GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

January 25, 2016

Danny Massey
Superintendent
Brazosport Independent School District
P.O. Drawer Z
Freeport, Texas 77541-1926

Dear Superintendent Massey:

On October 27, 2015, the Comptroller issued written notice that Freeport LNG Development, LP (the applicant) submitted a completed application (Application #1098) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on August 18, 2015, to the Brazosport Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1098.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of October 27, 2015, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Freeport LNG Development LP(the project) applying to Brazosport Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Freeport LNG Development LP.

Applicant	Freeport LNG Development LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Brazosport ISD
2014-15 Enrollment in School District	11,573
County	Brazoria
Proposed Total Investment in District	$1,500,000,000
Proposed Qualified Investment	$1,071,428,600
Limitation Amount	$30,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	45
Average weekly wage of qualifying jobs committed to by applicant	$1,153
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,153
Minimum annual wage committed to by applicant for qualified jobs	$60,000
Minimum weekly wage required for non-qualifying jobs	$1,060
Minimum annual wage required for non-qualifying jobs	$55,133
Investment per Qualifying Job	$107,142,860
Estimated M&O levy without any limit (15 years)	$156,866,376
Estimated M&O levy with Limitation (15 years)	$37,519,093
Estimated gross M&O tax benefit (15 years)	$119,347,283
** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*	

Table 2 is the estimated statewide economic impact of Freeport LNG Development LP (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	150	160	310	$7,800,000	$14,200,000	$22,000,000
2018	650	696	1346	$33,800,000	$65,200,000	$99,000,000
2019	1200	1,300	2500	$62,400,000	$130,600,000	$193,000,000
2020	400	562	962	$20,800,000	$69,200,000	$90,000,000
2021	15	191	206	$845,250	$33,154,750	$34,000,000
2022	40	177	217	$2,240,720	$30,759,280	$33,000,000
2023	55	185	240	$3,080,990	$30,919,010	$34,000,000
2024	55	182	237	$3,080,990	$29,919,010	$33,000,000
2025	55	187	242	$3,080,990	$30,919,010	$34,000,000
2026	55	196	251	$3,080,990	$31,919,010	$35,000,000
2027	55	207	262	$3,080,990	$33,919,010	$37,000,000
2028	55	219	274	$3,080,990	$35,919,010	$39,000,000
2029	55	229	284	$3,080,990	$38,919,010	$42,000,000
2030	55	239	294	$3,080,990	$40,919,010	$44,000,000
2031	55	225	280	$3,080,990	$40,919,010	$44,000,000
2032	55	226	281	$3,080,990	$41,919,010	$45,000,000

Source: CPA, REMI, Freeport LNG Development LP

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Brazoria ISD I&S Tax Levy	Brazoria ISD M&O Tax Levy	Brazoria ISD M&O and I&S Tax Levies	Brazoria County Tax Levy	Brazosport College Tax Levy	Velasco Drainage District Tax Levy	Port Freeport Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.2153	1.0400	1.2553	0.4985	0.2809	0.0980	0.0450	
2018	$ 214,285,700	$ 214,285,700		$461,357	$2,228,571	$2,689,928	$1,068,214	$601,881	$210,039	$96,429	$4,360,024
2019	$ 407,142,830	$ 407,142,830		$876,579	$4,234,285	$5,110,864	$2,029,607	$1,143,575	$399,073	$183,214	$8,284,046
2020	$ 793,928,585	$ 793,928,585		$1,709,328	$8,256,857	$9,966,186	$3,957,734	$2,229,971	$778,193	$357,268	$16,153,890
2021	$ 1,375,125,000	$ 1,375,125,000		$2,960,644	$14,301,300	$17,261,944	$6,854,998	$3,862,424	$1,347,870	$618,806	$27,979,366
2022	$ 1,326,996,100	$ 1,326,996,100		$2,857,023	$13,800,759	$16,657,782	$6,615,076	$3,727,240	$1,300,695	$597,148	$27,000,098
2023	$ 1,280,551,550	$ 1,280,551,550		$2,757,027	$13,317,736	$16,074,764	$6,383,549	$3,596,788	$1,255,171	$576,248	$26,055,101
2024	$ 1,235,732,450	$ 1,235,732,450		$2,660,532	$12,851,617	$15,512,149	$6,160,126	$3,470,901	$1,211,240	$556,080	$25,143,176
2025	$ 1,192,481,800	$ 1,192,481,800		$2,567,413	$12,401,811	$14,969,224	$5,944,522	$3,349,419	$1,168,847	$536,617	$24,263,165
2026	$ 1,150,744,500	$ 1,150,744,500		$2,477,553	$11,967,743	$14,445,296	$5,736,461	$3,232,188	$1,127,937	$517,835	$23,413,945
2027	$ 1,110,468,300	$ 1,110,468,300		$2,390,838	$11,548,870	$13,939,709	$5,535,684	$3,119,061	$1,088,459	$499,711	$22,594,454
2028	$ 1,071,601,900	$ 1,071,601,900		$2,307,159	$11,144,660	$13,451,819	$5,341,935	$3,009,894	$1,050,363	$482,221	$21,803,648
2029	$ 1,034,095,900	$ 1,034,095,900		$2,226,408	$10,754,597	$12,981,006	$5,154,968	$2,904,548	$1,013,600	$465,343	$21,040,522
2030	$ 997,902,800	$ 997,902,800		$2,148,485	$10,378,189	$12,526,674	$4,974,545	$2,802,889	$978,124	$449,056	$20,304,109
2031	$ 962,976,050	$ 962,976,050		$2,073,287	$10,014,951	$12,088,238	$4,800,436	$2,704,788	$943,890	$433,339	$19,593,462
2032	$ 929,271,950	$ 929,271,950		$2,000,723	$9,664,428	$11,665,151	$4,632,421	$2,610,120	$910,854	$418,172	$18,907,692
					Total	$189,340,733	$75,190,277	$42,365,687	$14,784,354	$6,787,487	$306,896,697

