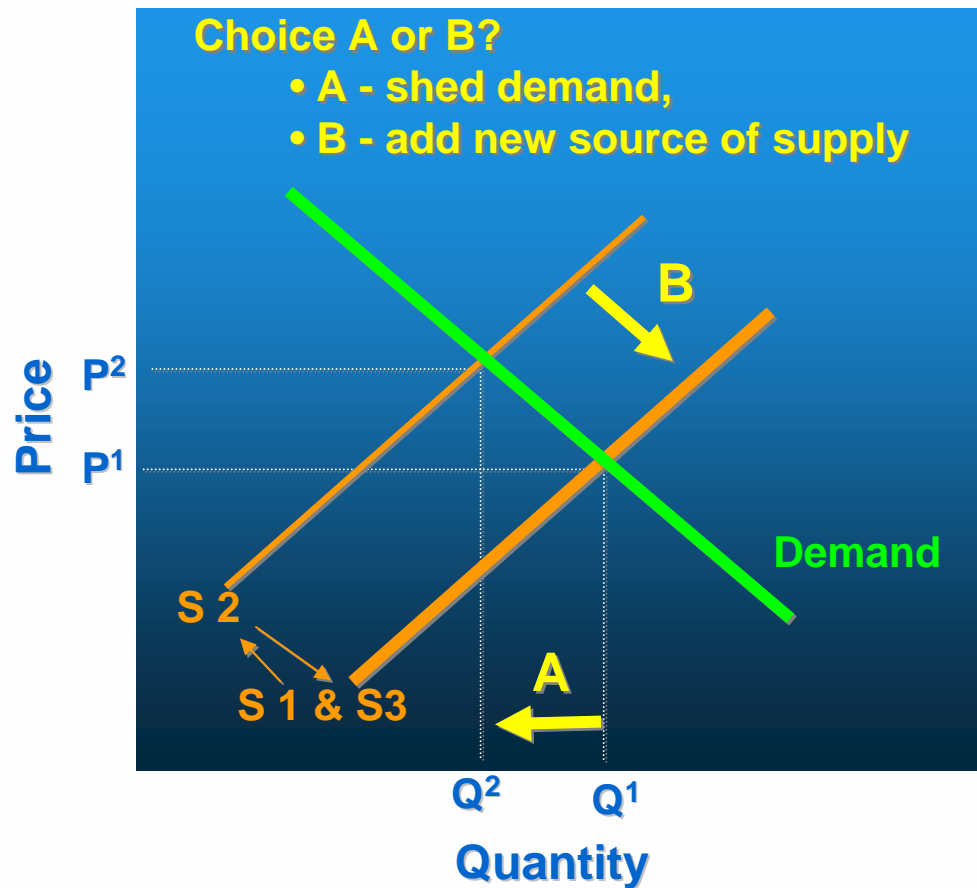
— Actual - - - ▲ - - - Forecasted

... State of Louisiana

Louisiana State Gas Production Actual and Forecasted Through Year 2030

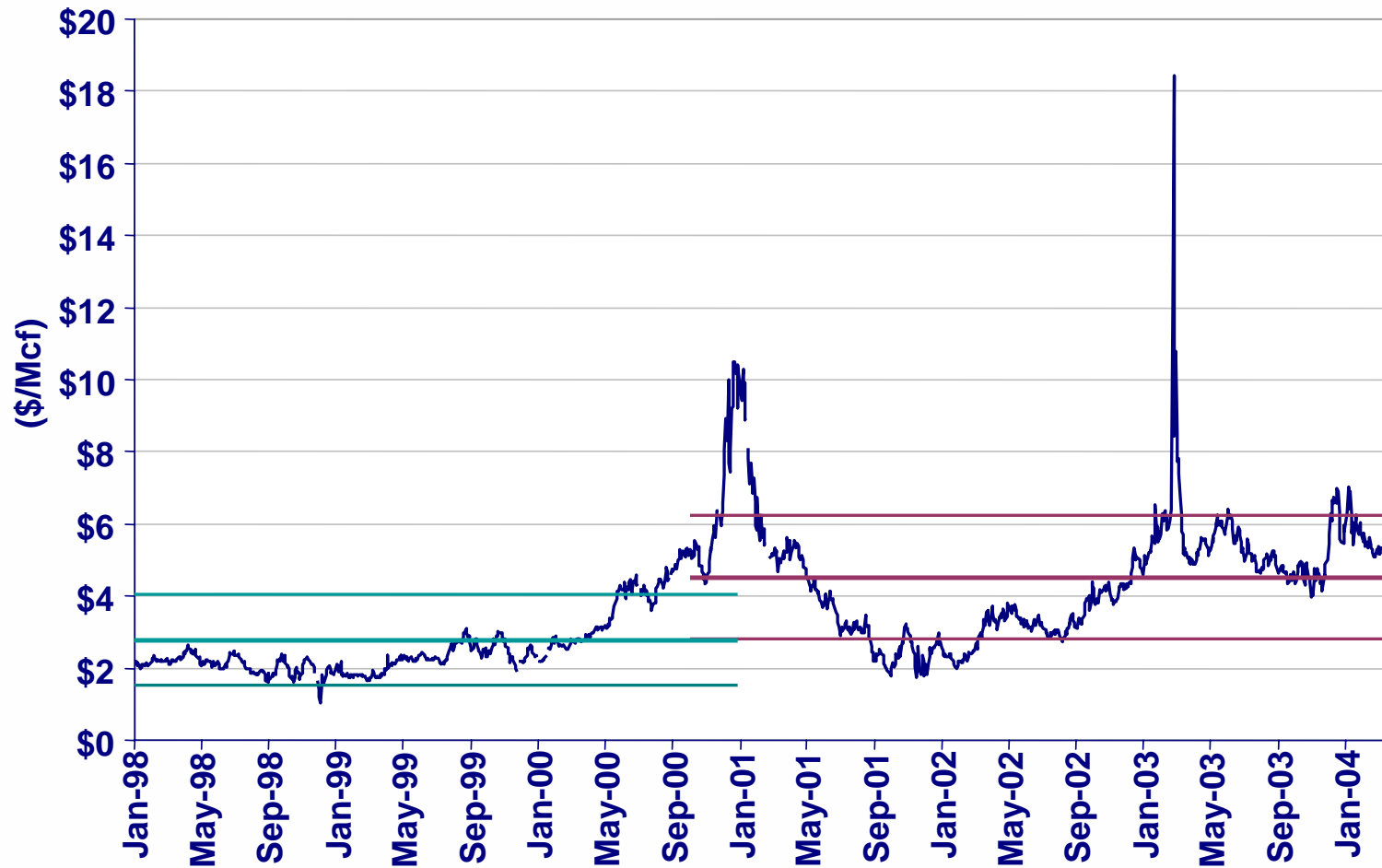


Supply-Demand Realities: Moderate Price = Healthy Demand



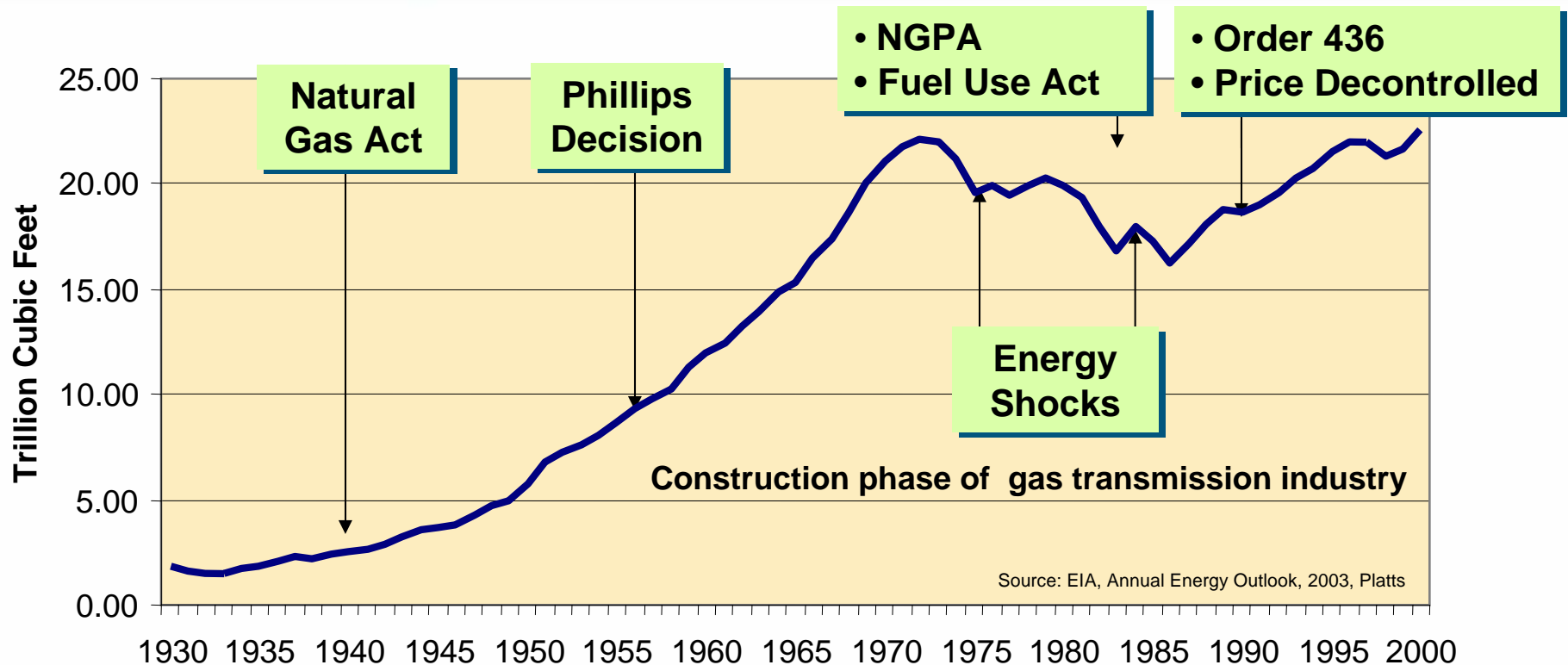
- Loss of traditional supply shifts supply curve upward and left (S1 to S2)
- Two rational choices:
 - A: Reactive: Shed demand (Q1 to Q2)
 - B: Proactive: Add supply from new sources (S2 to S3)

US Gas Prices at Henry Hub



US Gas Consumption – Historical Trends

Price shocks of 1970s led to mandated usage restrictions, higher prices, and demand destruction



1935 – Natural Gas Act – Created Federal Power Commission to regulate pipelines.

