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- *By Robert Grattan*

Ship hasn't sailed, yet

Cheniere's first LNG export from Sabine Pass to be delayed a month

Cheniere Energy said Thursday that a technical matter has delayed the first export of liquefied natural gas from its Sabine Pass plant by about a month until late February or early March.



Patric Schneider Custom tugboats that are designed to handle specialized LNG tankers are docked at Cheniere's Sabine Pass LNG facility in Cameron, La. The plant is expected to have the ability to process 3.5 billion cubic feet of natural gas per day into LNG.

The shipment, which the company had said would depart by specialized tanker around the end of January, is still slated to be the first cargo of liquefied gas to sail from the continental United States since new technology spurred a boom in natural gas production from dense shale formations.

A one-month delay isn't likely to mean much for the company or the market, said Bob Ineson, a global LNG specialist at consulting group IHS.

"It's not huge," he said. "When you look at the conditions in the global market, it's pretty well supplied."

Early in the shale boom, the draw of international markets where gas sold for more than in the United States triggered a race to develop liquefaction terminals to chill the gas into a liquid and load it into tankers. As a result, a crush of liquefaction capacity is scheduled to come online this year, even as demand has turned sluggish and prices on some international markets have fallen near the U.S. price of a little more than \$2 per million British thermal units.

In a statement disclosing the delay Thursday, Cheniere attributed the holdup to "instrumentation issues" discovered during the final phases of plant commissioning.

Engineering and construction firm Bechtel Corp. is building Sabine Pass and will handle the fix in the coming weeks, the company said.

The company declined to elaborate.

The construction of the liquefaction unit, called a train, is ahead of schedule and the company expects to meet contract targets, according to a written statement from interim Cheniere chief executive Neal Shear.

Cheniere's \$18 billion Sabine Pass project is designed to include up to six liquefaction trains, which cool natural gas into a more easily transported liquid. If completed as planned, the facility will have the ability to process about 3.5 billion cubic feet of natural gas per day into LNG.

The company began construction on the first two Sabine Pass LNG trains in August 2012 and the second two in May 2013. The fifth, which has a slightly smaller capacity, broke ground last June, while the sixth awaits a final go-ahead from company management.

Cheniere has contracts for use of the liquefaction capacity it's building, which means its revenue will be mostly secure whatever the value of the natural gas that passes through its system.

Other plants

Several other large liquefaction plants are online or nearing completion in the U.S. and abroad. On Monday, ConocoPhillips announced its \$17 billion Australia Pacific LNG plant had shipped its first cargo to a customer in Asia.

In the U.S., several large LNG plants are due to come online after Cheniere's Sabine Pass. Those include another Cheniere venture in Corpus Christi and competitor Freeport LNG's plant on Quintana Island near Freeport in Brazoria County.

60 million tons

Combined, there are about 60 million tons per year of LNG capacity under construction in the United States, according to recent calculations by consulting group Wood Mackenzie.

And since all of those projects will compete to find buyers for their LNG, the outlook for LNG prices isn't rosy, said Michelle Michot Foss, chief energy economist at the Center for Energy Economics at the University of Texas at Austin's Bureau of Economic Geology.

"For some period of time, it's just going to be a very, very tough market," she said.