Source: CPA, Freeport LNG Development LP

[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Brazoria County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with Brazoria County, Brazosport College, Velasco Drainage and Port Freeport.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Brazoria ISD I&S Tax Levy	Brazoria ISD M&O Tax Levy	Brazoria ISD M&O and I&S Tax Levies	Brazoria County Tax Levy	Brazosport College Tax Levy	Velasco Drainage District Tax Levy	Port Freeport Tax Levy	Estimated Total Property Taxes
				0.2153	1.0400	1.2553	0.4985	0.2809	0.0980	0.0450	
2018	$ 214,285,700	$214,285,700		$461,357	$2,228,571	$2,689,928	$1,068,214	$601,881	$210,039	$96,429	$4,666,491
2019	$ 407,142,830	$407,142,830		$876,579	$4,234,285	$5,110,864	$0	$0	$0	$0	$5,110,864
2020	$ 793,928,585	$793,928,585		$1,709,328	$8,256,857	$9,966,186	$0	$0	$0	$0	$9,966,186
2021	$ 1,375,125,000	$30,000,000		$2,960,644	$312,000	$3,272,644	$0	$0	$0	$0	$3,272,644
2022	$ 1,326,996,100	$30,000,000		$2,857,023	$312,000	$3,169,023	$0	$0	$0	$0	$3,169,023
2023	$ 1,280,551,550	$30,000,000		$2,757,027	$312,000	$3,069,027	$0	$0	$0	$0	$3,069,027
2024	$ 1,235,732,450	$30,000,000		$2,660,532	$312,000	$2,972,532	$0	$0	$0	$0	$2,972,532
2025	$ 1,192,481,800	$30,000,000		$2,567,413	$312,000	$2,879,413	$0	$0	$0	$0	$2,879,413
2026	$ 1,150,744,500	$30,000,000		$2,477,553	$312,000	$2,789,553	$0	$0	$0	$0	$2,789,553
2027	$ 1,110,468,300	$30,000,000		$2,390,838	$312,000	$2,702,838	$0	$0	$0	$0	$2,702,838
2028	$ 1,071,601,900	$30,000,000		$2,307,159	$312,000	$2,619,159	$0	$0	$0	$0	$2,619,159
2029	$ 1,034,095,900	$30,000,000		$2,226,408	$312,000	$2,538,408	$5,154,968	$2,904,548	$1,013,600	$465,343	$12,076,868
2030	$ 997,902,800	$30,000,000		$2,148,485	$312,000	$2,460,485	$4,974,545	$2,802,889	$978,124	$449,056	$11,665,100
2031	$ 962,976,050	$962,976,050		$2,073,287	$10,014,951	$12,088,238	$4,800,436	$2,704,788	$943,890	$433,339	$20,970,691
2032	$ 929,271,950	$929,271,950		$2,000,723	$9,664,428	$11,665,151	$4,632,421	$2,610,120	$910,854	$418,172	$20,236,718
					Total	$69,993,450	$20,630,584	$11,624,227	$4,056,507	$1,862,340	$108,167,107
					Diff	$119,347,283	$54,559,693	$30,741,460	$10,727,848	$4,925,148	$198,729,590

