Porter & Co.

THE BIG SECRET ON WALL STREET

The Fastest Gas In America

- America's Next Great Energy Success Story
- An Innovative Way Of Getting LNG To Market

FROM THE DESK OF PORTER STANSBERRY

SPECIAL REPORT

The Fastest Gas In America

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An Innovative Way Of Getting LNG To Market

If you weren't living under a rock in the 1990s, you likely remember Nicole Brown Simpson's last plate of rigatoni.

Simpson – the ex-wife of pro football legend O.J. Simpson – polished off the fateful dish of noodles on a June evening in 1994, at a Los Angeles Italian restaurant called Mezzaluna. Post-pasta, a Mezzaluna waiter, Ron Goldman, who'd been "just friends" with Nicole for a few months, took it upon himself to deliver a forgotten pair of glasses back to her nearby condo.

Just after midnight, Simpson and Goldman were both found stabbed to death outside the condo, along with a bloody glove that matched one belonging to Nicole's jealous ex-husband, O.J.

The double homicide led to a famously televised, low-speed car chase in a white Ford Bronco, the most publicized murder trial in history, and O.J. Simpson's ultimate acquittal (in the eyes of the law, anyway... the court of public opinion was widely divided on the matter).

Less widely-known is what happened to the restaurant where it all started... Mezzaluna.

Before the ink was dry on the "Simpson Surrenders After Freeway Chase" headlines, looky-loos crammed into the little Italian eatery to pilfer silverware and napkins as keepsakes. As O.J.'s trial progressed, a flock of "Guilty" signs festooned the trees and railings outside the restaurant, while a stream of 5,000 tour buses a day crawled past so thrillseekers could ogle the site of Nicole's last meal.

By the time the eight-month-long trial was over, Mezzaluna's owner – a non-Italian Lebanese-Egyptian immigrant named Charif Souki – had had enough of what he called "lack of taste and decency." He sold the beleaguered restaurant, auctioned off anything not nailed down, and looked for a new line of work.

For no particular reason – other than, maybe, the fact that it was as far from the restaurant business as possible – he decided to join the liquefied natural gas ("LNG") industry.

That fateful choice would lead to Souki's brief tenure as America's highest-paid CEO, a dramatic downfall (twice!), and ultimately, a smear of egg on the face for Porter & Co.

It would also give us a painfully clear blueprint for how not to invest in LNG – and what to do instead...

Cheniere-Death Experience

Souki had an MBA in finance, and before his foray into the restaurant industry, he'd spent a decade as an investment banker, jetting between the Middle East and Wall Street. He still had plenty of deep-pocketed contacts, and it didn't take him long to drum up $2 billion. He planned to build an LNG import facility on the Louisiana-Texas border – ready to receive and process shipments of gas from far-off energy hubs like Qatar.

He called it Cheniere Energy (LNG) – and he built it at *exactly* the wrong time.

In 2008, just as the Cheniere import facility neared completion, fracking technology hit the big time – meaning that America could produce enough of its own gas not to need to rely on other countries' energy anymore. That, of course, was bad news for facilities designed to import gas.

At the ribbon-cutting event for Cheniere, investors pointedly ignored the ceremony to watch LNG shares hit lows of 95 cents (down from $21) via the real-time tickers on their BlackBerries (also a new technology at the time!).

Souki quickly pivoted to a new strategy: flipping Cheniere from an import to an export facility. U.S.-based frackers would bring their product to Souki, who'd liquefy it for transport, and ship it overseas. It was a total overhaul that would require another $20 billion, from investors who hadn't yet seen a dime from their initial $2 billion.

Souki – an extraordinary salesman – was able to pull it off, and did an about-face. Over the next few years, Cheniere would become the only export facility on the United States mainland, shipping millions of tons of LNG to energy-hungry China, Japan, and South Korea. By 2013, Cheniere was an $18 billion company, and Souki himself was America's highest-paid CEO, bringing home $142 million a year.

The good times (for Souki, anyway) lasted barely two years. In 2015, Souki found himself on the outs with activist investor Carl Icahn, who owned a 13.8% stake in Cheniere and wanted to focus on returning dividends to investors – while Souki wanted to use any extra cash to build a second facility. With the board on Icahn's side, Souki was ousted from his plummy CEO position, and retreated to his estate in Aspen, Colorado.

If Icahn wouldn't let him expand, Souki decided, he'd build bigger, better, faster on his own. In 2016, he started building an export terminal on the Louisiana site that Icahn's board had nixed – only this one would be an even more ambitious project than Cheniere.

Souki's new company, Tellurian (TELL, which went public in 2017) wouldn't just process gas from other fracking companies… TELL would frack its own, from the ground up, and then turn it into LNG and ship it overseas. In other words, Souki planned to build the first *fully integrated* (gas field, gas pipeline) LNG facility in the United States and use it to ship out a targeted 27.6 million tons of LNG annually – *twice* Cheniere's annual exports at the time.

It was a massive project… too massive, as it turned out.

And it would ultimately spell Charif Souki's second (or, counting Mezzaluna, his third) undoing.

Too Big To Shale

Tellurian's business plan (which Souki called the "Driftwood Project") started out on solid ground – gaseous ground, that is.

Souki bought 11,060 acres in the Haynesville Shale in northern Louisiana, including working interests in 78 producing wells. By 2021 those wells produced 39 million cubic feet of gas a day, and revenue was a little over $70 million, up about $20 million from the year before, thanks to higher gas prices. Souki had long-term purchase agreements lined up with major clients in Singapore and the Netherlands, as well as global oil major Shell.

And that's where we, at Porter & Co., came in.

We thought Tellurian's mega-build-out was a great idea – so much so that we recommended it in one of our earliest issues of The Big Secret, in June 2022. Porter wrote then that Driftwood was "the exact same LNG-export business I would build.... Buy the gas in the ground, cheaply. Build the pipeline to get the gas to the coast. Build the LNG terminal to sell it to the world." Simple, right?

Turned out, not so straightforward.

The ambitious, and expensive, infrastructure buildout – the fracking, processing, and liquefaction equipment – that stalled, and ultimately tanked Charif Souki's second bid for gas and glory.

The traditional industry approach to building LNG terminals – the one Souki used – is known as the "stick-built" method. The large-scale liquefaction trains – the workhorses of an LNG terminal used to cool and compress natural gas into LNG – are custom manufactured on site from the ground up, by hundreds of construction workers and engineers.

Phase 1 of the Driftwood Project – four phases were planned in all – involved two of these massive "stick-built" trains, including – just as one example – 20,000 piles driven into the ground. By 2023 – five years after the start of construction – only 9,000 of those phase 1 piles had been hammered into the Haynesville Shale.

