LNG Projects

From drill bit to burner tip, Baker Botts offers its LNG industry clients integrated service and in-depth legal capabilities across the value chain. This breadth and depth of experience enables us to advise our clients on some of the LNG industry’s most innovative projects.

The firm’s LNG Practice began in the early 1970s through our involvement in developing the successful Bontang LNG project in East Kalimantan, Indonesia. It has grown to include dozens of projects in the U.S. and around the world, including several benchmark-setting projects, such as the first LNG project in the United States to have taken FID in over 40 years, the first LNG projects in South America, Angola, Equatorial Guinea and the first project to deliver LNG to the West Coast of North America. We have also advised clients in securing the first LNG supply into new terminals in Brazil, China, the Dominican Republic, Chile, India, Europe and the U.S., and have been in the forefront of the development of numerous new regasification facilities, including several floating terminals.

Baker Botts lawyers have advised on more than 150 significant LNG transactions in more than 30 countries; assisted clients as project counsel in developing almost a dozen greenfield liquefaction projects, including five in the past five years; represented developers in a myriad of LNG receiving terminals regarding project structuring, financing, commercial, environmental, tax and regulatory matters and inter-customer agreements; secured permits from the U.S. DOE, FERC, U.S. Coast Guard and other federal and state regulatory agencies for terminal construction and expansions and LNG shipping; worked with financial institutions and commodity traders to structure investments in LNG projects and develop innovative marketing and trading models for LNG; advised clients on the purchase and charter of over 70 new-build LNG tankers, including some of the first floating LNG storage and regasification vessels and one of the first proposed floating liquefaction vessels; and provided leadership to a 200-member industry-wide effort to draft a model LNG Master Sales Agreement (MSA) necessary to promote development of a secondary market for LNG.
Structuring LNG Projects and Investments

One of the early opportunities where we provide value to our LNG clients involves assisting with the design and implementation of strategies for making LNG investments across the entire value chain, including structuring LNG projects and investments in LNG projects and developing flexible contractual structures to accommodate our clients’ diverse LNG marketing and trading platforms.

For example, in one greenfield liquefaction project, we helped our client structure their project (including corporate, commercial, tax and regulatory components) to overcome competing objectives and align governmental, gas supplier and LNG project company shareholder interests in order to achieve a successful launch of the first LNG project in that country.

Sale and Purchase Agreements

The key economic driver in an LNG project, and the agreement underpinning much of LNG project financing, is the LNG Sale and Purchase Agreement (SPA). Our work on scores of SPAs and MSAs, involving producers from all major regions, gives us the experience to develop innovative commercial solutions and a unique awareness of evolving trends in different LNG markets. We work with our clients to ensure that the terms of the SPAs and/or MSAs are coordinated with other major project agreements, including Engineering, Procurement and Construction (EPC) contracts, gas sale and purchase agreements, LNG shipping agreements and Terminal Use Agreements (TUAs). Our work with Sabine Pass LNG in the U.S., Angola LNG, Brass LNG and Peru LNG demonstrate our ability to assist our clients in the organization of their activities and obligations across numerous major project agreements.

“Baker Botts is brilliant in the energy sector because it knows everything. It understands the legal side and most importantly the commercial aspects of negotiations.”

— Chambers Europe 2013 - Energy & Natural Resources
“According to clients, lawyers offer “extensive experience in the energy sector and brilliant legal and commercial minds” and are also “excellent to work with, friendly and helpful.”