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Source: CPA, Freeport LNG Development LP
[1]Tax Rate per $100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller's determination that FREEPORT LNG DEVELOPMENT LP (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	$0	$0	$0	$0
	2019	$0	$0	$0	$0
	2020	$0	$0	$0	$0
Limitation Period (10 Years)	2021	$312,000	$312,000	$13,989,300	$13,989,300
	2022	$312,000	$624,000	$13,488,759	$27,478,059
	2023	$312,000	$936,000	$13,005,736	$40,483,796
	2024	$312,000	$1,248,000	$12,539,617	$53,023,413
	2025	$312,000	$1,560,000	$12,089,811	$65,113,224
	2026	$312,000	$1,872,000	$11,655,743	$76,768,967
	2027	$312,000	$2,184,000	$11,236,870	$88,005,837
	2028	$312,000	$2,496,000	$10,832,660	$98,838,497
	2029	$312,000	$2,808,000	$10,442,597	$109,281,094
	2030	$312,000	$3,120,000	$10,066,189	$119,347,283
Maintain Viable Presence (5 Years)	2031	$10,014,951	$13,134,951	$0	$119,347,283
	2032	$9,664,428	$22,799,379	$0	$119,347,283
	2033	$9,326,177	$32,125,556	$0	$119,347,283
	2034	$8,999,761	$41,125,317	$0	$119,347,283
	2035	$8,684,767	$49,810,084	$0	$119,347,283
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	$8,380,799	$58,190,883	$0	$119,347,283
	2037	$8,087,472	$66,278,354	$0	$119,347,283
	2038	$7,804,410	$74,082,764	$0	$119,347,283
	2039	$7,531,257	$81,614,021	$0	$119,347,283
	2040	$7,267,659	$88,881,680	$0	$119,347,283
	2041	$7,013,288	$95,894,969	$0	$119,347,283
	2042	$6,767,820	$102,662,788	$0	$119,347,283
	2043	$6,530,947	$109,193,735	$0	$119,347,283
	2044	$6,302,363	$115,496,098	$0	$119,347,283
	2045	$6,081,782	$121,577,880	$0	$119,347,283
		$121,577,880	is greater than	**$119,347,283**	

Analysis Summary	
Is the project reasonably likely to generate M&O tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, FREEPORT LNG DEVELOPMENT LP

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Freeport LNG Development decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, competition for projects siting within North America has dramatically increased in the past few years. The FERC data indicates that there are currently 15 proposed export terminals outside of the State of Texas.
- Per the applicant, there are three real-time examples that represent billions of investment dollars and hundreds of permanent jobs in this industry that are occurring outside of the State of Texas due to substantially advantageous property tax scenarios.
- Per the applicant, the decision to invest capital at all depends on the economics of investment. Specifically, obtaining local property tax abatements and the Chapter 313 Valuation Limitation Agreement is a critical component of the requisite economic factors, as property tax is the largest fixed operating cost for the considered project.
- Per Comptrollers research, LNG Industry article dated May 21, 2015, writes Freeport LNG Development, LP has filed a request with the US Federal Energy Regulatory Commission (FERC) for the initiation of the prefilling environmental review process for the construction of a fourth liquefaction train. According to the article, this fourth train at the Freeport LNG project, currently under construction on Quintana Island, Texas, will have a production capacity of approximately 5.1 million tpy of LNG.
- Per Comptroller research, Virtual-Strategy Magazine June 4, 2015, notes that due to continuing demand for liquefied natural gas (LNG) around the world and the massive

abundance of natural gas in the United States, Freeport LNG is now adding a fourth natural gas liquefaction unit to the three trains already under construction. The expansion will allow for the export of an additional five million tons of LNG per year, increasing the total export capability of all four trains to over twenty million tons of LNG per year.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☑ Yes ☐ No
2. The property will be used for one of the following activities:
   - (1) manufacturing ☑ Yes ☐ No
   - (2) research and development ☐ Yes ☑ No
   - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☑ No
   - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☑ No
   - (5) renewable energy electric generation ☐ Yes ☑ No
   - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☑ No
   - (7) nuclear electric power generation ☐ Yes ☑ No
   - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☑ No
   - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☑ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☑ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☑ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☑ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☑ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
   - ☐ Land has no existing improvements
   - ☑ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☐ Yes ☑ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☐ Yes ☑ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☑ Yes ☐ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☑ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? Please see Tab 5 ☐ Yes ☑ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☑ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

TAB 5

Documentation to assist in determining if limitation is a determining factor.

The applicant, Freeport LNG (referred to herein as "FLNG" for purposes of this section), is a leader in the global LNG industry, with three LNG production trains and export facilities currently under construction at its Quintana Island terminal. These three LNG production trains and associated facilities are covered by Chapter 313 Agreement Nos. 244, 245 and 246 (the "Covered Project"). FLNG is evaluating the construction of additional LNG production capacity at its Quintana Island terminal by considering adding a fourth natural gas liquefaction train (referred to herein as the "Considered Project" or "Train 4"). The company is also pursuing other investment opportunities elsewhere in the USA and internationally. The applicant requires this appraised value limitation in order to move forward with the development of the Considered Project in Freeport, TX. Without this appraised value limitation, the impact of comparatively high Texas property taxes on the cost of the Considered Project does not allow it to compete for global LNG customers against similar projects operated by competitors of FLNG in Texas, in other states and around the world. Securing the appraised value limitation is one of many steps required by FLNG to be able to acquire the necessary commercial contracts and successive financing required to bring this project to existence.

The Considered Project is still in an evaluation stage; only very preliminary development activities have begun. No formal permit filings have been made as of the date of this application. Freeport LNG submitted a pre-filing request with FERC to begin the environmental review of Train 4. Freeport LNG expects to file its formal application with FERC in November 2015. FLNG has no sales contracts for the Train 4 project, and, other than preliminary discussions, does not intend to secure a market for the future capacity until the technical and commercial viability of the Considered Project is more fully established. No engineering, procurement or construction contractors have been engaged to bid on the Considered Project, nor have any contracts been negotiated or signed for such. No public announcements of a definitive intent to construct the Considered Project have been made. Any statements have indicated only that Freeport LNG is considering the additional investment. Agreements pertaining to preliminary design and engineering work and the development of other technical studies and estimates have been entered into; however, this work is necessary for purposes of determining whether the Considered Project is technically viable and can be cost-competitive in the global marketplace.

