



Department of Energy
Washington, DC 20585

February 20, 2018

BY EMAIL

Karri Mahmoud
Cheniere Energy, Inc.
700 Milam Street, Suite 1900
Houston, Texas 77002

RE: Description of Ownership Change

Sabine Pass Liquefaction, LLC
FE Docket No. 10-85-LNG
FE Docket No. 10-111-LNG
FE Docket No. 13-30-LNG
FE Docket No. 13-42-LNG
FE Docket No. 13-121-LNG
FE Docket No. 14-92-LNG
FE Docket No. 15-63-LNG
FE Docket No. 16-197-LNG
FE Docket No. 17-161-LNG

Dear Ms. Mahmoud:

This correspondence constitutes the response of the Department of Energy (DOE), Office of Fossil Energy (FE), to your letter filed on December 19, 2017, on behalf of Sabine Pass Liquefaction, LLC (Sabine Pass or SPL) in the above-referenced proceedings.¹ In the letter, you provide information regarding Sabine Pass's indirect parent company, Cheniere Energy Partners, L.P. (CQP), in light of DOE/FE's Change in Control Procedures.²

I. BACKGROUND

According to your letter, Sabine Pass is a limited liability company organized under the laws of Delaware, and a wholly-owned indirect subsidiary of CQP. CQP is an indirect subsidiary of Cheniere Energy, Inc. (Cheniere), which is a publicly-traded corporation and Sabine Pass's ultimate parent company. Sabine Pass describes a change in the equity ownership of CQP, as follows:

¹ Sabine Pass Liquefaction, LLC, FE Docket Nos. 10-85-LNG, *et al.*, Description of Ownership Change (Dec. 19, 2017) [hereinafter Sabine Pass Ltr.]. In the Letter, Sabine Pass identifies its existing liquefied natural gas (LNG) authorizations issued by DOE/FE in the above-referenced dockets. *See id.* at 1-2.

² *See* U.S. Dep't of Energy, Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas, 79 Fed. Reg. 65,541 (Nov. 5, 2014) [hereinafter DOE/FE Change in Control Procedures].

- In May 2012, CQP, Cheniere and Blackstone CQP Holdco LP (Blackstone) entered into a unit purchase agreement whereby CQP agreed to sell to Blackstone and Cheniere 100 million and 33.3 million Class B Units of CQP, respectively.
- Blackstone was granted the right to appoint 3 of 11 seats on Cheniere Partners GP's board of directors. Of the 8 remaining directors, four are appointed by Cheniere and four are independent directors, and are mutually agreed upon by Blackstone and Cheniere and appointed by Cheniere.
- In May 2013, Cheniere purchased an additional 12.0 million Class B units, and later that year, formed Cheniere Energy Partners LP Holdings, LLC (Cheniere Holdings) to hold its limited partnership interests.
- As of June 30, 2017, Cheniere Holdings and Blackstone owned 45.3 million and 100.0 million, respectively, of Class B units in CQP.
- On August 2, 2017, the Class B units held by Cheniere Holdings and Blackstone converted into common units in accordance with the terms of a Limited Partnership Agreement.
- Upon conversion of the Class B units, Cheniere Holdings, Blackstone and the public each owned a 48.6%, 40.3% and 9.1% limited partnership interest in CQP, respectively.³

According to Sabine Pass, although the transactions described above “may trigger” DOE/FE’s rebuttable presumption that a change in control of Sabine Pass has occurred,⁴ Sabine Pass rebuts that presumption for the reasons discussed below.

II. DISCUSSION AND CONCLUSIONS

Under DOE/FE’s Procedures for Changes in Control, DOE construes a change in control to mean a change, directly or indirectly, of the power to direct the management or policies of an entity whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means.⁵ Further, a rebuttable presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10 percent or more of the voting securities of such entity.⁶

³ Sabine Pass Ltr. at 3. Cheniere Holdings’ ownership is based on approximately 92.5 million converted common units, 135.4 million subordinated units, and 12.0 million common units. Blackstone’s ownership is based on approximately 199.0 million converted common units, but excludes any common units that may be deemed to be beneficially owned by Blackstone Group, an affiliate of Blackstone. *See id.*

⁴ *Id.*

⁵ DOE/FE Change in Control Procedures, 79 Fed. Reg. at 65,542.

⁶ *See id.*

Sabine Pass acknowledges that the above-described transactions “may” have triggered the rebuttable presumption, as defined in DOE’s Change in Control Procedures. Sabine Pass contends, however, that the facts do not support application of the presumption for three reasons.

First, Sabine Pass asserts that there has been no change in ownership of Sabine Pass itself, and therefore Sabine Pass will remain the authorization holder in its docket.

Second, Sabine Pass maintains that, as a result of the transactions, there has been no change, directly or indirectly, in the operation or manner in which Sabine Pass is managed, in any aspect of the Sabine Pass Liquefaction Project, and/or in the terms and conditions of Sabine Pass’s associated LNG export arrangements.

Third, in referring to applicable provisions of the Limited Partnership Agreement, Sabine Pass asserts that the transactions did not grant Blackstone (or any other entity) the power to participate, directly or indirectly, in the management or operations of CQP (Sabine’s indirect parent company). Cheniere Partners GP remains the general partner of CQP and continues to manage CQP’s operations and activities, as it did before the transactions occurred.⁷

Upon review of the information set forth in your letter, DOE/FE agrees that the described transactions do not constitute a change in control of Sabine Pass.⁸ No further action is required.

Sincerely,



Digitally signed by
Robert J. Smith
Date: 2018.02.20
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Robert J. Smith
Acting Deputy Assistant Secretary
Office of Oil and Natural Gas
Office of Fossil Energy

⁷ See Sabine Pass Ltr. at 3-4.

⁸ 10 C.F.R. § 590.405; DOE/FE Change in Control Procedures, 79 Fed. Reg. at 65,542.