1954 - Phillips Decision – Supreme Court finds that pipes *and* wellhead prices should be regulated to protect consumers.

1978 - NGPA – Reversed Phillips Decision, initiated deregulation of wellhead gas prices.

1978 - Fuel Use Act – Restricted new gas fired power plants.

1985 - Order 436 – Pipelines required to be open access; consumers negotiate directly with producers.

1985-93 – Phased Wellhead Price Decontrol – Deregulation of wellhead prices.

Supplies Ample

LNG capacity by region in 2010

- Committed Liquefaction Investment \$20 Billion by 2010
- 80% Controlled by National Oil Companies

Americas
4.6 Bcf/d

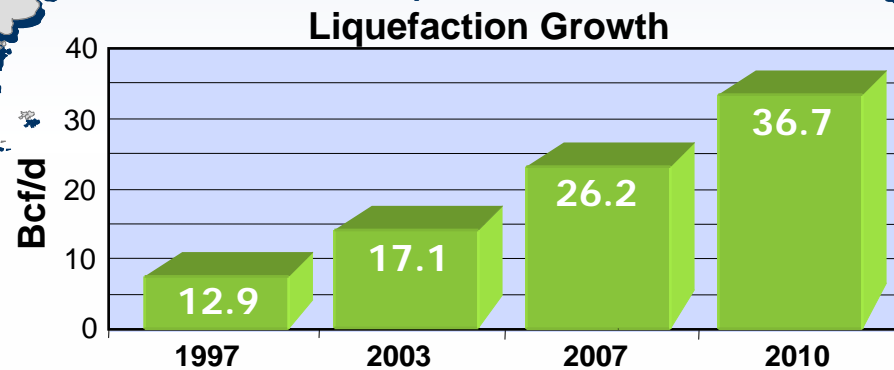
Europe
0.5 Bcf/d

ME Gulf
8.5 Bcf/d

Asia Pacific
14 Bcf/d

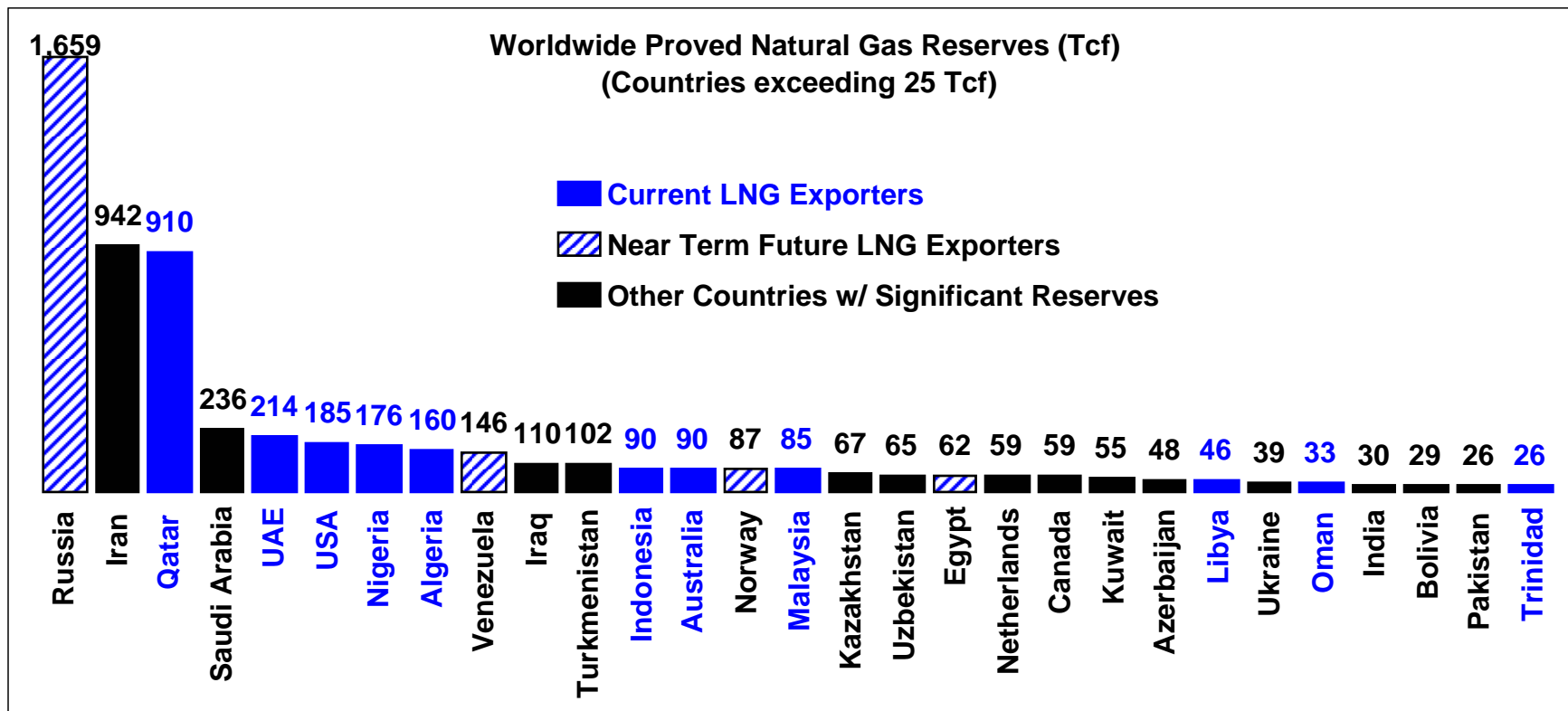
Africa
9.1 Bcf/d

Current Consumption
Asia – 11 Bcf/d
Europe – 4 Bcf/d
Americas – 2 Bcf/d



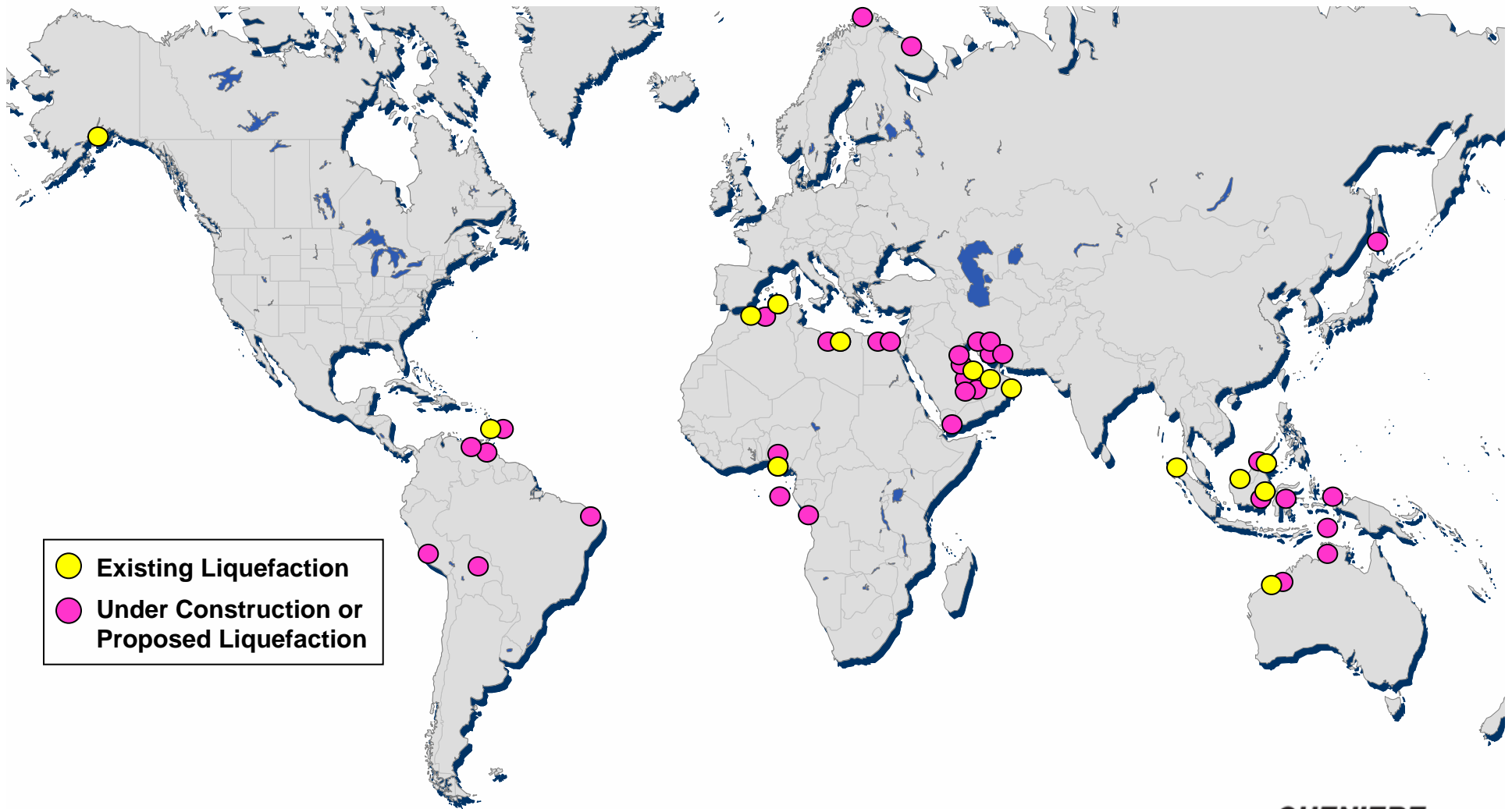
World-wide Robust Supply Potential

- 6,000 Tcf – world PROVED gas reserves
- USGS estimates additional 6,000 + Tcf undiscovered gas reserves