North American LNG Project Siting Competitiveness

Competition for project siting within North America has dramatically increased in the past few years. The attached Tab 5 Exhibits (A & B) of FERC approved & proposed export terminals demonstrate the overall competitiveness that exists

within North America alone. The FERC data indicates that there are currently 15 proposed export terminals outside of the State of Texas.

The three existing LNG terminals in Louisiana, which are similar to FLNG's, have all been approved for exporting LNG by FERC. Two of these facilities have begun construction on their natural gas liquefaction and export facilities and will benefit from the economic advantages of that state's 100% "across-the-board" 10-year industrial tax abatement.

Additionally, there is a FERC approved location in Maryland that has begun construction on its natural gas liquefaction and export facility. This facility will be advantaged by a 14 year tax incentive agreement consisting of a 5 year pilot payment, followed by a 42 percent relief on real and personal property taxes for an additional nine years.

These are three real-time examples that represent billions of investment dollars and hundreds of permanent jobs in this industry that are occurring outside of the State of Texas due to substantially advantageous property tax scenarios.

Furthermore, FLNG is aware of 36 total US natural gas liquefaction export projects, and of these 36 unique projects, five are under construction. Only two of the remaining 31 projects are reported to have secured contracts for the full capacity of their proposed projects, leaving 29 US liquefaction projects competing for the limited remaining LNG buyers. There are many factors that LNG buyers consider when contracting for capacity, but chief among these in the current market is price. Property tax for the Considered Project is the largest single fixed operating cost, and therefore, the appraised value limitation is a determining factor in FLNG being able to competitively price LNG offtake. LNG buyers will contract capacity from projects with the lowest price, and the lowest priced projects will be those that have their fixed operating costs (inclusive of property tax, which is the largest) minimized or secure and enjoy other incentives that allow them to offer a lower price. In addition to property tax advantages, several of these facilities will potentially enjoy a significant shipping advantage due to their proximity to the Atlantic or Pacific Basin markets, while Gulf Coast projects must transit through the expanded Panama Canal to supply the world's fastest growing energy markets.

FLNG could partner with the owners of one of those terminals to co-develop new facilities with them on their site or purchase a less developed/stalled project outright. Alternatively, FLNG could choose to invest the capital for the Considered Project in another portion of the LNG value chain such as international import and regasification facilities, upstream supply and transportation sectors or into a completely unrelated sector that are likely more economical than the Considered Project without the appraised value limitation.

Global Siting LNG Competitiveness

Competition for investment to develop new LNG liquefaction and export facilities is a global game. Outside of the United States, FLNG is aware of 14 liquefaction plants in the planning phase of development, with an additional 18 projects undergoing feasibility studies. The attached Exhibit C further demonstrates the global competition that exists for the expanding LNG market.

Project Financing Competitiveness

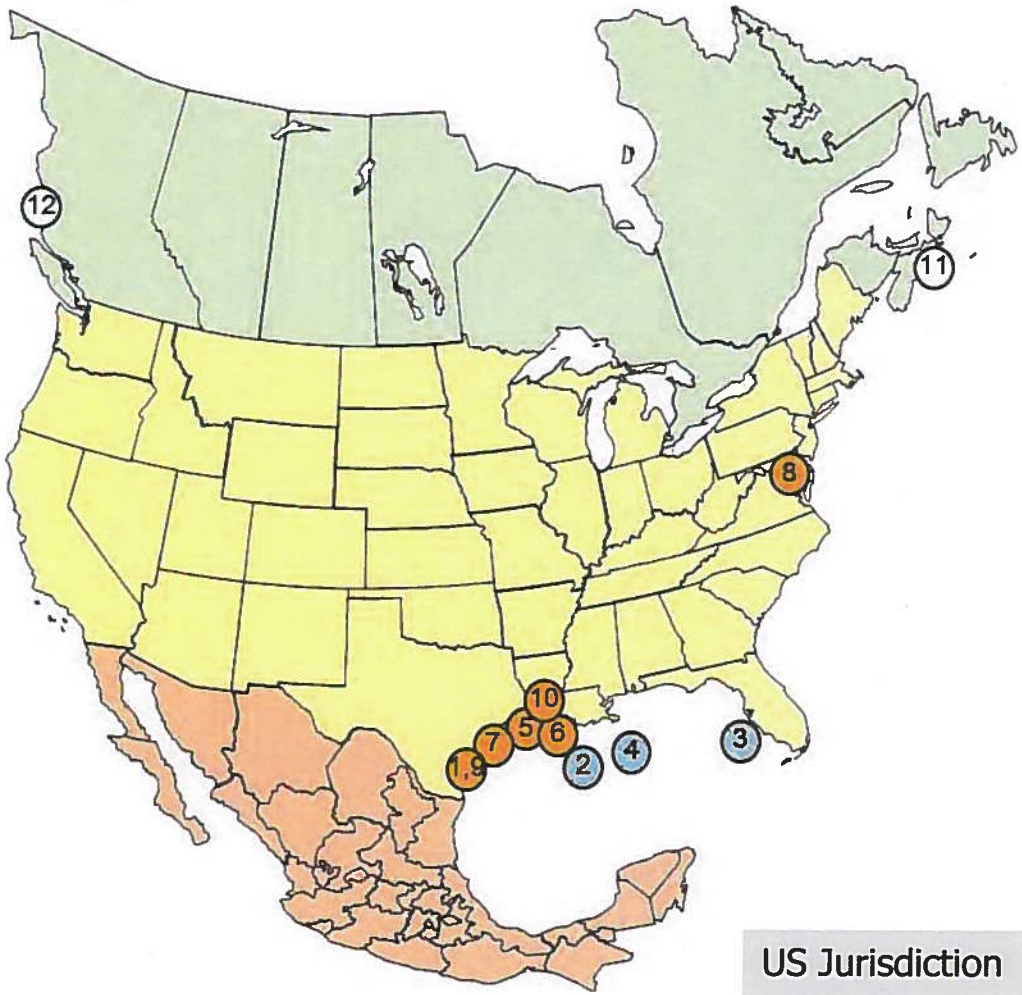
The decision to invest capital at all depends on the economics of the investment. In the case of the potential investment of the Considered Project in Brazoria County, the evaluation of such an investment is based on a variety of financial factors, including the ability to obtain local property tax incentives that make this potential investment meet certain economic thresholds required for the Considered Project to move forward. Specifically, obtaining local property tax abatements and the Chapter 313 Valuation Limitation Agreement is a critical component of the requisite economic factors, as property tax is the largest fixed operating cost for the Considered Project.