Driftwood's multi-layered complex was a lot easier to build in Souki's head – and one by one, financiers and foreign clients dropped out of the project as construction deadlines got pushed further and further back.

By September 2022 Tellurian had lost its last major backer, Shell, and had unsuccessfully tried to raise capital via a last-ditch $1 billion bond offering. At year-end 2022, the company reported a net loss of $49.8 million – and in 2023, it tripled that loss to $166 million. By the end of Q1 2024, management acknowledged that there was "substantial doubt about our ability to continue as a going concern."

In July 2024, Tellurian gave up the ghost and sold out to Woodside Energy, an Australian energy company, for $1 a share.

To be fair, we'd foreseen the possibility of something like this happening back when we made **our initial recommendation** and assigned it our highest-level risk rating of 5… We wrote:

> *"There are all kinds of things that can go wrong – and this is a very small stock. It has a market cap of just over $2 billion. Its share price is going to be extremely volatile. Moves up of 100% or more won't be unusual. And moves down of 50% or more won't be either. On average, the shares are 100% more volatile than the Nasdaq, so please don't buy this deal if you aren't comfortable with a lot of volatility.*
>
> *Likewise, this is the kind of situation where if something goes badly wrong, you can lose all of your money. I don't think that's going to happen, but it isn't out of the question."*

It wasn't out of the question for Charif Souki. He was booted from his CEO role at Tellurian in December 2023, got himself into $99 million in debt, and lost his TELL shares and his treasured yacht, *Tango*, to the Swiss bank UBS. He also lost his Aspen, Colorado, mansion in a forced sale, leaving him, he lamented in his bankruptcy filing, "homeless." (However, he acknowledged outside the filing that he has "other properties around the world," so we suspect that reports of his distress are somewhat exaggerated.)

There are plenty of directions for Charif Souki to go next… he might even open a restaurant.

For us (and other unfortunate TELL investors), our next move was clear. We sold the stock in October 2024 at a 74% loss.

It was a painful reminder – for us, and for many other investors – that in the complex world of LNG, bigger is *not* always better.

Our next recommendation of a company that has taken the polar opposite approach. It has specifically designed its LNG terminals using small-scale equipment that can be built in dedicated manufacturing facilities, and then shipped to the project site for easy, low-cost, and fast construction. It used this approach to build the two fastest-ever constructed LNG terminals in American history, and it's already generated $18 billion in revenue from its first three years of producing LNG.

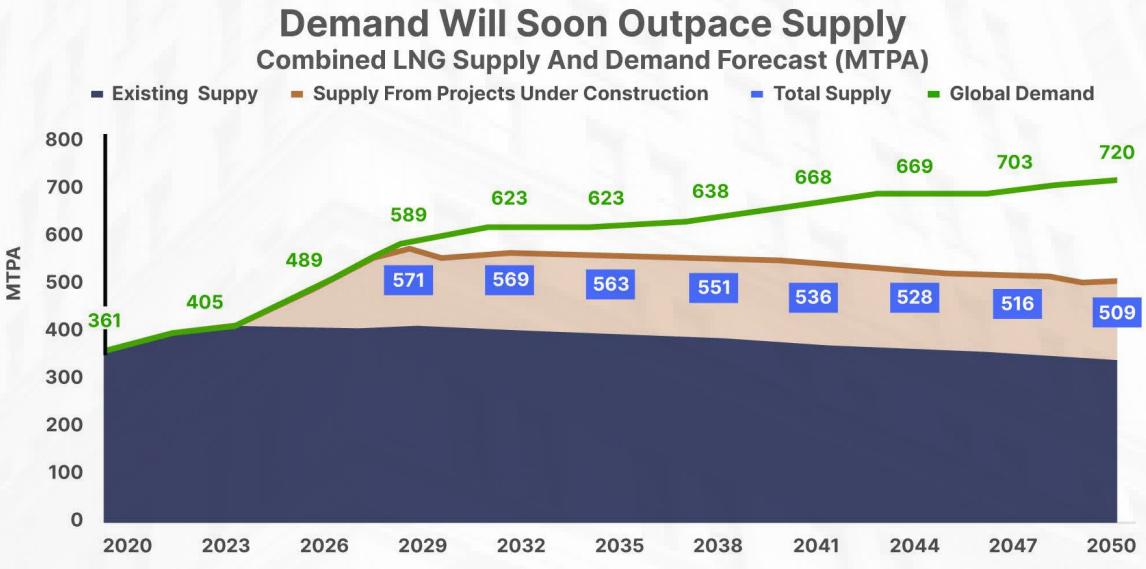
But the real upside for this business lies in its aggressive expansion plans, and the way that it has positioned itself to profit from the coming supercycle in LNG prices.

The Coming Global Gas Supply Shortage

LNG is the super-chilled version of natural gas that shrinks down to 1/600th of its original size after it's cooled to negative 260 degrees Fahrenheit. This ultra-compact form of natural gas can then be loaded and shipped via specially designed LNG tanker ships, enabling the export of natural gas to countries around the world.

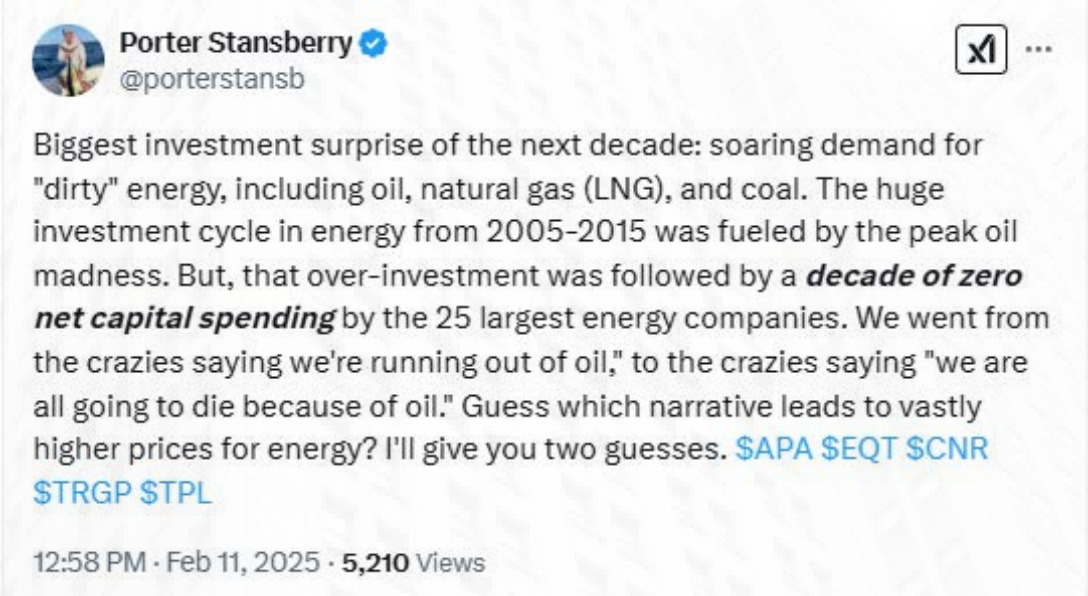
Over the next 25 years, global natural-gas demand is projected to increase 30% from 155 trillion cubic feet (Tcf) in 2024 to 200 Tcf (a unit that measures the volume of gas) by 2050. And the share of gas demand coming from LNG will increase from 13% of the total to 19%, translating into 89% growth in LNG demand over the same 25-year period.