Source: BP Statistical Review, 2004

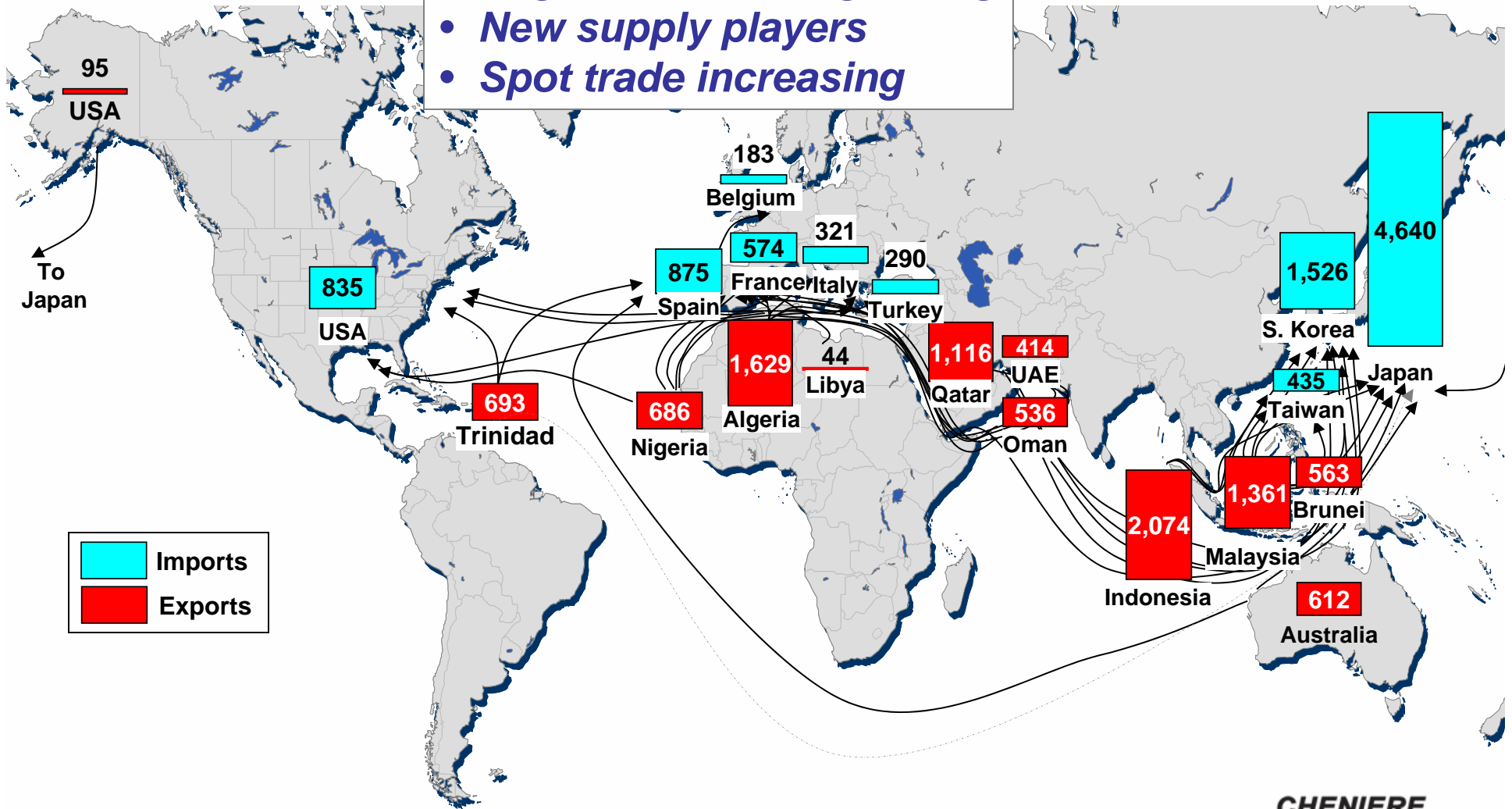
New Liquefaction Competes for Market Share



- Existing Liquefaction
- Under Construction or Proposed Liquefaction

LNG Trade in 2003, MMcf/d

- Regional markets growing
- New supply players
- Spot trade increasing



*Portugal, Puerto Rico, Greece, and Dominican Republic each import less than 50 MMcf/d

Proposed LNG Facilities

Existing Terminals with Approved Expansions

- A. Everett, MA : 1.035 Bcfd (Tractebel)
- B. Cove Point, MD : 1.0 Bcfd (Dominion)
- C. Elba Island, GA : 1.2 Bcfd (El Paso)
- D. Lake Charles, LA : 1.2 Bcfd (Southern Union)

Approved Terminals

- 1. Hackberry, LA : 1.5 Bcfd, (Sempra Energy)
- 2. Port Pelican: 1.6 Bcfd, (Chevron Texaco)
- 3. Bahamas : 0.84 Bcfd, (AES Ocean Express)*
- 4. Gulf of Mexico: 0.5 Bcfd, (El Paso Global)

Proposed Terminals – FERC

- 5. Bahamas : 0.83 Bcfd, (Calypto Tractebel)
- 6. Freeport, TX : 1.5 Bcfd, (Cheniere / Freeport LNG Dev.)
- 7. Fall River, MA : 0.8 Bcfd, (Weaver's Cove Energy)
- 8. Long Beach, CA : 0.7 Bcfd, (SES/Mitsubishi)
- 9. Corpus Christi, TX : 2.6 Bcfd, (Cheniere LNG Partners)
- 10. Sabine, LA : 2.6 Bcfd (Cheniere LNG)
- 11. Corpus Christi, TX : 1.0 Bcfd (Vista Del Sol/ExxonMobil)
- 12. Sabine, TX : 1.0 Bcfd (Golden Pass/ExxonMobil)
- 13. Logan Township, NJ : 1.2 Bcfd (Crown Landing LNG – BP)

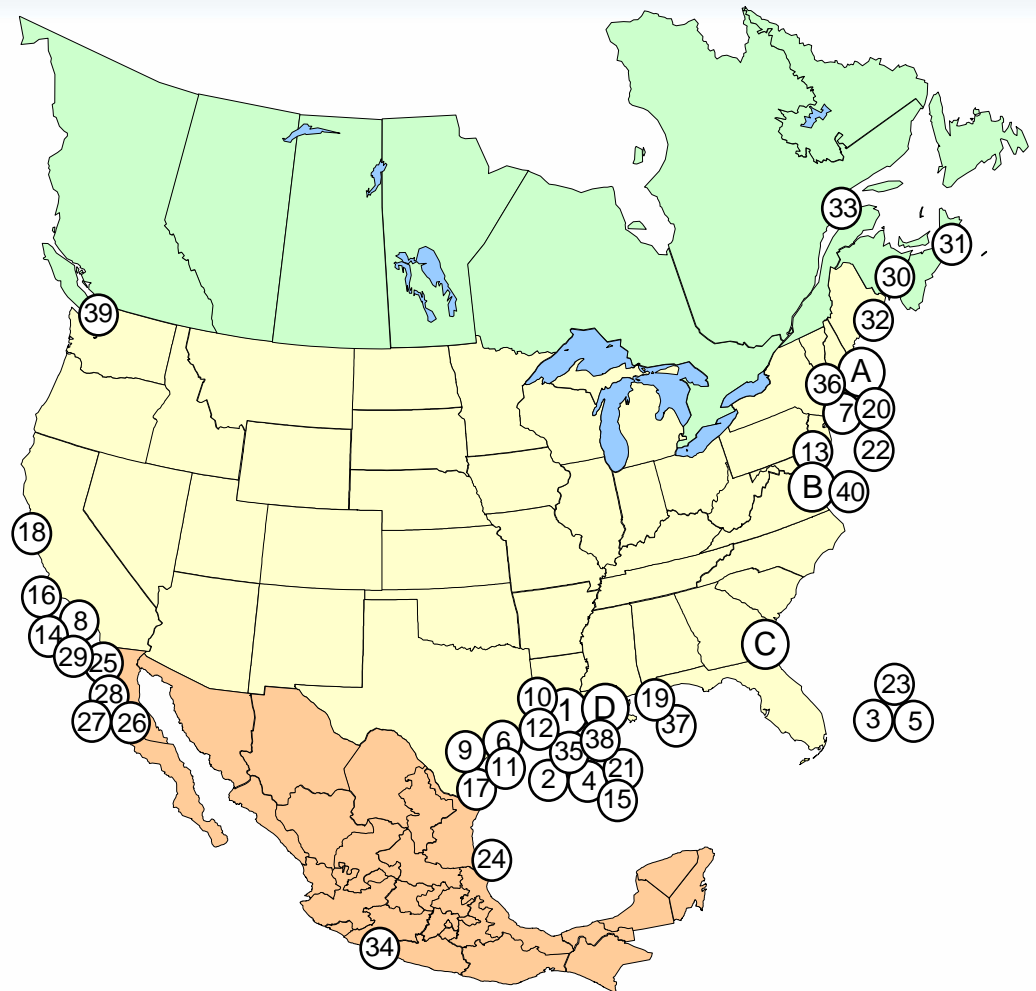
Proposed Terminals – Coast Guard

- 14. California Offshore: 1.5 Bcfd, (Cabrillo Port – BHP Billiton)
- 15. Louisiana Offshore : 1.0 Bcfd (Gulf Landing – Shell)
- 16. So. California Offshore : 0.5 Bcfd, (Crystal Energy)

Planned Terminals and Expansions

- 17. Brownsville, TX : n/a, (Cheniere LNG Partners)
- 18. Humboldt Bay, CA : 0.5 Bcfd, (Carpine)
- 19. Mobile Bay, AL: 1.0 Bcfd, (ExxonMobil)
- 20. Somerset, MA : 0.65 Bcfd (Somerset LNG)
- 21. Louisiana Offshore : 1.0 Bcfd (McMoRan Exp.)
- 22. Belmar, NJ Offshore : n/a (El Paso Global)
- 23. Bahamas : 0.5 Bcfd, (Seafarer - El Paso/FPL)
- 24. Altamira, Tamulipas : 1.12 Bcfd, (Shell)
- 25. Baja California, MX : 1.0 Bcfd, (Sempra & Shell)
- 26. Baja California : 0.6 Bcfd (Conoco-Phillips)
- 27. Baja California - Offshore : 1.4 Bcfd, (Chevron Texaco)
- 28. Baja California : 0.85 Bcfd, (Marathon)
- 29. California - Offshore : 0.5 Bcfd, (Chevron Texaco)
- 30. St. John, NB : 0.75 Bcfd, (Irving Oil & Chevron Canada)
- 31. Point Tupper, NS : 0.75 Bcf/d (Access Northeast Energy)
- 32. Harpswell, ME : 0.5 Bcf/d (Fairwinds LNG – CP & TCPL)
- 33. St. Lawrence, QC : n/a (TCPL and/or Gaz Met)
- 34. Lázaro Cárdenas, MX : 0.5 Bcfd (Tractebel)
- 35. Gulf of Mexico : 1.0 Bcfd (ExxonMobil)
- 36. Providence, RI : 0.5 Bcfd (Keyspan & BG LNG)
- 37. Mobile Bay, AL: 1.0 Bcfd (Cheniere LNG Partners)
- 38. Lake Charles, LA: 0.6 Bcfd (Southern Union)
- 39. Cherry Point, WA: 0.5 Bcfd (Cherry Point Energy LLC)
- 40. Cove Point, MD : 0.8 Bcfd (Dominion)