The all-in cost of the project is anticipated to be approximately 3 Billion USD, about half of which is attributable to non-capital expenditures, such as interest during construction and other finance related costs, owner's costs such as insurance, oversight costs, support personnel, etc. The value for the 10 year appraised value limitation represents approximately $150 million or 10% of the capital cost of the facility. Without the appraised value limitation, the applicant's increased cost must be borne by the offtake price, which is borne by the Considered Project's potential customers and impedes the ability to commercialize the project. As a result, the applicant would likely be unable to attract long-term customers for the Considered Project. Without these long-term customer commitments, the applicant would be unable to raise the project financing necessary to fund its multibillion dollar investment, thus FLNG would not build the Train 4 project at all.

TAB 5 - EXHIBIT A

North American LNG Import /Export Terminals

Approved



US Jurisdiction
- FERC
- MARAD/USCG

As of July 13, 2015

Import Terminal

APPROVED - UNDER CONSTRUCTION
U.S. - FERC

1. **Corpus Christi, TX:** 0.4 Bcfd (Cheniere – Corpus Christi LNG) (CP12-507)

APPROVED - NOT UNDER CONSTRUCTION
U.S. - MARAD/Coast Guard

2. **Gulf of Mexico:** 1.0 Bcfd (Main Pass McMoRan Exp.)
3. **Offshore Florida:** 1.2 Bcfd (Hoëgh LNG - Port Dolphin Energy)
4. **Gulf of Mexico:** 1.4 Bcfd (TORP Technology-Bienville LNG)

Export Terminal

APPROVED - UNDER CONSTRUCTION
U.S. - FERC

5. **Sabine, LA:** 2.76 Bcfd (Cheniere/Sabine Pass LNG) (CP11-72 & CP14-12)
6. **Hackberry, LA:** 1.7 Bcfd (Sempra – Cameron LNG) (CP13-25)
7. **Freeport, TX:** 1.8 Bcfd (Freeport LNG Dev/Freeport LNG Expansion/FLNG Liquefaction) (CP12-509)
8. **Cove Point, MD:** 0.82 Bcfd (Dominion – Cove Point LNG) (CP13-113)
9. **Corpus Christi, TX:** 2.14 Bcfd (Cheniere - Corpus Christi LNG) (CP12-507)

APPROVED – NOT UNDER CONSTRUCTION
U.S. - FERC

10. **Sabine Pass, LA:** 1.40 Bcfd (Sabine Pass Liquefaction) (CP13-552)