The problem – and the opportunity – is that LNG supply growth is on pace to significantly fall short of the increase in demand. A recent analysis from commodities and financial research firm S&P Global forecasts that LNG supply will begin falling short of demand by 2030, leading to a global LNG deficit that will reach 110 million tons per annum (MTPA) by 2040 and 211 MTPA by 2050, as shown below (while Tcf measures the volume of gas, MTPA measures the level of annual supply and demand):



Source: S&P Global Commodity Insights

Many factors contribute to this looming supply deficit, but mainly it is a lack of investment. And, as **Porter explained on X**, this lack of investment can be traced to one of mankind's greatest delusions: that the world must stop investing in fossil fuels in order to prevent the end of civilization as we know it:



For years, the world's leading energy-forecasting agencies have contributed to the false promise that "green" energy sources, like wind and solar, would replace hydrocarbon fuels, like LNG. Consider the case of the International Energy Agency ("IEA"), a leading authority in global energy-supply and demand forecasting. Over the past two decades, IEA's forecasts for LNG demand have underestimated actual demand by an average of 41% per year.

As a result, the global economy is woefully unprepared to meet the coming surge in LNG demand. And addressing it won't be easy, cheap, or quick. Bringing an LNG facility from idea to fruition requires $10 billion to $40 billion in capital, depending on the size of the facility, with the typical payback period being decades, not years.

After a company decides to build an LNG exporting terminal, known as the "announcement date," it must then find billions in financing commitments to reach the final investment decision stage – when developers and investors formally commit to proceeding with construction. Then comes the most challenging part: building the project, including navigating the immense governmental and environmental regulatory hurdles.

When everything goes according to plan, proceeding from the announcement phase to shipping cargo requires six to eight years. But, as happens with many large-scale LNG projects, things inevitably go wrong and timelines can get pushed out beyond a decade.

Consider the case of the $40 billion LNG Canada project in British Columbia, owned by a consortium including Shell, PetroChina, Mitsubishi, and Korea Gas. When the project was announced in 2018, it was expected to come online within eight years. But after a series of operational and permitting delays, that timeline has grown to 14 years, to 2032. Similarly long delays have plagued the Golden Pass LNG terminal in Sabine Pass, Texas, owned by ExxonMobil and Qatar Energy.

Since time is money, the present value of projected future cash flows for these projects takes a major hit when timelines get extended. As a result, the economics have turned out to be far less compelling than originally forecast. This, in turn, creates an even bigger hurdle for new projects to secure the investment capital.

For all of these reasons, a future LNG shortage is all but guaranteed. There simply isn't enough investment going into new LNG projects to meet the huge coming demand. And any new announced projects likely wouldn't come online until the mid 2030s, at the earliest.

But with every crisis comes opportunity. We've found the ultimate LNG business model suited to fill this supply gap. Unlike its peers, plagued by project delays, this company has brought its first two LNG terminals online in just two and a half years – the two fastest LNG projects ever built in the U.S.

The company's secret lies in its construction approach that allows it to build projects faster than its top rivals, leading to faster cash flow generation, and therefore higher returns on invested capital. This rapid pace of cash returns enables the company to reinvest in aggressive growth, which could make it one of the largest LNG exporters in the world within the next decade, based on its current plans. And there's also a feature within this business model that could make It one of the biggest winners from the coming LNG shortage set to hit the market in the 2030s and beyond.

The Ultimate Way To Play The Coming LNG Supercycle

The company we're recommending in this special report is LNG exporter **Venture Global (NYSE: VG)**. Headquartered in Arlington, Virginia, Ventura Global was founded in 2013 by Michael Sabel and Robert Pender.

The founders' vision for the company was based on a simple, yet bold proposal: to build LNG projects "faster, cheaper, and better than anyone else." And they have done exactly that, starting with the company's first project – the 12.4 MTPA Calcasieu Pass LNG exporting terminal in Cameron Parish, Louisiana, south of Lake Charles. Venture Global secured the final investment decision ("FID") – the official go-ahead – for the project in August 2019, and began shipping its first cargo less than two and a half years later in the first quarter of 2022.

Venture's second project, the 27.2 MTPA Plaquemines LNG Terminal, located south of New Orleans, achieved its FID in May 2022 and shipped its first cargo in December 2024. Despite being twice the size of its first project, the company brought it online in nearly the same time frame.

Next, we'll dive into the secret to Venture Global's construction approach that allows it to bring projects online in record time.

Design One, Build Many

The traditional industry approach to building LNG terminals is based on the "stick-built" method, which Charif Souki followed with Cheniere and Tellurian. This involves manufacturing customized structures on site. This requires relocating and housing hundreds of skilled construction workers and engineers, and building, from the ground up, one or several large-scale liquefaction trains – the workhorses of an LNG terminal used to supercool and compress natural gas into LNG.

Given the high degree of customization, this method inevitably experiences operational setbacks and project delays.

Instead of following this practice, Venture Global pioneered an approach that uses smaller liquefaction trains – named trains because the process of liquefying natural gas involves a series of sequential steps, similar to the connected carriages of a railroad train – pre-built in offsite facilities and shipped directly to the project site (pictured above being transported to and installed at the Calcasieu Pass LNG exporting terminal in Cameron Parish, Louisiana). This results in more of a "plug and play" approach to LNG terminal building, where the hard work of building the most critical element of the project – the liquefaction train – is already completed beforehand, and offsite. Thus, the only work left to do is set up the supporting infrastructure (power generation, pipeline connections, etc.) and put all the pieces together.