— Chambers UK 2013

Shipping Agreements

Working with clients in Qatar, Brazil, India, Indonesia, Nigeria, Australia, Papua New Guinea and elsewhere, Baker Botts lawyers have structured shipping solutions that include negotiating shipbuilding contracts and time charterparties for over 70 new-build LNG tankers. Our work has included advising on a number of innovative alternatives to traditional LNG solutions, such as some of the first floating LNG storage and regasification vessels to enter service, proposed floating liquefaction vessels, a floating bi-directional liquefaction and regasification barge and the first Q-Flex and Q-Max LNG vessels to enter service, which employ onboard re-liquefaction technology coupled with slowspeed diesel propulsion. We have advised on charterparties, shipbuilding contracts and/or conversion contracts for eight FSRUs/ SRVs with deployments/planned deployments in Brazil, Indonesia, China and elsewhere.
Terminal Use Agreements (TUAs)

As part of our LNG transactional experience, Baker Botts has prepared and negotiated numerous Terminal Use Agreements for owners and customers related to the use of both LNG liquefaction and LNG regasification facilities. Baker Botts has also negotiated related agreements for regasification facilities, including scheduling agreements, conditions of use, marine services agreements, intercustomer agreements and capacity sharing and common facilities agreements.

Engineering, Procurement and Construction Contracts

Baker Botts has drafted and negotiated a number of billion-dollar EPC contracts for various LNG liquefaction projects and regasification terminals around the world, including for Brass LNG, Equatorial Guinea LNG and the Jordan Cove Energy Project. This work has involved negotiating with many of the world’s largest LNG contractors. We know the market for EPC contracts and are involved in developing cutting-edge, innovative structures. Baker Botts has also negotiated a number of technology license agreements relating to LNG liquefaction projects.

Financing

Baker Botts lawyers have been actively involved in financings for the LNG industry, representing financial institutions, project companies and sponsors in a wide variety of projects, including LNG receiving terminals and liquefaction facilities. For example, our lawyers have represented lenders in multiple financings for the Atlantic LNG facility at Point Fortin, Trinidad and Tobago and in the project financing for the Cross Island Pipeline which feeds natural gas to Atlantic LNG. Our lawyers also advised as project counsel on the landmark project financing of the Peru LNG project which was named Project Finance’s “2008 Latin American Export Finance Deal of the Year.”
Regulatory Approvals

Baker Botts has longstanding experience in assisting developers and operators in obtaining required regulatory approvals for the permitting, construction and operation of LNG regasification terminals. In the U.S., we have long represented Distrigas of Massachusetts, LLC (DOMAC) and assisted them in obtaining deregulation of their sales service. We have obtained regulatory and environmental authorizations for numerous new projects, including Sparrows Point, Weaver’s Cove, Main Pass Energy Hub, Ocean Cay/Ocean Express and Golden Pass. Baker Botts lawyers have also been involved with development of LNG receiving terminal projects around the world, including in Brazil, China, the Dominican Republic, India and the United Kingdom.

Tax

Baker Botts tax lawyers advise sponsors of LNG projects on structuring of project companies and contractual arrangements to minimize the worldwide effective taxation of the projects and their participants. We have particular experience in advising our non-U.S. clients in minimizing U.S. federal and state taxation of sales of LNG into the U.S., marketing of regasified LNG within the U.S., transportation of LNG to the U.S. and other related activities.

Environmental Experience

With lawyers dedicated to the environmental landscape, Baker Botts provides integrated advice to its energy clients. Our lawyers help our clients secure the broad range of environmental authorizations for siting, developing and modifying onshore and offshore LNG regasification terminals, natural gas pipelines, natural gas storage projects and related facilities. For example, we assisted ExxonMobil with National Environmental Policy Act (NEPA) review, state environmental permits, air quality conformity determinations and coastal zone management approvals for its LNG terminals and assorted natural gas pipeline projects on the U.S. Gulf Coast. We are at the forefront in advising our clients on the challenges, and potential benefits, presented by evolving carbon regulations and trading regimes.
International Arbitration and Dispute Resolution

Baker Botts arbitration lawyers represent and advise our clients on high profile disputes arising out of LNG-related matters around the globe, including a number of LNG price disputes and price reviews. Our specific experience in LNG disputes is complemented by our deep experience with disputes involving construction cost and schedule overruns, operations issues, gas transportation and sales arrangements and investor state disputes. Baker Botts lawyers are trained in both civil and common law, and members of the team have been employed by or worked with all of the key arbitral institutions.