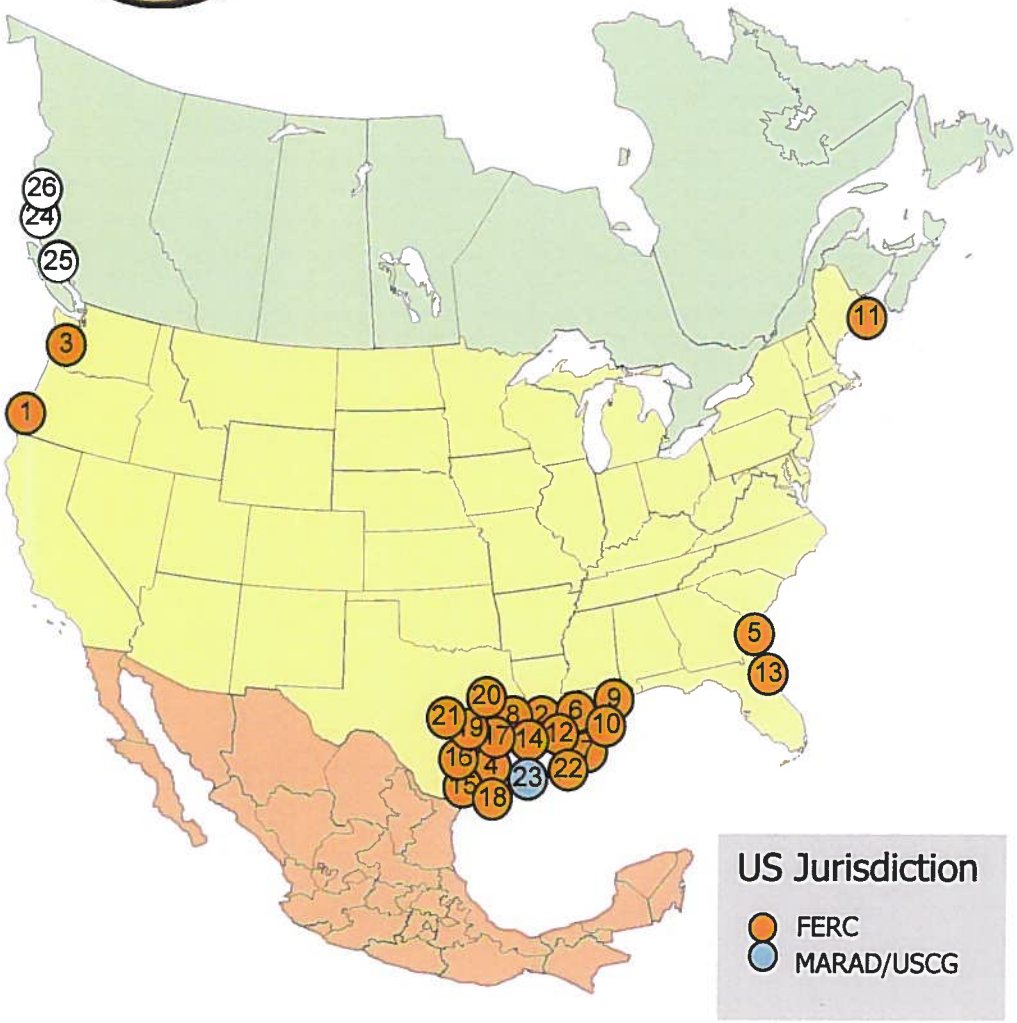
APPROVED – NOT UNDER CONSTRUCTION
Canadian

11. **Port Hawkesbury, NS:** 0.5 Bcfd (Bear Head LNG)
12. **Kitimat, BC:** 3.23 Bcfd (LNG Canada)

TAB 5 - EXHIBIT B

North American LNG Export Terminals

Proposed



Export Terminal

PROPOSED TO FERC

1. **Coos Bay, OR:** 0.9 Bcfd (Jordan Cove Energy Project) (CP13-483)
2. **Lake Charles, LA:** 2.2 Bcfd (Southern Union - Trunkline LNG) (CP14-120)
3. **Astoria, OR:** 1.25 Bcfd (Oregon LNG) (CP09-6)
4. **Lavaca Bay, TX:** 1.38 Bcfd (Excelerate Liquefaction) (CP14-71 & 72)
5. **Elba Island, GA:** 0.35 Bcfd (Southern LNG Company) (CP14-103)
6. **Lake Charles, LA:** 1.07 Bcfd (Magnolia LNG) (CP14-347)
7. **Plaquemines Parish, LA:** 1.07 Bcfd (CE FLNG) (PF13-11)
8. **Sabine Pass, TX:** 2.1 Bcfd (ExxonMobil – Golden Pass) (CP14-517)
9. **Pascagoula, MS:** 1.5 Bcfd (Gulf LNG Liquefaction) (CP15-521)
10. **Plaquemines Parish, LA:** 0.30 Bcfd (Louisiana LNG) (PF14-17)
11. **Robbinston, ME:** 0.45 Bcfd (Kestrel Energy - Downeast LNG) (PF14-19)
12. **Cameron Parish, LA:** 1.34 Bcfd (Venture Global) (PF15-2)
13. **Jacksonville, FL:** 0.075 Bcfd (Eagle LNG Partners) (PF15-7)
14. **Hackberry, LA:** 1.4 Bcfd (Sempra – Cameron LNG) (PF15-13)
15. **Brownsville, TX:** 0.54 Bcfd (Texas LNG Brownsville) (PF15-14)
16. **Brownsville, TX:** 0.94 Bcfd (Annova LNG Brownsville) (PF15-15)
17. **Port Arthur, TX:** 1.4 Bcfd (Port Arthur LNG) (PF15-18)
18. **Brownsville, TX:** 3.6 Bcfd (Rio Grande LNG – NextDecade) (PF15-20)
19. **Freeport, TX:** 0.72 Bcfd (Freeport LNG Dev) (PF15-25)
20. **Corpus Christi, TX:** 1.4 Bcfd (Cheniere – Corpus Christi LNG) (PF15-26)
21. **Freeport, TX:** 0.34 Bcfd (Freeport LNG Dev) (CP15-518)
22. **Plaquemines Parish, LA:** 2.80 Bcfd (Venture Global LNG) (PF15-27)