The company calls this the "design one, build many" approach – meaning it only needs to create one liquefaction train design, which can then be used for all future projects. This makes Venture Global's construction process highly scalable and repeatable, instead of starting each new project from the ground up with a new customized design. That's how Venture Global completed its second project, the Plaquemines LNG terminal, with twice the capacity as its first project, in roughly the same amount of time – it simply shipped in twice as many pre-built liquefaction trains, raising the number from 18 to 36.

To see how this more efficient manufacturing approach enables significant time savings, and leads to rapid cash flow generation, let's compare the trajectory of Venture Global's expansion in LNG capacity against its top competitor.

Closing The Gap With America's Dominant LNG Powerhouse

Before Venture Global arrived on the scene, Cheniere was the industry leader in operational efficiency. In July 2012, Cheniere achieved FID for its first LNG export project, the Sabine Pass Terminal – a single (large) liquefaction train facility with 5.8 MTPA of capacity, which was less than half the size of Venture Global's first project.

Cheniere shipped its first cargo three and a half years after getting its FID, in February 2016. It then added four additional liquefaction trains of equal size over the next two and a half years, bringing its total capacity to 28.8 MTPA by November 2018. The table below shows the timeline of this process, starting from the initial FID for Sabine Pass Train 1 until the completion of train 5, spanning a period of just over 2,300 days.

Cheniere's Project Timeline From Initial FID

Project Name	Day Count	Initial LNG Shipments	Project Capacity (MTPA)	Total Capacity (MTPA)
Initial FID	0	July 2012	0	0.0
Sabine Pass Train 1	1,310	February 2016	5.8	5.8
Sabine Pass Train 2	1,492	August 2016	5.8	11.5
Sabine Pass Train 3	1,645	January 2017	5.8	17.3
Sabine Pass Train 4	1,857	August 2017	5.8	23.0
Sabine Pass Train 5	2,314	November 2018	5.8	28.8

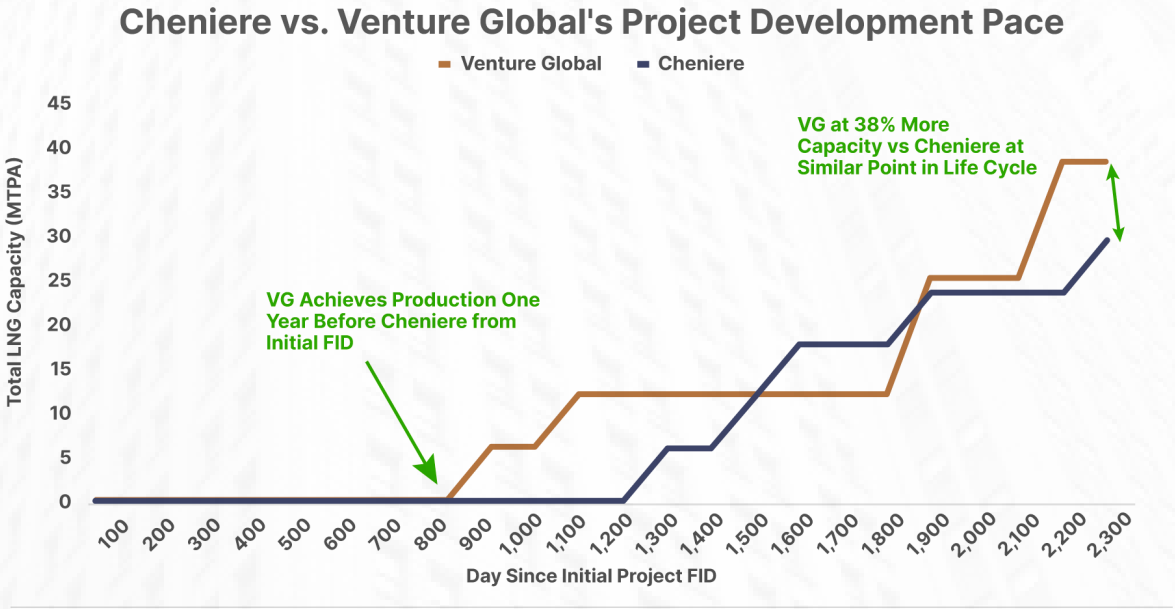
Next, let's consider Venture Global's progress for its two projects over roughly the same time frame. Each project was divided into two phases, with nine smaller-scale trains for phases 1 and 2 of Calcasieu Pass, and 18 trains each for Plaquemines phases 1 and 2.

The table below shows the timeline for Venture Global's completion of the first three phases of these projects, plus the projected completion of its Plaquemines phase 2 project in September of 2025.

Venture Global's Project Timeline From Initial FID

Project Name	Day Count	Initial LNG Shipments	Project Capacity (MTPA)	Total Capacity (MTPA)
Initial FID	0	August 2019	0	0.0
Calcasieu Pass Phase 1	943	March 2022	6.2	6.2
Calcasieu Pass Phase 1	1,127	September 2022	6.2	12.4
Plaquemines LNG Phase 1	1,949	December 2024	13.6	26.0
Plaquemines LNG Phase 2	2,223	September 2025	13.6	39.6

The chart below shows the progress of the total cumulative capacity of these two companies from the same starting point, beginning with the FID date of their first projects. Note that Venture achieved completion of its first project a full year ahead of Cheniere's first project, and that Venture ended up with 38% more capacity than Cheniere over the full time period:



Keeping Production And Cash Flowing

Venture's more rapid construction progress is only half of the story. The real differentiator between Venture and peers like Cheniere is how fast it can ramp up production and start producing significant cash flows.

To understand why, let's review a key part of the journey for any new LNG terminal, known as the "commissioning phase." This process begins immediately upon the initial LNG production, and involves checks on thousands of pipe connections, instrument readings, and other safety and environmental equipment. During this commissioning phase, the plant is not officially cleared to supply steady volumes of LNG under long-term commercial contracts. However – and this is key, as we'll see much later – the LNG generated during this phase can still be sold on the open market.

This commissioning phase can last anywhere from several months to several years of negative or minimal operating profits, on top of the already-lengthy multi-year construction phase. But Venture's approach of using prefabricated liquefaction trains offers an advantage over the standard industry practice of building large customized trains.

By their nature, customized trains come with many unexpected problems when ramping up production. And to address each issue, the entire facility must shut down, halting all production. Conversely, Venture's modular units can be thought of as a series of parallel operations. If an issue arises with one train, it doesn't prevent the others from continuing to produce LNG, and thus keep the gas and cash flowing.

