

GAIL and Cheniere, USA sign 20-year LNG Sale and Purchase Agreement

- **Cheniere and GAIL India sign for train four at the Sabine Pass LNG terminal**
- **GAIL contracts for approximately 3.5 million tonnes per annum of LNG**

New Delhi, December 12, 2011. GAIL (India) Limited has signed a Sales and Purchase Agreement (SPA) for supply of LNG over 20 years with Sabine Pass Liquefaction, LLC, a subsidiary of Cheniere Energy Partners, L.P., USA for supply of 3.5 million tonnes per annum (MTPA) of LNG.

The LNG would be supplied from train four of the Sabine Pass LNG receiving terminal located on the Sabine Pass Channel in western Cameron Parish, Louisiana. The Sabine Pass LNG terminal project is being developed by Sabine Liquefaction and would include up to four liquefaction trains capable of producing up to 18 mtpa of LNG. The project is being developed in phases with each LNG train commencing operations approximately six to nine months after the previous train. Sabine Liquefaction has recently announced that it has reached its targeted annual contract quantity of 7 mtpa for the first phase and is advancing towards making a final investment decision for the development and construction of the first two liquefaction trains. The SPA with GAIL represents the first contract for the second phase of the project, which will also include two liquefaction trains with combined production capacity of 9.0 mtpa.

Under the SPA, GAIL will pay Sabine Liquefaction as per contractual provisions on a Henry Hub basis after transfer of custody on FOB. LNG will be loaded onto GAIL's vessels. The SPA has a term of twenty years commencing upon the date of first commercial delivery, and an extension option of up to ten years. LNG deliveries are expected to occur upon commencement of operations of train four in 2017. However, bridging supplies of LNG will start from train two in the year 2016. The SPA is subject to certain conditions precedent, including but not limited to Sabine Liquefaction receiving regulatory approvals, securing necessary financing arrangements and making a final investment decision to construct the second phase of the liquefaction project.

Commenting on the development, Mr. B. C. Tripathi, Chairman & Managing Director, GAIL (India) Limited said, "The SPA with Cheniere will help GAIL to ensure long term gas supply for the growing demand in the Indian market. This will be in addition to other initiatives being undertaken by GAIL which includes building captive LNG facilities in India and augmenting its transmission capacity from 175 MMSCMD to over 300 MMSCMD over the next two years. GAIL has already established an office in Houston and acquired shale gas assets in Carrizo's Eagle Ford Shale acreage and is further looking for shale gas assets in the US".

“GAIL will join BG and Gas Natural Fenosa as the next foundation customer for our Sabine Pass liquefaction project. GAIL is India’s leading natural gas company and its largest shareholder is the Government of India,” said Charif Souki, Chairman and CEO. “We are building a strong portfolio of customers, consisting of energy companies engaged in the natural gas, LNG and power markets with operations spanning the globe. We continue to hold advanced discussions with additional global LNG buyers and expect to complete commercial discussions for the remaining capacity of the second phase of the project in the coming weeks.”

GAIL (India) Limited is India's flagship Gas Transmission and Marketing Company under the Ministry of Petroleum and Natural Gas, Government of India. Over the years, GAIL has transformed into an integrated energy company with global footprints by means of integrating along the Natural Gas value chain. After having started as a gas transmission company during the mid eighties, it has grown organically over the years by building large network of Natural Gas trunk Pipelines covering a length of 9000 km at present. GAIL is further constructing 5000 km of additional pipeline network by 2014-15. GAIL has leveraged its core competence by way of setting-up two LPG Pipelines in the country covering a total length of over 2000 KM, including world’s longest exclusive Liquefied Petroleum Gas (LPG) Transmission Pipeline (Jamnagar-Loni pipeline). In the last two decades, GAIL has created a sizeable natural gas market in the country and presently has a capacity to transport 175 MMSCMD of Natural Gas through its Transmission Network. Currently, GAIL’s market share in gas transmission in the country is 72% with plans to double up the existing transportation capacity in the next two to three years.

Besides holding equity in Kochi and Dahej terminals, GAIL, through Ratnagiri Gas & Power Pvt. Ltd., is in the process of commissioning a re-gas terminal at Dabhol (west coast of India) for 5 MMTPA. GAIL is also planning to develop an LNG re-gas terminal in the east coast of India. This LNG from Sabine Pass shall form a part of the basket for feeding LNG to both these terminals, in addition to the utilization of capacity of other terminals in India.

GAIL has acquired its first shale gas assets in the USA through its wholly owned US subsidiary GAIL Global (USA) Inc. The subsidiary company, which has opened an office in Houston, has executed definitive agreements with Carrizo Oil & Gas Inc. based in Houston, Texas, to enter into an unincorporated joint venture, under which GAIL Global (USA) Inc. has acquired a 20% interest in Carrizo's Eagle Ford Shale acreage position. The Joint Venture has 20,200 gross acres, out of which GAIL subsidiary would have 4,040 net acres spread over four counties in Texas.

GAIL has also set up a wholly-owned subsidiary company viz. GAIL Global (Singapore) Pte. Ltd. in Singapore for sourcing LNG, trading of LNG and petrochemicals and overseas investments. An office has been set up in Singapore for this purpose.

Cheniere Partners owns 100 percent of the Sabine Pass LNG receiving terminal located on the Sabine Pass Channel in western Cameron Parish, Louisiana. The Sabine Pass

terminal has regasification and send-out capacity of 4.0 billion cubic feet per day (Bcf/d) and storage capacity of 16.9 billion cubic feet equivalent (Bcfe). Cheniere Partners is developing a project to add liquefaction and export capabilities to the existing infrastructure at the Sabine Pass LNG terminal.



Photo Caption

GAIL team led by Mr. B C Tripathi, Chairman & Managing Director accompanied by Mr. Prabhat Singh, Director (Marketing), Mr. S L Raina, Director (HR), Mr. S Venkatraman, Director (BD) and Shri Arun Singhal, CVO [in New Delhi] and the team from Cheniere led by Mr. Charif Souki, Chairman and CEO [in Houston] after the signing of SPA.