PROPOSED TO U.S.-MARAD/COAST GUARD

23. **Gulf of Mexico:** 1.8 Bcfd (Delfin LNG)

PROPOSED CANADIAN SITES IDENTIFIED BY PROJECT SPONSORS

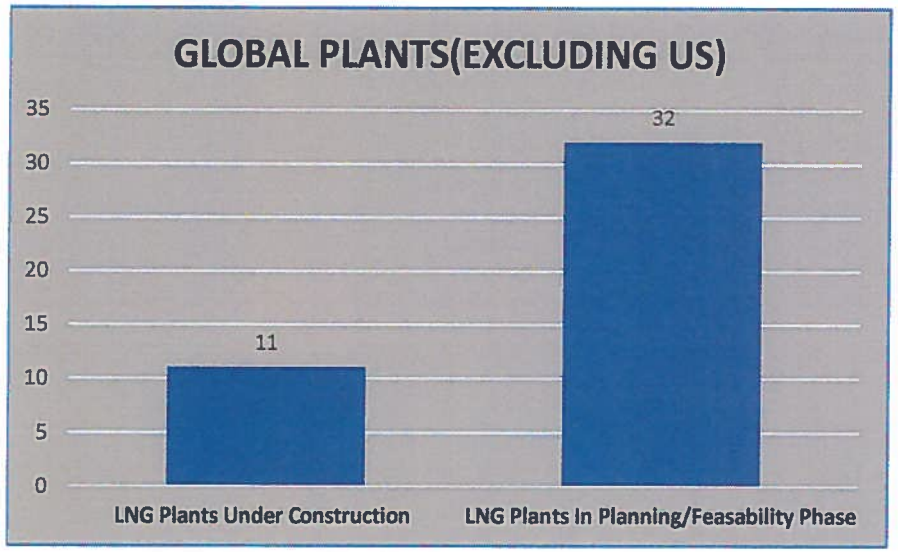
24. **Kitimat, BC:** 1.28 Bcfd (Apache Canada Ltd.)
25. **Douglas Island, BC:** 0.23 Bcfd (BC LNG Export Cooperative)
26. **Prince Rupert Island, BC:** 2.74 Bcfd (Pacific Northwest LNG)

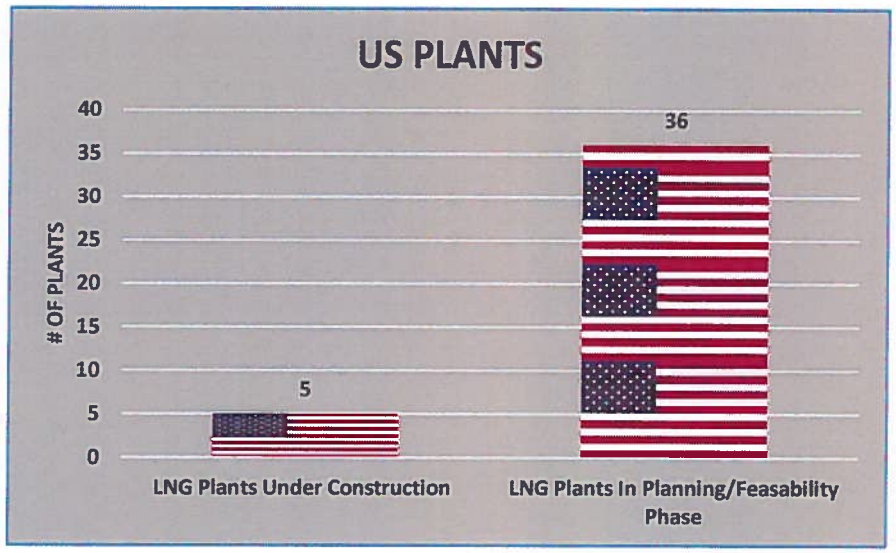
As of July 13, 2015

Office of Energy Projects

TAB 5 - EXHIBIT C

GLOBAL LNG LIQUEFACTION PROJECT COMPETITION





SOURCE: EIA, FERC, US DOE, PUBLIC ANNOUNCEMENTS

Supporting Information

Additional information located by the Comptroller

Freeport LNG requests review of fourth train

Freeport LNG Development L.P has filed a request with the US Federal Energy Regulatory Commission (FERC) for the initiation of the pre-filing environmental review process for the construction of a fourth liquefaction train.

This fourth train at the Freeport LNG project, currently under construction on Quintana Island, Texas, will have a production capacity of approximately 5.1 million tpy of LNG.

Project schedule

Freeport LNG anticipates filing an application seeking authorisation no later than December 2015, and will request that the FERC issue an order authorising the siting, construction and operation of the Train 4 by no later than September 2016.