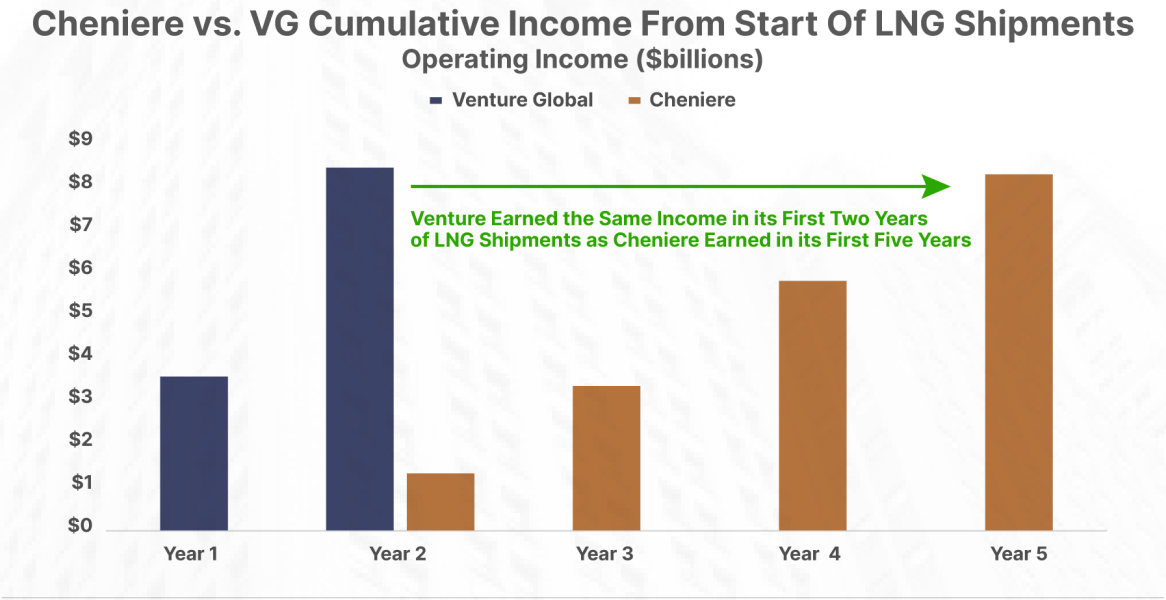
We can see the advantage of Venture's approach in its rapid growth in operating income – a measure of a company's core profitability, defined as earnings before interest, taxes, and one-time expenses, but *including* depreciation and amortization charges.

Let's compare the LNG capacity and operating income generated by Venture and Cheniere, starting from year one of commissioning cargo on their first projects. For Cheniere, year one began in 2016 with the launch of the 5.8 MTPA Sabine Pass Train 1 in February, followed by the same-sized train 2 in August 2016, bringing its total capacity to 11.6 MTPA in 2016. In year two (2017), Cheniere brought another 5.8 MTPA train 3 online in January, followed by the same-sized train 4 in August, bringing its total capacity up to 23.2 MTPA that year. Cheniere generated negative operating income in year one and $1.7 billion in year two.

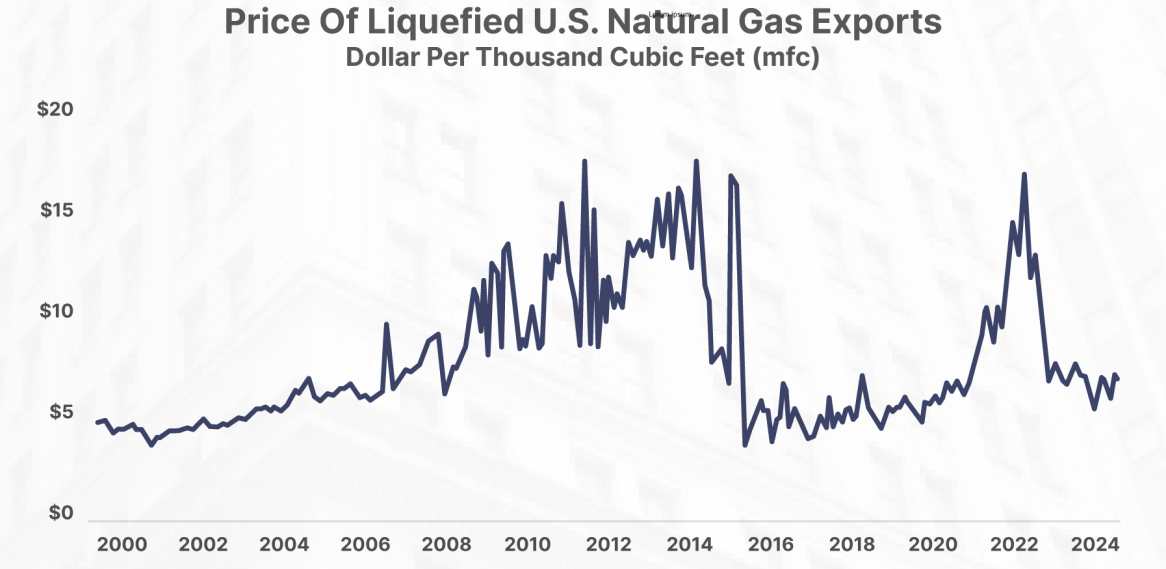
For Venture Global, year one began in 2022 with the launch of the 6.2 MTPA Calcasieu Pass Phase 1 project (trains 1-9) followed by the same-sized Phase 2 project (trains 10-18) in September, bringing total capacity up to 12.4 MTPA that year. And in year two (2023) Venture Global didn't add any additional facilities, keeping its capacity at 12.4 MTPA that year. Venture generated $3.6 billion of operating income in year one and $4.9 billion in year two.

So to summarize, over the full two-year period, Venture produced $8.4 billion in operating income, or 6x that of Cheniere, despite only reaching a half the total LNG production capacity as Cheniere's.

In fact, it took Cheniere five years from first production to reach $8.4 billion in cumulative operating income – a period during which it ramped up its total capacity to 28.8 MTPA. Thus, Venture achieved the same amount of operating income in just two years of commissioning cargo what it took Cheniere five years, and twice as much LNG capacity, to achieve as shown on the next page:



This isn't a perfect apples-to-apples comparison, due to the differences in the price of LNG when both facilities came online. When Cheniere's first projects began shipping, LNG prices traded for around $5 to $6 per thousand cubic feet (mcf), versus the 2022-2023 period when Venture's facilities came online and LNG prices were about $15 per mcf.