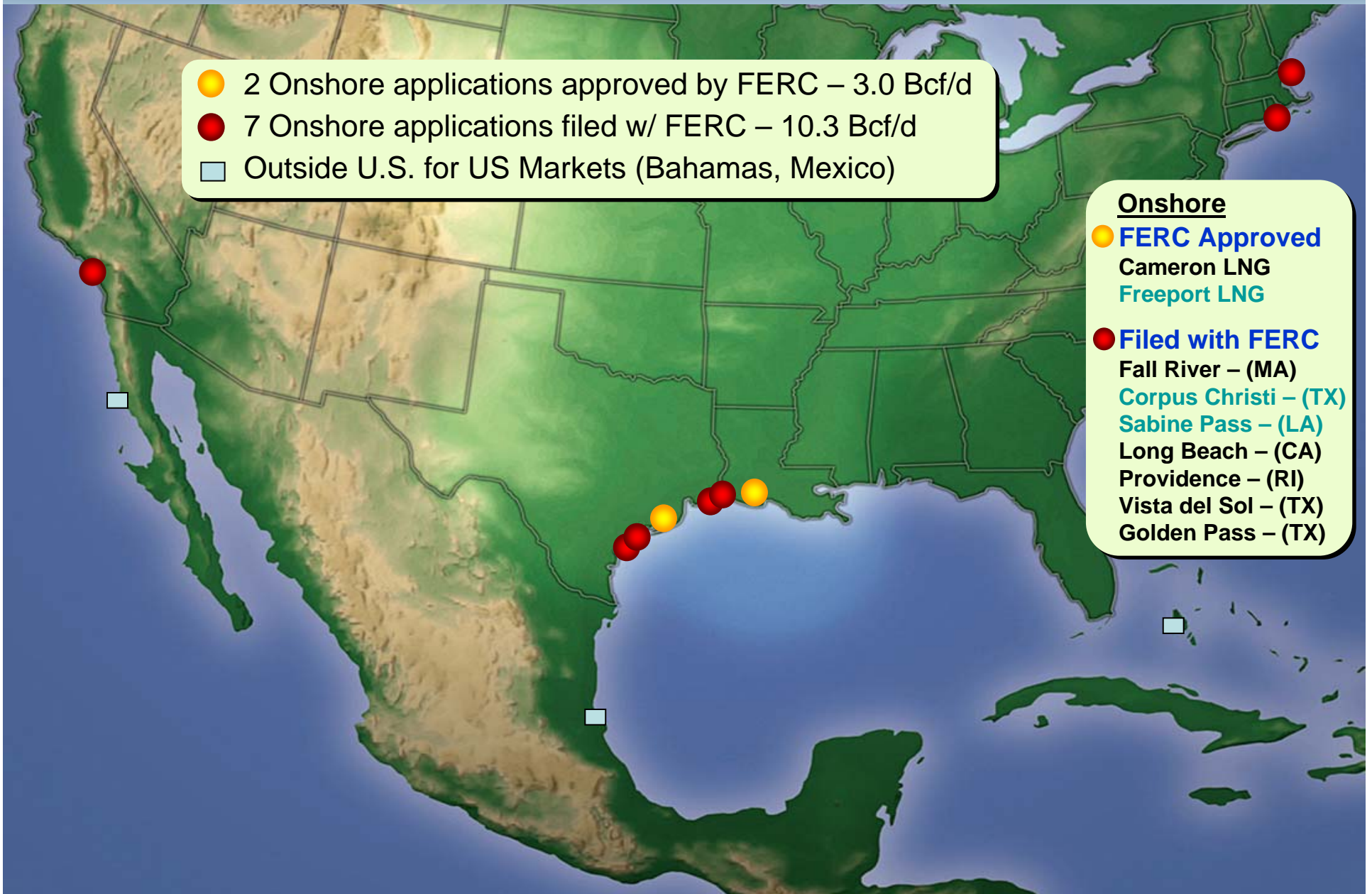
* US pipeline approved; LNG terminal pending in Bahamas



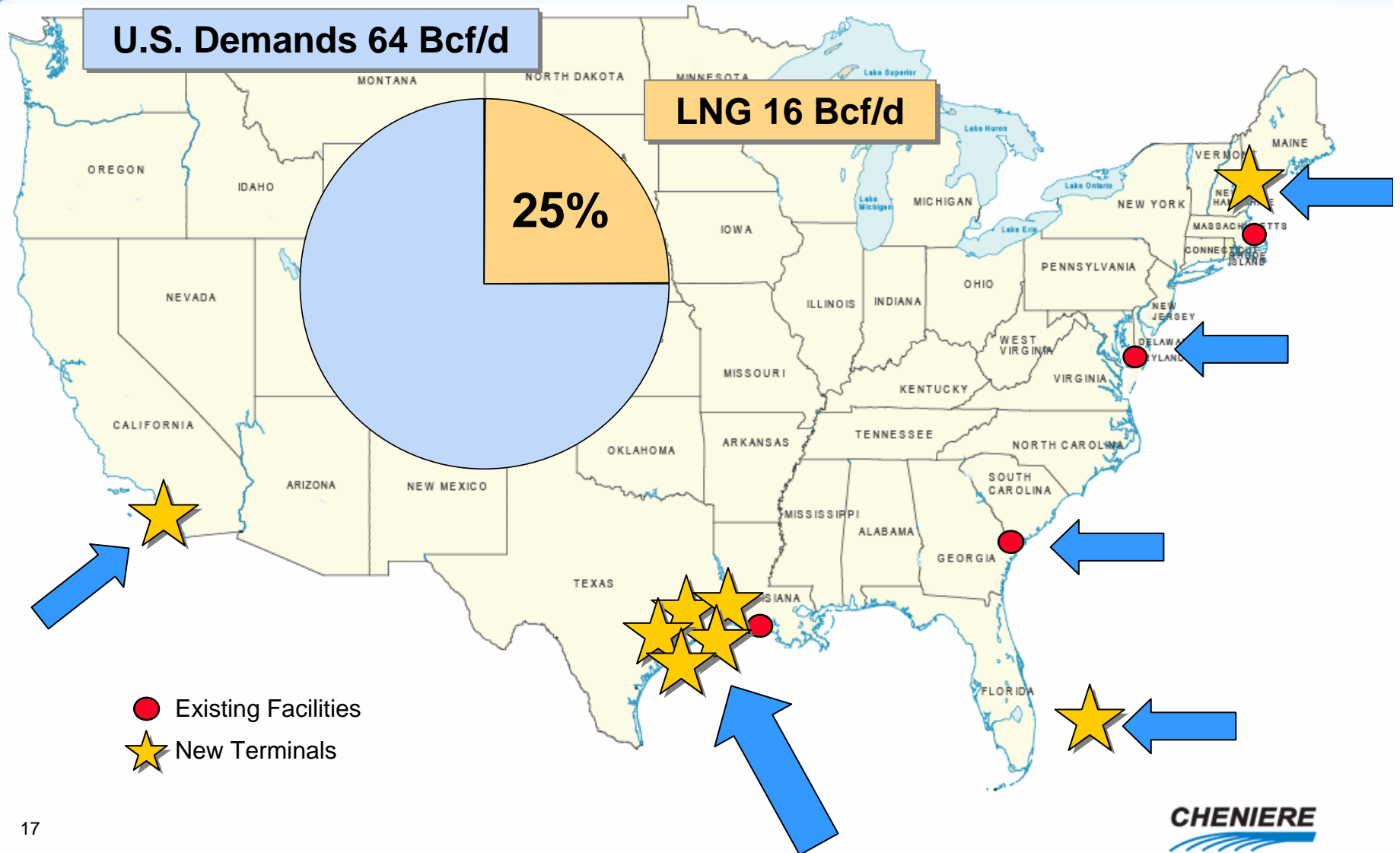
Source: Federal Energy Regulatory Commission