“They are a quality energy firm.”
— Chambers Asia 2013 - Energy & Natural Resources
Representative LNG Project Experience of Our Lawyers

UNITED STATES
- Gulf Coast
  - Beacon Point LNG
  - Calhoun LNG
  - Cameron LNG
- Cove Point LNG
- Golden Pass LNG
- Leaca Bay
- Main Pass Energy Hub
- Pearl Crossing
- Port Pelican LNG
- Port Arthur LNG
- Sabine Pass LNG
- Vista Del Sol LNG

UNITED STATES
- West Coast
  - Jordan Cove Energy
  - Kenai LNG
  - Northern Star LNG

UNITED STATES
- East Coast
  - Cove Point LNG
  - Distrigas
  - Elba Island
  - Neptune LNG
  - Sparrows Point
  - Weaver’s Cove LNG

UNITED STATES
- Gulf Coast
  - Beacon Point LNG
  - Calhoun LNG
  - Cameron LNG
- Cove Point LNG
- Golden Pass LNG
- Leaca Bay
- Main Pass Energy Hub
- Pearl Crossing
- Port Pelican LNG
- Port Arthur LNG
- Sabine Pass LNG
- Vista Del Sol LNG

CUTAMERICA
- Energia Costa Azul Proposed LNG Terminal

BAHAMAS
- Ocean Cay
- South Riding Point LNG

JAMAICA
- Jamaica LNG

HONDURAS
- El Raro

PUERTO RICO
- Enoblestica
- Aguirre

COLOMBIA
- Colombia Export Projects

PERU
- Peru LNG

CHILE
- Mejillones LNG
- Quintero

ARGENTINA
- Bahia Blanca GasPort
- GNL Escobar

UAE
- RasGas I, II, 3, 4

QATAR
- QatarEurope

RUSSIA
- Yamal LNG
- Sakhalin II LNG

SOUTH KOREA
- Gwangyang

SINGAPORE
- Singapore LNG

UNITED KINGDOM
- Dragon LNG

FRANCE
- Montoir

NIGERIA
- Brass LNG
- Nigeria LNG

PUERTO RICO
- EcoEléctrica
- Aguirre

JAMAICA
- Jamaica LNG

HONDURAS
- El Raro

BRAZIL
- Bahia LNG Regasification Terminal
- Pecém Floating LNG
- Rio Floating LNG

TRINIDAD & TOBAGO
- Atlantic LNG

ARGENTINA
- Bahia Blanca GasPort
- GNL Escobar

BAHAMAS
- Ocean Cay
- South Riding Point LNG

JAMAICA
- Jamaica LNG

HONDURAS
- El Raro

PUERTO RICO
- Enoblestica
- Aguirre

COLOMBIA
- Colombia Export Projects

PERU
- Peru LNG

CHILE
- Mejillones LNG
- Quintero

ARGENTINA
- Bahia Blanca GasPort
- GNL Escobar

UAE
- RasGas I, II, 3, 4

QATAR
- QatarEurope

RUSSIA
- Yamal LNG
- Sakhalin II LNG

SOUTH KOREA
- Gwangyang

SINGAPORE
- Singapore LNG
A Few Examples of Our Work

CHENIERE ENERGY

Baker Botts represents Cheniere Energy and its related entities on project development matters, including principally LNG contracting, for the first natural gas liquefaction and export project in 50 years in the U.S., and the first such terminal ever in the lower 48 States of the U.S. Cheniere’s Sabine Pass LNG Terminal currently 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). The liquefaction project is being designed for up to six modular LNG trains, each with a nominal capacity of approximately 4.5 mtpa. To date, Baker Botts has assisted in drafting and negotiating executed long-term LNG Sale and Purchase Agreements (SPAs) for an aggregate of more than 20 mtpa of LNG. The LNG purchasers are BG Gulf Coast LNG, LLC, Gas Natural Fenosa, KOGAS and GAIL (India) Ltd.