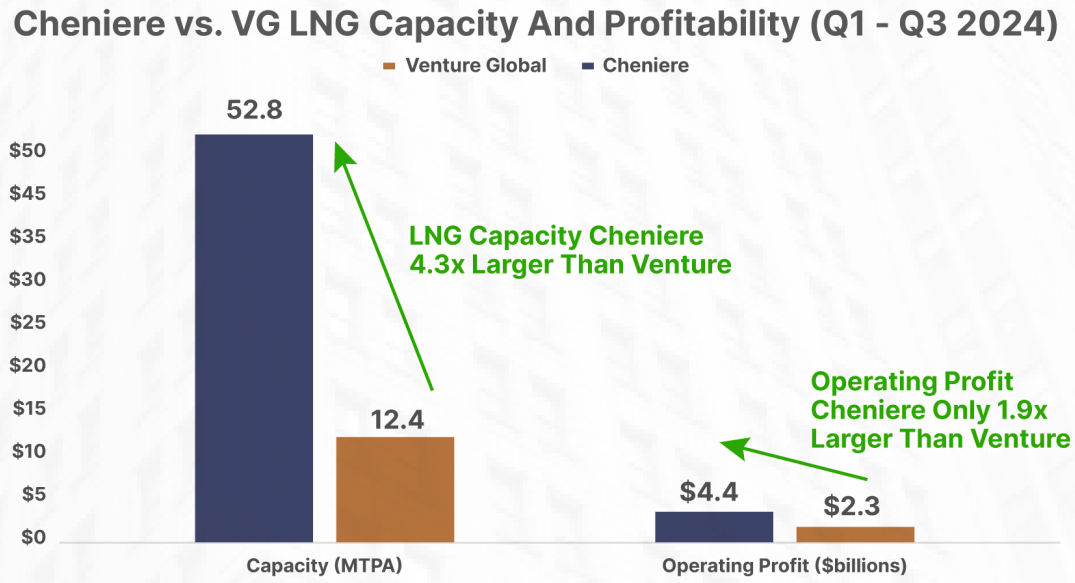
Source: U.S. Energy Information Administration

However, in 2024, LNG prices fell back down to trade closer to the levels of 2016 and 2017, in the $5 to $6 range. This allows for a closer apples-to-apples comparison.

In the first three months of 2024, Venture generated $2.3 billion in operating income from its 12.4 MTPA Calcasieu Pass facility (its second facility, Plaquemines, only began shipping cargo in Q4 2024). That's 35% more than the $1.7 billion in operating income Cheniere generated in the full year 2017 – when prices traded at similar levels.

In other words, Venture generated 35% more income, despite having 30% less capacity than Cheniere over the comparison period, and only running its facilities for three quarters instead of four.

As one final point of comparison, let's measure the two companies directly in the first three quarters of 2024. In this period, Cheniere had 52.8 MTPA of capacity across all terminals, or 4.3x the capacity of Venture Global. Yet, it only generated 1.9x the operating income over the same period, at $4.4 billion versus Venture's $2.3 billion, as shown below:



Framed differently, Venture generated an operating margin of $184 million per ton of LNG exports versus Cheniere's $83 million.

Thus, based on the overall operating profits of the business and the capacity of its projects to date, it seems clear to us that Venture's business model is at least as good as Cheniere's on a per-unit basis, if not significantly better. And that's good news for Venture investors, because Cheniere is the gold standard of operational excellence in the LNG industry.

Looking ahead, we see a path for Venture Global to displace Cheniere as America's number-one LNG exporter. Next, we'll take a look at the aggressive future expansion plans Venture has in store over the coming decade.

How Venture Could Become America's Leading LNG Giant

Venture Global currently plans to have five LNG projects operating within the next decade. This includes its second project, Plaquemines, which already began shipping cargo from the first phase of the project in December 2024. The company is targeting completion of phase 2 by September 2025. Assuming Venture can replicate the pace of new commissioning volumes that it achieved with its first project, Calcasieu Pass, the Plaquemines project should add a total of 27.2 MTPA of capacity by the end of 2025, bringing Venture's total capacity to 39.6 MTPA. That's a three-fold increase from its previous 12.4 MTPA of capacity, with just the single Calcasieu Pass project operating.

The company estimates a total cost of both phases of Plaquemines will come to $22.5 billion, of which it has already funded $17.7 billion, nearly 80%. Venture believes it can fund the remaining balance with ongoing cash flows from its current operations, plus the borrowing capacity available under its credit agreements. Given its current financial resources, and the fact that Venture has successfully completed phase 1 of Plaquemines, we see little risk in the company's plans to ramp up capacity three-fold throughout 2025, which should deliver a powerful near-term catalyst for its operating income and the share price.

Looking beyond 2025, the company's next three projects include Calcasieu Pass 2 ("CP2"), Calcasieu Pass 3 ("CP3"), and the Delta LNG terminals. The map below shows the planned locations for each terminal, with CP2 and CP3 located near the original Calcasieu Pass terminal, just south of Lake Charles, Louisiana. And the Delta project will be located near the existing Plaquemines terminal, south of New Orleans.

The company plans to use the same modular-construction approach for each of these projects, based on the same liquefaction train designs used in its first two LNG terminals. If it can achieve this, then cash flows from previous projects coming online should provide a substantial portion of the funding needed for each subsequent project.

Still, the sheer size and capital commitments of these LNG projects will require external funding, and thus all future projects beyond Plaquemines will depend on achieving FID before proceeding.

This includes the company's third planned project, the 28 MTPA CP2 project, estimated to cost $28 billion. Venture Global aims to achieve FID for phase 1 of CP2 by mid 2025, followed by FID for phase 2 by mid 2026. We believe this timeline is credible, given that the company has already lined up 20-year sales agreements for 64% of the project's phase-1 capacity, as of September 2024. The list below shows the companies that have signed up for these future sales, which includes several major global energy companies. A majority of these LNG buyers have investment-grade credit ratings, indicating these companies have the financial wherewithal to honor the commitments associated with long-term sales agreements. Venture's SPA agreements for phase 1 of CP2 are shown below:

Venture's Sales Agreements For Phase 1 Of The CP2 Project

Phase I

Offtaker	MTPA	Duration
NewFortress energy	1.0	20 Years
CHINA GAS 中國燃氣	1.0	20 Years
INPEX	1.0	20 Years
Chevron	1.0	20 Years
EnBW	1.0	20 Years
ExxonMobil	1.0	20 Years
JERA	1.0	20 Years
SEFE ENERGY	2.25	20 Years

Next, let's consider the potential timeline for CP2 to begin producing initial cargo and cash flow. Recall that the company progressed from FID to initial LNG shipments within two and a half years for both of its first two projects, Calcasieu and Plaquemines. And thanks to its highly scalable, modular construction approach, Venture required virtually no additional time to build its second project at twice the scale as its first.

