

Tellurian signs \$7.5bn agreement with India's Petronet for US LNG



Tellurian Inc. said it signed a \$7.5 billion agreement for India's Petronet LNG Ltd. to buy into its proposed liquefied natural gas terminal in Louisiana, in what could potentially be one of the largest foreign investments in the U.S. to ship shale gas abroad.

Petronet will spend \$2.5 billion for an 18% equity stake in the \$28 billion Driftwood LNG terminal – the largest outside holding so far in the project – and negotiate the purchase of 5 million tons of gas per annum. The remainder of the total will come from debt, Tellurian Chief Executive Officer Meg Gentle said.

The companies plan to complete the accord by March 31, by which time Tellurian hopes to have signed up partners to

enable it to proceed with the project.

“We will sign the document sometime in the first quarter and we will have financing ready to close simultaneously, and then we will begin construction,” Gentle said in a telephone interview. “India is one of the fastest growth markets for LNG and should soon become the second-largest LNG importer.”

The deal, signed in Houston in the presence of Indian Prime Minister Narendra Modi, underscores a record year for the LNG industry, with tens of billions of dollars worth of export projects given the green light. The surge of new supply from America’s trove of shale gas has rendered the once-premium fuel accessible for emerging markets such as India, currently the sixth-largest buyer of U.S. LNG.

“People should not be surprised this came,” said Tellurian co-founder Charif Souki, who also started America’s largest LNG exporter Cheniere Energy Inc. “The United States and India have a significant issue diametrically opposed. We have too much gas that we don’t know what to do with and India needs greater gas, and 1 million tons a time is not going to solve the problem.”

The Petronet deal, the largest by an Indian company in U.S. LNG, comes days after the gas industry’s all-important GasTech conference and coincides with Modi’s much-anticipated visit to Texas. He’s set to take the podium at Houston’s NRG Stadium with President Trump on Sunday and address a crowd of more than 50,000.

“This deal will further help diversify India’s energy supplies,” said Lydia Powell, who runs the Centre for Resources Management at the New Delhi-based Observer Research Foundation think tank. “The U.S. wants to displace Middle East supplies and India is a large market.”

Petronet’s investment is vying to be the largest by a foreign entity with one that Sempra Energy expects to finalize in

Texas with Saudi Aramco.

Tellurian expects to finalize the last 4 million tons needed for Driftwood's first phase with one or two partners in the coming months, Gentle said. Petronet's share represents about \$2 billion in annual fuel sales for the life of Driftwood, she said.

"It supports the drilling industry and the pipeline industry, and there is going to be an enormous amount of resources," Souki said.