Actual Onshore Applications



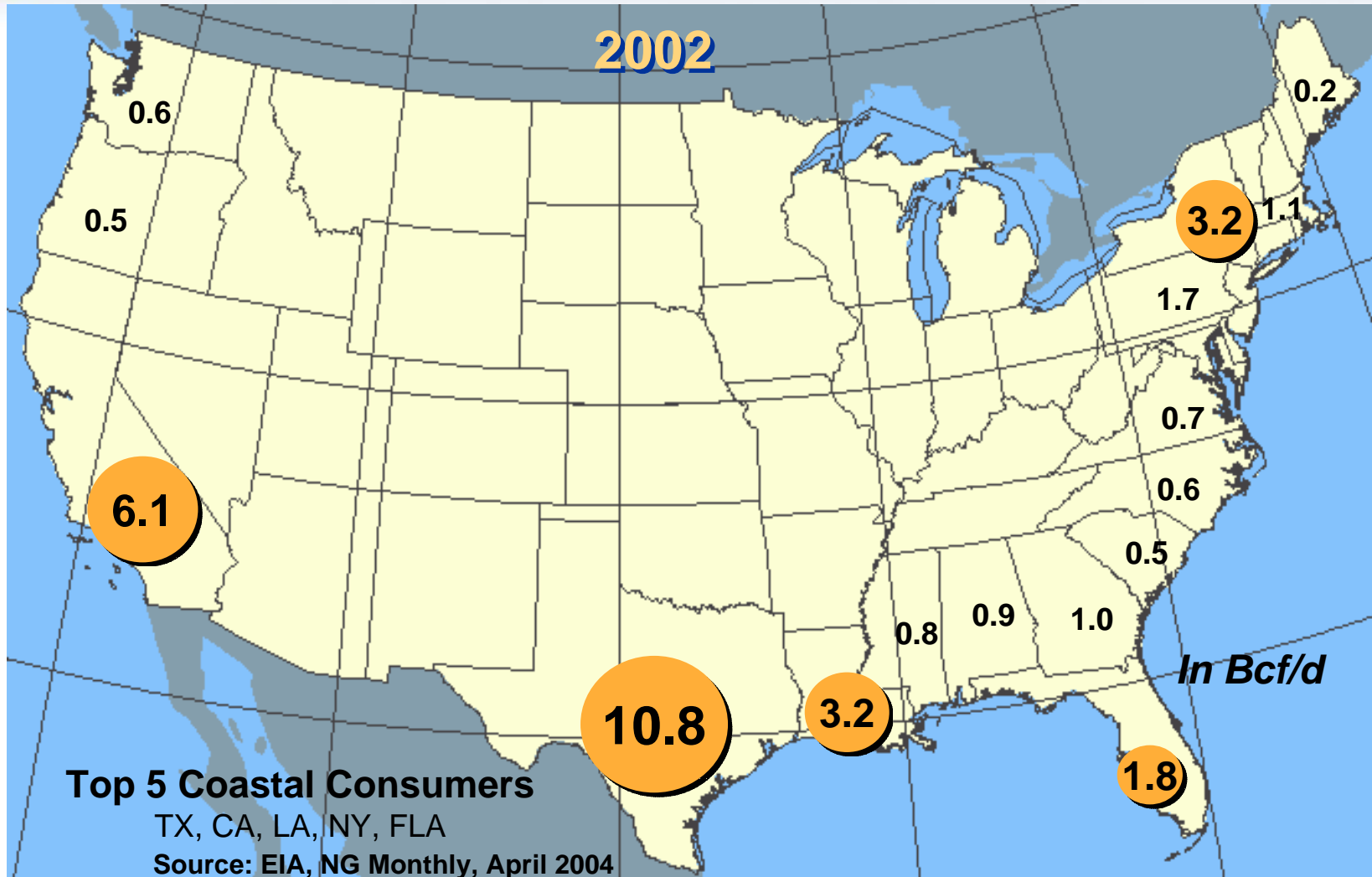
US Regasification Capacity 2010



Terminal Siting Best Practices

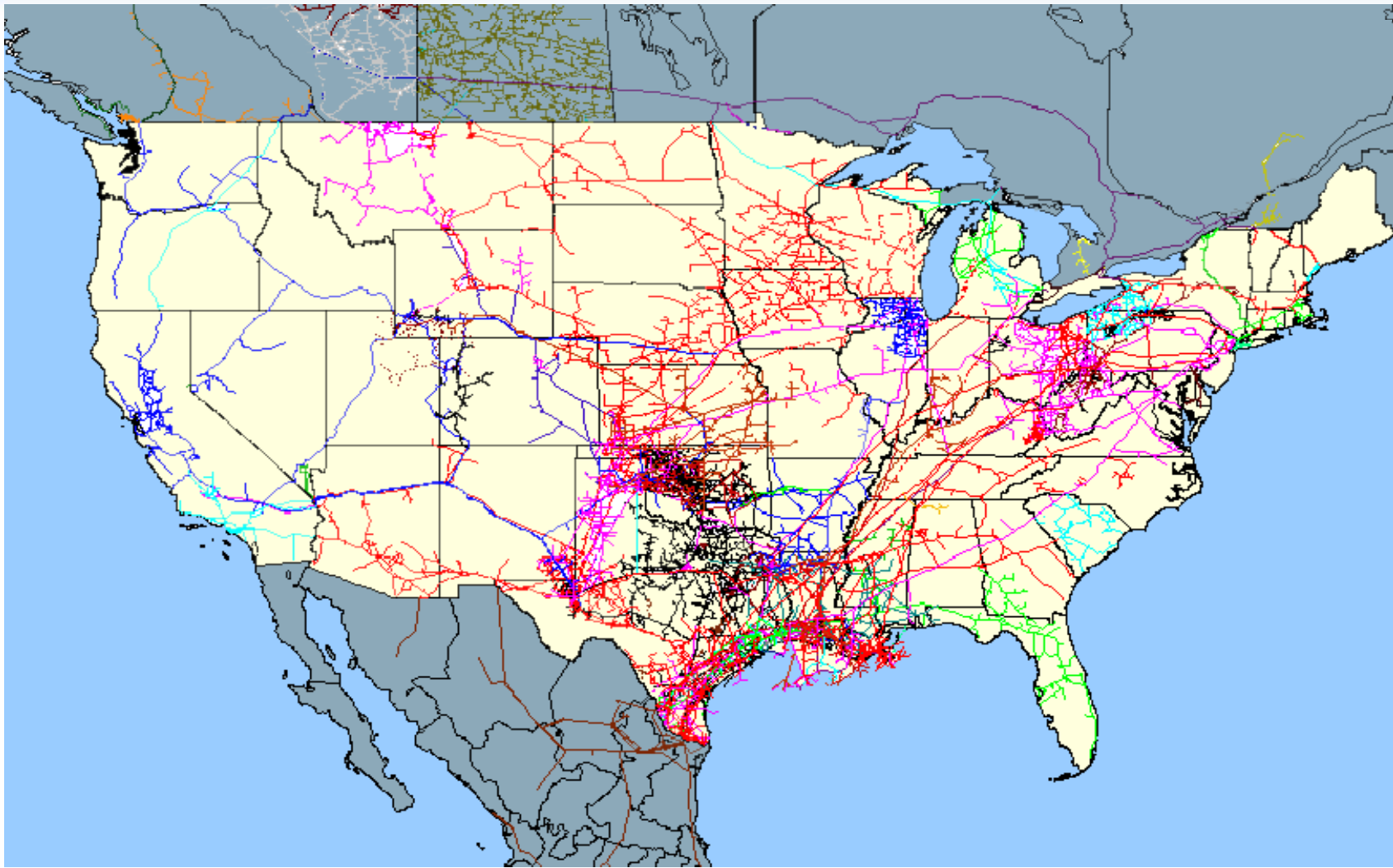
- ✓ **Deepwater port access and compatibility with shipping traffic;**
- ✓ **Safety, especially suitability of acreage for safety exclusion zones;**
- ✓ **Pipeline takeaway capacity;**
- ✓ **Acceptance by local communities;**
- ✓ **Coordination of federal and state agencies;**

Coastal States Gas Consumption



US Gas Pipeline System

Gulf Coast-centered transmission system reaches all US markets



Cheniere LNG Receipt Network

- 3 Deepwater Ports
- 5 Unloading Docks
- 8 Storage Tanks
(27 Bcf equivalent)

- 6.7 Bcf/d Sendout
- 14 Bcf/d Interstate Pipeline
takeaway capacity
- 15 Bcf/d Local Markets

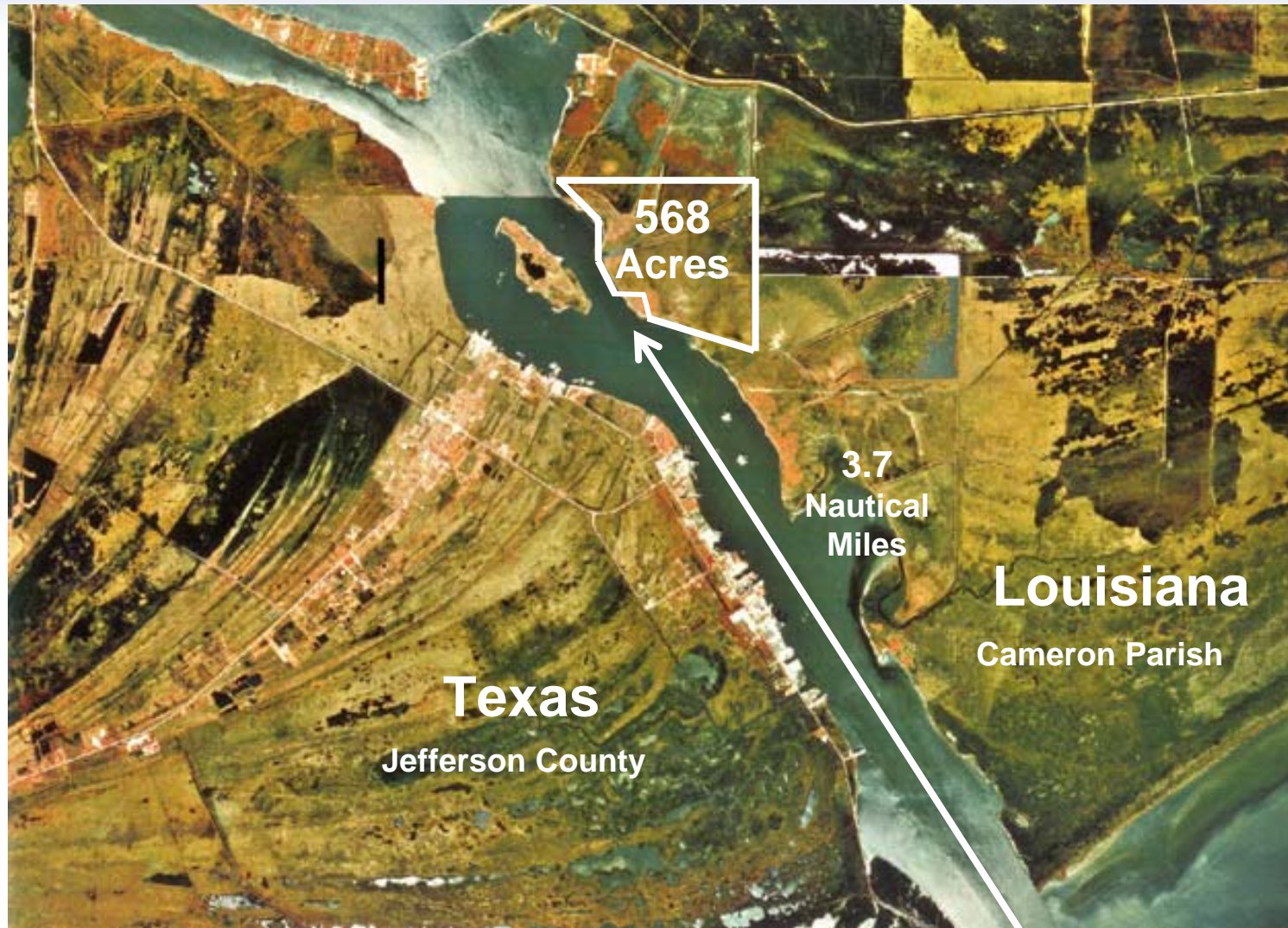


Corpus Christi
Freeport
Sabine Pass

- Optionality
- Flexibility
- Reliability
- Liquidity
- Low Cost



Sabine Pass LNG Site



Sabine Pass LNG

Facility Design Highlights

- **Berthing/Unloading**
 - 2 docks handle 87,000 cm to 250,000 cm LNGCs
- **Storage**
 - 3 x 160,000 cm (10.1 Bcfe)
- **Vaporization**
 - 2.6 Bcf/d capacity
- **Filed December 22, 2003**
 - Docket No. CP04-47-000
- **In-Service Date**
 - Winter Heating Season 2007
- **Strong Community Support**



Sabine Pass - Artist's Rendition

Local Support

EDITORIALS

LNG terminals could safely be productive asset

Southeast Texans demand

LNG Terminal gets strong support here

By CYNDI SELLERS

An enthusiastic crowd of over 200 interested citizens packed the Johnson's Bayou Recreation Center gymnasium on Thursday, March 11, to participate in the Federal Energy Regulatory Commission Pass LNG Regulatory hearing on the proposed Sabine LNG Terminal. The purpose of the hearing was to take public comment on the project and its potential impact on the environment.