With that in mind, we believe a reasonable assumption is that Venture can move its CP2 project from FID to first LNG shipments within three and a half years. Note that we've added an extra year into the construction timeline as a measure of conservatism, despite the company's track record of bringing large facilities online just as fast as its smaller ones. This puts our estimated time of initial cargo for phase 1 of CP2 by year end 2028, followed by shipments from phase 2 starting by year end 2029. Assuming a smooth ramp up to maximum capacity, this would bring Venture's total capacity up to 109.6 MTPA by 2030. For a frame of reference, that's more than twice the size of Cheniere's total capacity of 52.8 MTPA at year-end 2024.

Next up is Venture Global's largest project by far, CP3, with 42 MTPA of capacity and an estimated cost of $44 billion to $45 billion. The company aims to achieve FID for phase 1 of CP3 by mid 2027, followed by FID for phase 2 by mid 2028. Here again, we assume three and a half years for construction, anticipating the start of initial cargo by mid-year 2030 for phase 1 and mid-year 2031 for phase 2. This would bring Venture's total capacity to 126.7 MTPA by the end of 2031, or more than 10x its output in 2024, with just the Calcasieu Pass facility operating.

Finally, Venture's fifth planned project is Delta, a 28 MTPA facility with an estimated cost of $38 billion. Venture plans to achieve FID for phase 1 of Delta by mid 2029 followed by FID for phase 2 in mid 2030. We assume the same three-and-a-half-year timeline from FID to first cargo shipments, which would mean phase 1 of Delta coming online by year end 2032 followed by phase 2 by the end of 2033.

In total, all five projects offer the potential to bring Venture Global's LNG capacity up to 143.8 MTPA – enough to power more than 1 million homes – with the capacity and projected timelines of each project summarized in the table on the following page:

Venture Global's Future Projects And Estimated Completion Timeline

Project Name	Estimated FID	Estimated First Shipments	Project Capacity (MTPA)	Total Capacity (MTPA)
CP2 Phase 1	June 2025	December 2028	20.2	59.8
CP2 Phase 2	June 2026	December 2029	7.8	67.6
CP3 Phase 1	June 2027	June 2030	21.0	88.6
CP3 Phase 2	June 2028	June 2031	21.0	109.6
Delta Phase 1	June 2029	June 2033	17.1	126.7
Delta Phase 2	June 2030	June 2034	17.1	143.8

But there's an additional source of upside capacity for almost all of the projects listed above, in the form of what's called bolt-on expansions – where Venture Global plans to add additional liquefaction trains alongside the existing trains at its already-completed projects. Here again, this is another key advantage of Venture's modular-construction approach, which provides the operational flexibility to easily insert the same prefabricated liquefaction trains within its existing project infrastructure.

Venture planned the initial designs of its facilities with the aim of adding bolt-on capacity without a major disruption to the existing operations of its already-installed liquefaction trains. These expansion projects should also be highly cost-efficient, because the new liquefaction trains will draw the same sources of power generation, pipelines, and other infrastructure already installed at each project.

The company anticipates adding potential bolt-on capacity of 4.5 MTPA at Calcasieu Pass, 8.9 MTPA at Plaquemines, 14 MTPA at CP2, and 7.8 MTPA at Delta... leaving only CP3 without bolt-on capacity potential, given the already-large size of the terminal. The table below shows the total LNG capacity across all five current and planned projects, including these additional bolt-on expansions, reaching a whopping 179 MTPA – or nearly 4x the size of Cheniere's total capacity today.

Venture Global's Total Potential Capacity With Bolt-On Expansions

	Original Capacity (MTPA)	Bolt-On Capacity (MTPA)	Total Potential Capacity (MTPA)
Calcasieu Pass	12.4	4.5	16.9
Plaquemines	27.2	8.9	36.1
CP2	28	14	42
CP3	42	0	42
Delta	34.2	7.8	42
Total	**143.8**	**35.2**	**179**

If Venture Global successfully develops all of these projects based on its current projected timelines, over the next decade it could become not just America's largest LNG exporter, but the world's largest. For a frame of reference, today's global leader – Qatar Energy (QFLS) – currently has 77 MTPA of capacity, and plans to grow to 140 MTPA by the early 2030s.

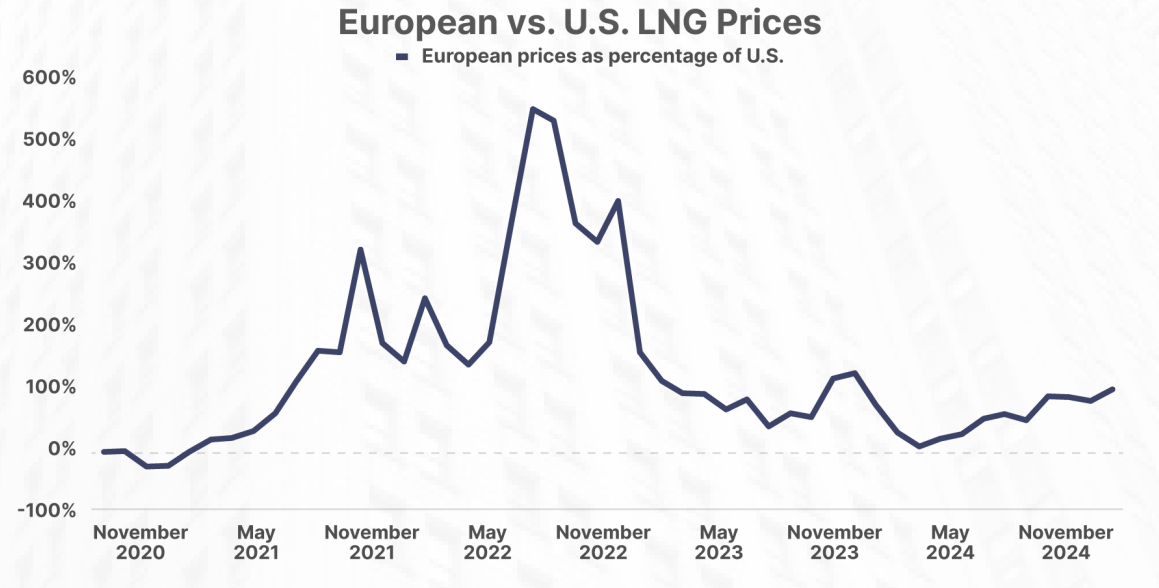
But looking beyond the sheer size of its ambitious future plans, there's one particular feature of its business model that could position the company to become one of the single biggest winners from the coming global shortage in LNG and a supercycle in prices.