BRASS LNG

Brass LNG is a leading-edge LNG liquefaction project located in Bayelsa State, Nigeria. This greenfield project, which is being developed by a consortium of major international and Nigerian oil and gas companies, is planned to include two trains producing 10 Mtpa of LNG. Baker Botts has been involved in most aspects of the project’s development, including drafting, structuring and/or negotiating gas sales agreements, EPC contract models, shipbuilding contracts, time charterparties and LNG SPAs, which include, according to one buyer’s press release, an “innovative flexible contractual arrangement” allowing the parties to optimize LNG sales from a wide range of potential markets.

PERU LNG

The firm represents Peru LNG with respect to the development and on-going operations of the Peru LNG liquefaction project at Pampa Melchorita, in Canete, Peru. The project involves the purchase of natural gas produced from Blocks 56 and 88 in Peru, transportation of the natural gas via a trans-Andean pipeline to the LNG plant on Peru’s coast and the liquefaction and sale of LNG to purchasers at the LNG facility. The US$3.8 billion project is Peru’s first natural gas liquefaction project and the largest single private-sector project in Peru’s history. Project financing closed for US$2.25 billion from a consortium of international lenders.

Baker Botts has been active in several phases of the project, including: gas sales agreements; LLC project agreements and related operating and
services agreements; alignment of the various project agreements; natural gas transportation agreements; LNG SPA for the entire production of the initial LNG train; purchase and sale agreements entered into with the LNG off-taker in connection with its acquisition of an interest in Peru LNG and the upstream and transportation segments of the project; and the marine services and conditions of use.

PNG LNG AND GORGON JANSZ LNG
Baker Botts represented ExxonMobil in procuring for its PNG LNG project in Papua New Guinea and for its part of the Gorgon Jansz LNG project in Western Australia six LNG carriers through long-term time charterparties from subsidiaries of Japan’s Mitsui OSK Lines, Ltd. (MOL). Two of the PNG ships were newbuilds previously ordered by MOL prior to execution of the charters. These vessels, built by Hyundai Heavy Industries in South Korea, employ state-of-the-art tri-fuel diesel electric propulsion systems. The other four ships, two for PNG and two for Gorgon Jansz, are being built for MOL by Hudong-Zhonghua Shipbuilding, a subsidiary of China State Shipbuilding Corporation, in Shanghai. The firm assisted ExxonMobil with issuance and evaluation of the tenders and negotiation of the charters and related documents for all six vessels. Delivery of the Chinese-built ships is scheduled for 2015-2016. This was only the second time non-Chinese companies have commissioned LNG newbuilds in China.

PETROBRAS
Baker Botts represented Petrobras in the tendering and chartering of LNG floating storage and regasification units (FSRUs) —among the first FSRUs to enter commercial service worldwide—along with a third FSRU currently under construction. These three vessels are intended to operate from Rio de Janeiro, Pecem and a new terminal under construction in Bahia. All three FSRUs are (or when delivered will be) able to trade LNG cargoes internationally. We have also advised in relation to certain modifications to be made to one of these FSRUs. The three FSRUs will have the capacity to supply up to 41 million cubic meters of natural gas per day to the domestic Brazilian market.

The firm’s work for Petrobras includes the development and negotiation of a long-term LNG SPA as well as MSAs for the supply of short-term and spot cargoes with numerous counterparties. We have worked with Petrobras to develop strategies that it could employ to obtain competitive pricing of LNG in a tight supply market. We have also advised Petrobras in relation to the implementation of certain new and highly innovative LNG projects in relation to the “pre-salt” discoveries.

“It has a particular focus on the LNG sector and in the past year has acted as project counsel for a number of the new floating LNG terminals…”

— Chambers Asia 2013 - Energy & Natural Resources