Environmental Statement (EIS) was overheard. Public comment was given by officials and citizens from Cameron, Port Arthur, and Beaumont. Letters of support from Gov. Kathleen Blanco, Congressman John S. Spry, and Rep. Mickey Frith were read.

Cameron Parish Police Judge Smokey McGee and Steve Roban presented a resolution from the jury in support and shared a letter from the Port Arthur Police expressing their support.

Carl Broussard, Clerk of the Calcasieu Parish Chamber of Commerce, expressed his support for the project, which he said would provide a secure job base for those who live and work in our community.

Nat Griffith, representing Waterworks District 10, said "hopefully it will provide

Bayou. In fact their zero negative comments, a very unusual situation for a FERC hearing.

Dwight Granger, a vice president at Cheniere Energy, said he had "never been at a meeting this positive."

Former Johnson's Bayou High School Principal Edward Romero said it was the most positive group he has seen since Johnson's Bayou went the State Championship Project.

Cheniere's LNG facilities will be built these types of facilities all over the world, but this is the friendliest, best, most supportive community I've ever seen."

Also speaking in favor of the project were: Michael DIDD, La. Division, Taylor, State Dept. of Economic Development, James Ducote, Cameron Parish, Economic Development, Sammie Faulk, Director, Parish Development Club, Penelope Rehard, Lions Club, Liens Thibodeaux, Alliance Preservation, Sabine Iron Lighthouse, Jeff Sanders and James Dohm, members of IBEW Hackberry and Calcasieu Parish, respectively.

Several speakers were from the Texas side of the river. Verna Rutherford, Port Arthur Chamber of Commerce said "this plan will help us on both sides."

Cont. on Page 12

JOHNSON BAYOU, LA.

Parish opens arms to LNG plant

By DAY WALLACH

Johnson's Bayou, La. — Cheniere Energy's proposed liquefied natural gas terminal on the Louisiana coast will be supported by the parish government and local business leaders.

Parish officials expressed their support for the project during a public hearing held at the Johnson's Bayou Recreation Center on Thursday, March 11.

Gov. Kathleen Blanco, U.S. Rep. John S. Spry, and other officials also expressed their support for the project.

Cheniere Energy is a subsidiary of the French company Total. The company is planning to build a liquefied natural gas terminal on the Louisiana coast.

The terminal will be able to store and export up to 3.6 million cubic feet of natural gas per day.

The project is expected to create 120 jobs during construction and 100 jobs during operation.

Cheniere Energy is a subsidiary of the French company Total. The company is planning to build a liquefied natural gas terminal on the Louisiana coast.

D12
Cameron Parish Chamber of Commerce

Cheniere plant backers pack meeting

Environmental topic of meeting rarely comes up; regional leaders turn out, show support

By ALISSON ZELLENBACH

Only supporters attended the first Federal Energy Regulatory Commission public meeting on Cheniere's proposed liquefied natural gas plant.

About 150 people gathered Wednesday night at the Portland Community Center for the meeting, which was intended to consider the project's potential environmental impact.

"This is not a hearing on the other merits of the project," Commission Project Manager Paul Friedman said.

Register to comment
Register to submit public comments regarding the environmental effects of Cheniere's proposed liquefied natural gas plant at: <http://www.ferc.gov/docs/filing/efiling.asp>

the Corpus Christi City Council planned to pass a resolution in favor of the project at the next meeting.

San Patricio County Judge Terry Simpson also expressed his support and mentioned the positive impact it would have on the local economy.

Around 15 members of the community, including residents, union members, landowners and Sherwin Alumina employees, also endorsed the project for its potential to create jobs and supply a much-needed

READERS WRITE

New gas plants will be boon for economy

I have read recently all of the comments regarding the proposed liquefied petroleum gas plants in this (and other) areas. Let me tell you a story, going back some 62 years.

After the Japanese cut off our natural rubber supply in the Far East, our U.S. government began building synthetic rubber plants well as plants to produce raw materials. These plants were a boon to employment for thousands of unemployed men and women throughout America. They did not have the safety features that have developed in the last 2 years.

Belief that LNG is the plant of the future.

LNG Questions & Answers

The following information was provided by Cheniere Energy on the LNG terminal at Sabine Pass.

What is LNG? Liquefied Natural Gas (LNG) is natural gas that has been super-cooled to -260°F. This process changes the gas to a liquid and reduces its volume by 600 times.

How is it transported? Special LNG tankers are the ones that pass the gas to the terminal. The tankers are equipped with insulated storage tanks and thermos bottles.

The LNG is not flammable.

Blanco endorses Cheniere Energy Sabine Pass

Louis Rom
lrom@theadvertiser.com

LAFAYETTE — Gov. Kathleen Blanco, attending an oil and gas conference Monday in Houston, threw her support behind a plan that would reportedly bring more than 120 jobs to southwest Louisiana.

The Sabine Pass Liquefied Natural Gas Receiving Terminal along the Texas coast, if completed according to plan, would be the largest receiving terminal in the country, importing more than 2.6 billion cubic feet per day of LNG.

Blanco, speaking at the annual Offshore Technology Conference, said she is committed to ensuring access to economic, safe and environmentally friendly energy supplies that will not only create jobs in our state, but will keep jobs here.

About 1 percent of the country's natural gas supply is liquefied natural gas, a figure that experts say could triple by 2020.

Blanco has asked all state agencies and the federal government to support the project and work with Cheniere Energy to expedite permitting for the project.

Cheniere and its contractors are expected to employ more than 600 people during construction of the project, which will create more than 120 direct and indirect jobs when it opens.

But the long-term impact could be much greater, Blanco said, citing a recent study by LSU's Center for Energy Studies.

The report, "Economic Opportunities for LNG Development in Louisiana," concluded that development of a liquefied natural gas infrastructure in the state could mean 13,000 new jobs and job security for more than 11,000 employees in the industry today.

In all, the ripple effect, said Blanco, could mean as much as \$2.3 billion to the state's economy.

Cheniere Chairman Charif Souki said the company is excited about the governor's eagerness to make the project happen. Cheniere said that it hopes to begin construction of the terminal by the end of the year, with operations to begin by winter 2007, Souki said.



Gov. Kathleen Blanco

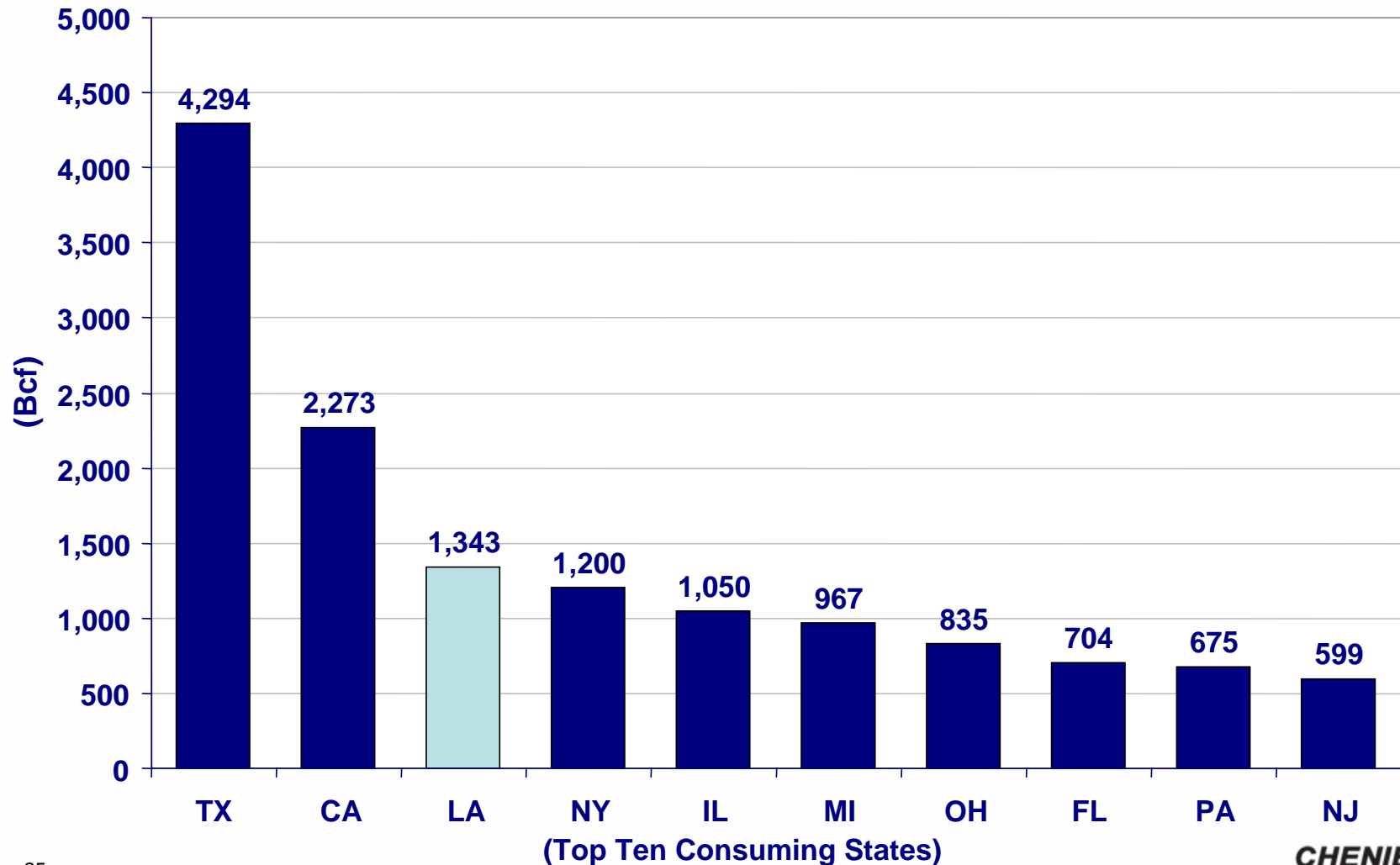
the creation of a turning basin.

Paul Clore, Gregory-Portland Independent School District superintendent, said the project will help us on both sides.

