Corpus Christi 3 LNG, US

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This is the type of transaction that made everyone involved happy. *IJGlobal* understands that the only frustration on the deal came from the banks – they wanted more.

Cheniere Energy awarded only 14% of what each bank had offered on the first new liquefied natural gas (LNG) development in the US to move forward since 2015. Yet the sponsor raised a $6.1 billion loan to fund the expansion of its Corpus Christi LNG project in Texas. How? Cheniere Energy closed the deal with 46 financial institutions from all over the world.

Cheniere Energy is understood to have undertaken most of the bank coordination itself. Using its past solid relations with the financial institutions, the company did not have mandated lead arrangers (MLAs) for the transaction.

The consensus seems to be that the developer “treats the banks it works with very well”.

There were two main drivers that made this deal highly oversubscribed. The first one is the appetite for "first class" LNG projects in a high liquidity banking market. The other reason is the desire to participate in a financing that in turn may lead to other transactions – not only for the Corpus Christi project, but also for other Cheniere Energy assets.

The financing

Structured as a traditional project finance transaction, the debt for the expansion was on the asset level and included independent engineers, off-take agreements and the project cash flows from the two LNG trains already under construction.

“It was the sweet spot to be,” said one banker on the transaction. “Every bank with a project finance desk has participated on it,” said another.

The competition to be part of the deal led to tight prices and low margins, as well as the inclusion of some unusual names on the list of participating lenders – such as the Korean Woori Bank and North American Apple Bank.

The debt financing includes amended credit facilities, which were upsized from $4.8 billion to $6.1 billion under the terms of the deal. Tickets for each lender are said to have varied from amounts as small as $20 million to a few $100 million.

IJGlobal has learnt that Société Générale acted as financial adviser to raise the 7-year debt.

The debt/equity ratio is said to be 80:20, as is normal for LNG projects, according to a person close to the negotiations.

The Corpus Christi LNG project has two recently signed sales and purchases agreements (SPAs) with privately-owned commodities trading firm Trafigura Group and with PetroChina, wholly-owned subsidiary of China National Petroleum Corporation. The SPAs – with 12- and 20-year tenors, respectively – are tied to the planned train 3. Each SPA provides fixed payments that are payable regardless of whether LNG cargoes are lifted or not.

Cheniere Energy will fund the remaining project cost under an equity contribution agreement with its wholly-owned subsidiary Corpus Christi Holdings (CCH). Cash flows generated by trains 1 and 2 after they commence operations will also help finance the expansion.

Sullivan & Cromwell was legal adviser to CCH for the amendment of the credit facilities.

The project

The Corpus Christi LNG project was planned as a three-train complex, with the first two trains already under construction. On the same day of the debt raise, Cheniere Energy signed the final investment decision (FID) for what the construction of the third train, which is said to be the first new LNG project in the US to advance since 2015.

According to Cheniere Energy, the amended credit facilities will be used to "fund a portion of the costs of developing, constructing, and placing into service trains 1, 2, and 3" and the associated pipeline and other infrastructure at or near the project.

Each of the three trains at the Corpus Christi facility will have a nominal production capacity of 4.5 million tons per annum (mtpa) of LNG. Work for the first two trains is progressing ahead of schedule – Corpus Christi 1 is expected to enter service in H1 2019, and Corpus Christi 2 is now also expected in H2 2019. The second train was previously planned for 2020.

CCH has provided its EPC partner – Bechtel Oil, Gas, and Chemicals – limited notice to proceed with Corpus Christi 3.

The US LNG market

“The market was hungry for high-quality LNG assets,” said a marketwatcher from an Asian bank.

Chenerie Energy is already the biggest buyer of natural gas in the US and is on track to become the second biggest LNG operating company in the world – measured by capacity – behind Qatar Petroleum.

The company also owns the Louisiana Sabine Pass project – the first large LNG export facility in the country – whose operations commenced in February 2016. Sabine Pass currently has four liquefaction trains in service, in addition to a fifth under construction and a sixth in development.

US LNG exports reached 1.94 billion cubic feet per day (Bcf/d) in 2017, up from 0.5Bcf/d in 2016, according to data from the US Energy Information Administration (EIA). All LNG exports in 2017 originated from Sabine Pass.

In March (2018), Dominion Energy’s Cove Point LNG export terminal in Maryland started operations.

Four more projects are scheduled to come online in the next two years:

- Elba Island LNG terminal, Georgia – owned by Kinder Morgan, six trains are scheduled to come online in the summer of 2018 and four trains are scheduled to come online by May 2019
- Cameron LNG export facility, Lousiana – developed by Sempra, three trains are expected to come online in 2018
- Freeport LNG terminal, Texas – developed by Freeport, three trains are expected to come online in 2019
- Corpus Christi 3, Texas – owned by Cheniere Energy

As export capacity continues to increase, the US is projected to become the third-largest LNG exporter in the world by 2020, surpassing Malaysia and lagging behind only Australia and Qatar.

Before Cheniere Energy reached financial close on the Corpus Christi expansion, there was a fierce debate in the country over which LNG projects would move forward. At the heart of the argument was the question of whether the next LNG project would be another Goliath-sized project or a smaller, modular facility.

As it turned out, it seems Goliath won the battle... this time.

The 46 banks

Here follows the full list of lenders on the Corpus Christi 3 deal:

- ABN Amro Capital USA
- Apple Bank for Savings
- Banco Bilbao Vizcaya Argentaria (BBVA) – NY branch
- Banco de Sabadell – Miami branch
- Bank of America
- Bank of China – NY branch
- Bank of Nova Scotia – Houston branch
- CaixaBank
- Canadian Imperial Bank of Commerce – NY branch
- China Merchants Bank – NY branch
- CIT Finance
- Citibank
- Commonwealth Bank of Australia
- Crédit Agricole Corporate and Investment Bank
- Credit Industriel et Commercial
- Credit Suisse AG – Cayman Island branch
- DBS Bank
- FirstBank Puerto Rico (dba FirstBank Florida)
- Goldman Sachs Bank
- HSBC Bank USA National Association
- Industrial and Commercial Bank of China – NY branch
- ING Capital
- Intesa Sanpaolo – NY branch
- JP Morgan Chase Bank
- KEB Hana Global Finance and KEB Hana Bank – Hong Kong branch
- KfW IPEX-Bank
- Landesbank Baden-Württemberg – NY branch
- Lloyds Bank
- Mizuho Bank
- Morgan Stanley and Morgan Stanley Senior Funding
- MUFG Bank
- National Australia Bank
- Raymond James Bank
- Royal Bank of Canada
- Santander Bank
- Siemens Financial Services
- Société Générale
- Standard Chartered Bank
- Sumitomo Mitsui Banking Corporation (SMBC)
- The Korea Development Bank – NY branch – and The Korea Development Bank – Seoul HQ
- Wells Fargo Bank
- Woori Bank – NY agency – and Woori Global Markets Agency