The train will be a propane pre-cooled mixed refrigerant LNG train, identical to the three already authorised by the FERC. It will be designed to liquefy approximately 720 million ft^3/d of natural gas. The project will require a number of proposed equipment and site modifications, as well as modifications or expansions of existing facilities.

Adapted from press release by Katie Woodward

Published on 21/05/2015

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href="http://www.lngindustry.com/liquefaction/21052015/Freeport-expanding-with-fourth-train-800/" title="LNG news: Freeport LNG requests review of fourth train">Freeport LNG requests review of fourth train</a>
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Freeport LNG closes third train financing

Freeport LNG has successfully closed on financing commitments for the third liquefaction train at the company's facility in Texas.

Freeport LNG granted non-FTA export approval

The US DOE has issued two final authorisations for Freeport LNG to export LNG to non-FTA countries.

Freeport LNG agrees financing for liquefaction train

FLNG Liquefaction has entered into agreements for the debt financing required for the development of Freeport LNG's first train facility.

Freeport liquefaction contracts for CB&I

CB&I and Zachry Industrial have been awarded contracts for the Freeport LNG project.

Magazines

LNG Industry is a portal to added value information generated by Palladian Publications' LNG-sector magazine. With a combination of LNG news, reviews, comments, analysis, reports, case studies, technical articles on LNG plant technology, shipping/transportation and regasification.

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CH-IV International to Provide Engineering for Freeport LNG's Expansion to Add Train 4 On Quintana Island, Texas

PRWeb Thursday, June 4th 2015

CH·IV will be providing Front End Engineering Design (FEED) and lead the Federal Energy Regulatory Commission (FERC) filing effort.

Hanover, MD (PRWEB) June 04, 2015

Jeffrey P. Beale, President of CH-IV International (CH-IV) is pleased to announce that CH-IV will manage the development of the formal Federal Energy Regulatory Commission (FERC) application, including detailed engineering and design, for Freeport LNG's Train 4 at the Quintana Island Facility, FERC Docket PF15-25-000.

Due to continuing demand for liquefied natural gas (LNG) around the world and the massive abundance of natural gas in the United States, Freeport LNG is now adding a fourth natural gas liquefaction unit to the three trains already under construction. This expansion will allow for the export of an additional five million tons of LNG per year, increasing the total export capability of all four trains to over twenty million tons of LNG per year.

In mid-May 2015, Freeport LNG submitted a pre-filing request with FERC to begin the environmental review of Train 4. Freeport LNG expects to file the formal application with FERC in November 2015.

The Freeport LNG import terminal originally commenced commercial regas operations in June 2008. Since then, however, Freeport has received FERC authorization to add three natural gas liquefaction trains to the existing facility. Construction on this expansion commenced in late 2014.

Mr. Beale stated, "CH-IV is very proud of the long-standing relationship we have had with the Freeport LNG Team as they have moved from world-class LNG import operation to soon to become a world-class LNG export facility. We are honored to be supporting Freeport's further expansion with the fourth train."

Mark Mallett, Freeport LNG's Senior Vice President, Operations & Projects, commented: "The regulatory process can be a most exacting, time-consuming critical-path element of any project development. To keep this process under control, Freeport LNG has relied on CH-IV's LNG expertise and experience in the area of engineering and FERC filing support since 2009." Dr. Mona Setoodeh, of CH-IV's Houston Office, will manage this project.

# # # #

About Freeport LNG

Freeport LNG Expansion, L.P., is a wholly owned subsidiary of Freeport LNG Development, L.P., which owns and operates an existing LNG regasification terminal located near Freeport, Texas. The terminal started commercial operation in June 2008. Michael Smith controls the general partner of Freeport LNG Development, L.P. Freeport LNG Development, L.P.'s limited partners are: Freeport LNG Investments, LLLP and FLNGI Option Holdco, LLC, each owned by Michael S. Smith; GIP II FLNG, L.P. and GIP II FLNG Holdings Partnership 2, LLC, each owned by

Global Infrastructure Partners; and Turbo LNG, LLC, a wholly owned subsidiary of Osaka Gas Co., Ltd.

http://www.freeportlng.com

# # # #

About CH·IV International

Founded in 2001, CH-IV [read C - H - 4] International is a specialized consulting and engineering firm servicing the liquefied natural gas (LNG) industry. The Company provides engineering and consulting services ranging from the initial feasibility; conceptual, pre-FEED and FEED; regulatory permitting support and acquisition; oversight of detailed design, procurement and construction (EPC); facility commissioning, cooldown and start-up; and ongoing operations. CH·IV also provides due diligence and business development support to entities investigating investment in LNG programs.

In August 2014 Clough Limited, a Perth, Australia-based engineering company, acquired CH·IV. The acquisition by Clough complements CH·IV with growth through the provision of project management expertise and engineering resources from Clough's global offices. The combined forces provide clients with technical support the entire LNG project lifecycle to manage risk and drive out inefficiency for clients across the life of their asset. CH·IV operates offices near Baltimore, Maryland and in downtown Houston, Texas.

http://www.ch-iv.com

# # # #

About Clough

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