KIEFER
Beaumont

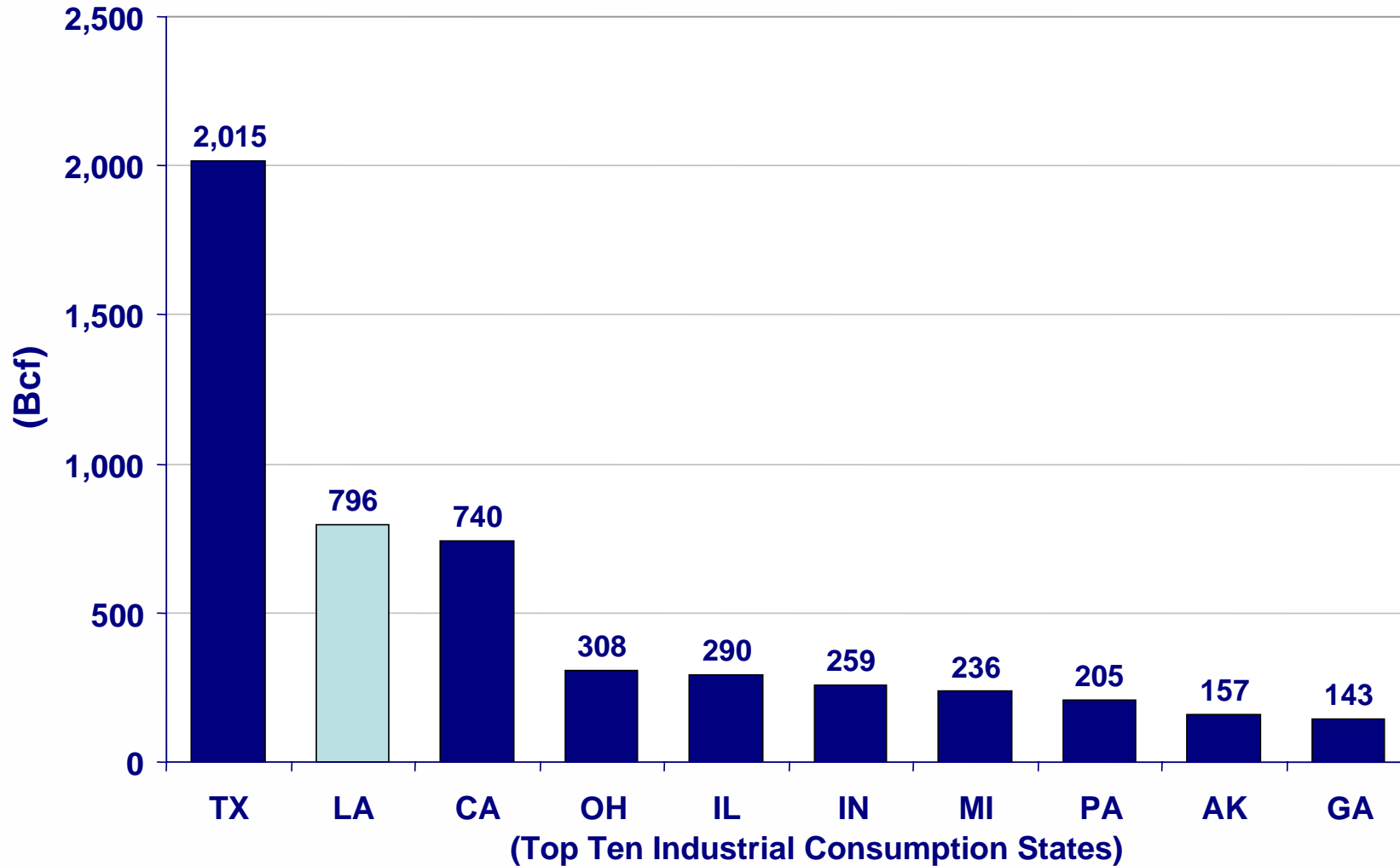
Natural Gas Consumption in the U.S. (2002)

Louisiana is the 3rd largest consumer of natural gas in the US



Industrial Natural Gas Consumption (2002)

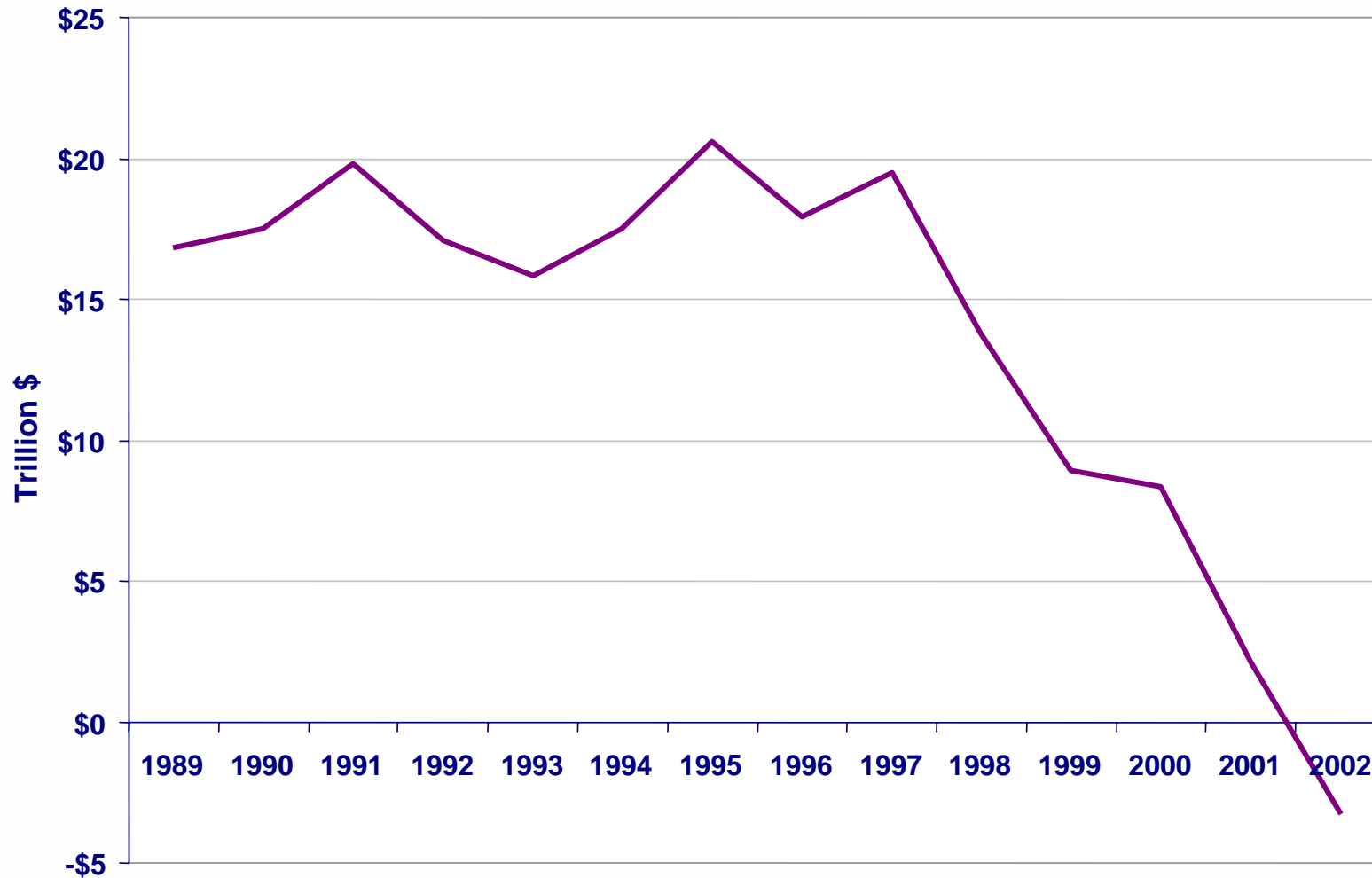
Louisiana industrial consumption ranks 2nd in the US



26 Source: Energy Information Administration, Department of Energy
Center for Energy Studies, LA State University, April 2004

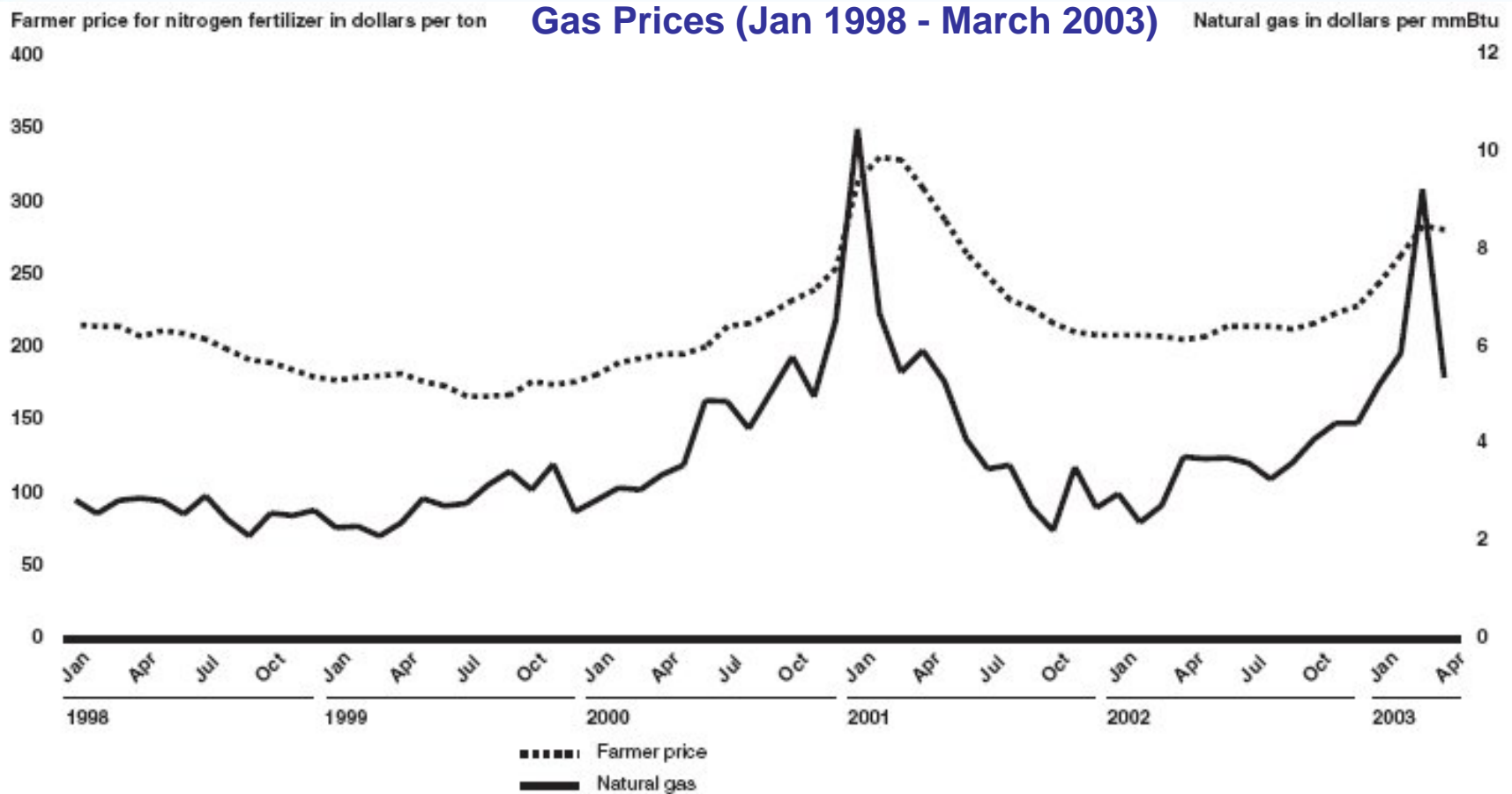
Value of Net Exports – Chemicals

In 2002 the US became a net importer of chemicals



27 Source: Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce
Center for Energy Studies, LA State University, April 2004

Farmer Prices for Nitrogen Fertilizer Relative to Natural Gas

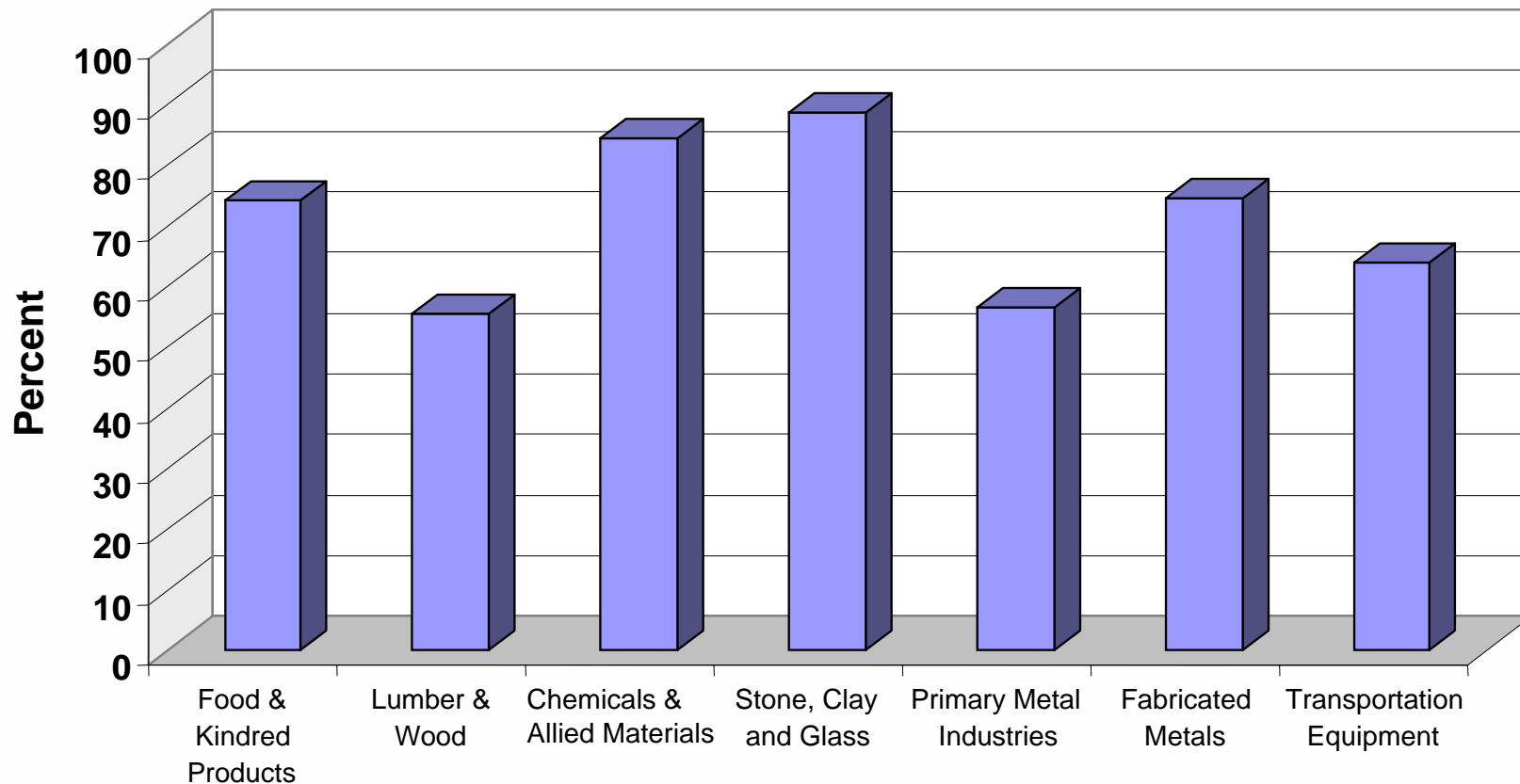


Sources: GAO analysis of USDA, National Agricultural Statistics Service, and Industry data.

Note: Nitrogen fertilizer prices were calculated using USDA price indices and the amount of nitrogen contained in anhydrous ammonia, urea, and UAN.

Natural Gas Used in Louisiana

Percentage of Total Energy by Selected Industrial Sectors



LNG Schematic Production to End-User

One LNG Tanker Carries Enough Fuel



**to Fuel Entergy Louisiana's
Little Gypsy Plant (1,251 MW)
for 1 month or
Waterford 1&2 (891 MW)
for 2 Months**

OR



**to Fuel over 5 percent
of Louisiana's Residential
Customers for 1 Year
(over 51,000 customers)**

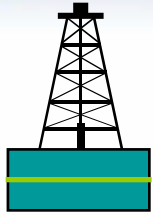
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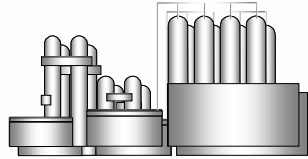
**to Fuel 5 Industrial
Plants for 1 Year**

**Note: Assumes average monthly power usage of 1,275 MMcf;
and average annual industrial usage of 536 MMcf**

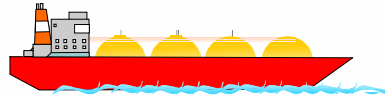
LNG Value Chain



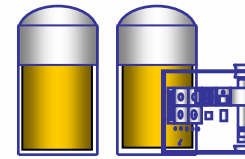
Supply



Liquefaction



Shipping



Regasification



Total

| | |
|------------------|---------|
| Reserves | 9 Tcf |
| Scope | \$0.05B |
| Initial drilling | \$0.05B |
| Development | \$1.4B |

| | |
|-----------------|--------|
| Trains required | 2 |
| Cost per train | \$1.0B |

| | |
|----------------|-----------|
| Distance | 12,000 nm |
| Trip Time | 30 days |
| Ships Required | 12 |
| Cost per ship | \$0.17B |

| | |
|---------------------|---------|
| Port | \$0.09B |
| Storage | \$0.16B |
| Vaporization | .19B |
| Engineering & Other | .06B |

1 Bcf/d Scenario

\$1.5 B

\$2.0 B

\$1.0 – 2.0 B

\$0.5 B

\$5.0 – 6.0 B

Per Unit \$/Mcf

\$.50 – 1.25

\$.80 – 1.00

\$.60 – 1.60

\$.30 – .50

\$3.25 – 4.35

Worldwide Regas Capacity Holders

2002

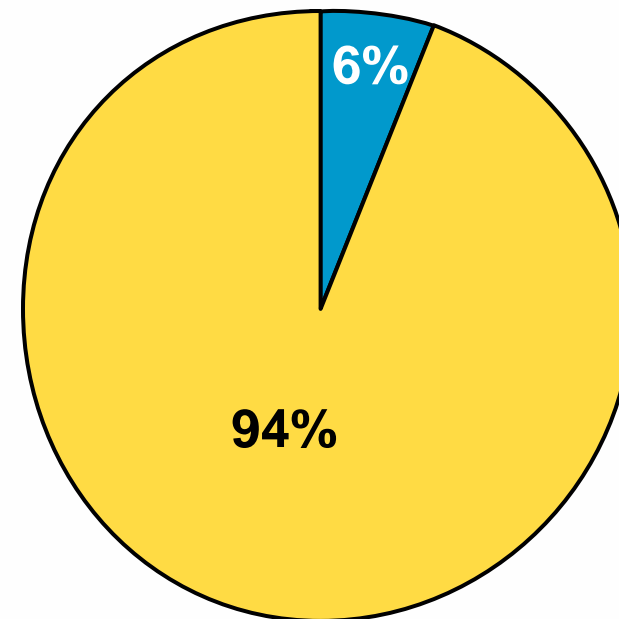
Top Capacity Holders

By Region

- Japan
 - Tokyo Electric
 - Tokyo Gas
 - Toho Gas
 - Osaka Gas
 - Chubu Electric
- Korea
 - Kogas
- Taiwan
 - CPC
- Europe
 - Gaz de France
 - Gas Natural (Spain)
 - Snam Rete Gas (Italy)
 - Distrigas (Belgium)
 - Transgas (Portugal)
 - Depa (Greece)
 - Botas (Turkey)

Sellers

2.4 Bcf/d



Buyers

37.6 Bcf/d

Cheniere Capacity Sales

| | |
|---|------------------|
| Total capacity in development | 6.7 Bcf/d |
| Held to Cheniere's Account | 2.2 Bcf/d |
| Offered to Market | 4.5 Bcf/d |
| Committed - Dow Chemical & ConocoPhillips | 1.5 Bcf/d |
| Committed – Total Option | <u>1.0 Bcf/d</u> |
| Available | 2.0 Bcf/d |

Too Much or Too Little?

Risks of too little

- Demand destruction and job loss
- Reliance on imports of value added products
- Economic pain across most sectors
- High natural gas prices

Too Much or Too Little?

Barriers against too much LNG

- Limited number of adequate sites
 - Deepwater port
 - Pipeline capacity
 - Large site
- Lack of public reception in many locations
- Large upstream capital requires contract foundation

Summary

- US needs access to the world's abundant supplies of natural gas
- LNG will stabilize and lower natural gas prices
- 8-10 US import terminals will be built
- LNG could provide 25% of domestic consumption
- More large users will contract directly for supply (e.g., DOW, FPL)
- Strategic window of opportunity is open