How Venture Could Cash In On An LNG Shortage

In order to understand how Venture will be well-positioned to capitalize on higher LNG prices, we must first review the dynamics of the financing and sales agreements for a typical LNG project.

Given the high capital requirements of LNG projects, most companies will partner with external investors to finance these projects. And when a company like Venture Global searches for investors to fund an LNG project, the investors will typically require long-term sales and purchase agreements ("SPA") in place before making an FID commitment. The typical SPA pricing structure involves a flat tolling fee of around $2 to $3 per mcf, plus something like 115% to 130% of benchmark U.S. natural gas prices. For example, when the Henry Hub benchmark natural gas prices trade for around $3.50 per mcf, U.S. LNG prices typically trade at around $7 per mcf.

These SPAs essentially lock in guaranteed sales volumes and a fixed-pricing mechanism between LNG sellers and buyers, and they're designed to guarantee the future cash flows of the project. And while selling LNG under these long-term agreements reduces the risk for an LNG project, it's also typically less profitable than selling into the spot market. That's because overseas LNG prices routinely trade for a premium over U.S. prices. At year-end 2024, for example, European LNG import prices traded for around $14 per mcf, or a 100% premium to U.S. prices. And during periods of global LNG shortages, like during 2022-2023, these premiums can skyrocket to several hundred percent:



Source: Bloomberg

The reason for the persistent price premium for overseas versus American LNG is simple: the shale revolution has gifted America with an abundant source of virtually endless cheap gas. And since most U.S. LNG sales are based on U.S. benchmark gas prices (plus a fixed tolling fee), the price for U.S. LNG tends to remain tethered to lower-priced domestic gas prices.

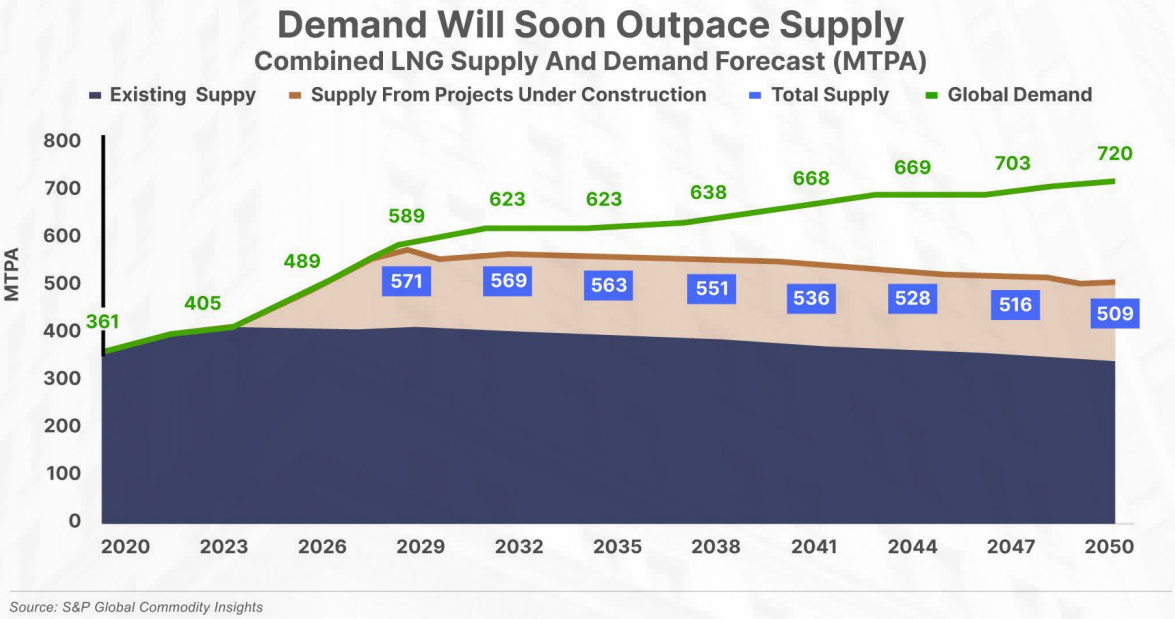
But there is no shale revolution in Europe, Asia, or anywhere else in the world. As a result, the global gas market is subject to periodic shortages due to things like unseasonably cold weather, or Russia cutting off gas flows to Europe. And anytime global gas supplies run short, it inevitably sparks a bidding war for the only marginal source of supply: LNG.

The problem for U.S. LNG producers is that most of the upside from higher global gas prices goes to their customers. That's because of the SPA contracts mentioned above, which tie the price of the LNG they sell to U.S. domestic gas prices. U.S. gas prices may rise modestly during a global gas shortage, but nothing like the 5x to 10x increases in overseas markets.

But here's the secret to Venture Global's business model that will offer a source of uncapped upside to higher overseas prices: the bolt-on expansion projects described above. Recall that these expansion projects all come with significantly lower capital investments versus a typical LNG plant. As a result, Venture Global plans to self-fund all of these expansion projects. And since these projects won't require third-party investors, it means they won't need SPA agreements – allowing Venture to sell 100% of the LNG produced from these projects to the highest bidders on the global gas market.

Thus, Venture's 35.2 MTPA of bolt-on LNG capacity will effectively give the company a huge, perpetual call option on any future LNG shortages – meaning these volumes will have uncapped upside to global LNG prices, rather than being capped based on U.S. prices via SPA contracts. And the value of that call option alone could be worth tens of billions of dollars.

Recall from earlier that during the commissioning phase of Venture's first Calcasieu Pass project, it was able to sell all of its LNG into the skyrocketing spot market from 2022-2023. In just two years, the company cleared $8.4 billion from a relatively small 12.4 MTPA of capacity. So the upside for Venture is having nearly three times as much capacity, going into a market that faces the prospect of a huge and growing supply deficit (shown in the chart also shared earlier) from the early 2030s all the way out to 2050:



Source: S&P Global Commodity Insights

But Venture Global offers a compelling opportunity even without this forecasted supply deficit. The company generated $2.1 billion in operating income in 2024, a time when global LNG prices were near the lowest levels of the last decade, and with only 12.4 MTPA of capacity. With phase 1 of its 27.2 MTPA Plaquemines project already online, and phase 2 slated for initial LNG shipments in September, it's on pace to triple its capacity to 39.6 MTPA by the end of this year.

Assuming a smooth increase in capacity at Plaquemines, we estimate the company should be able to generate approximately $6 billion in operating income by 2026. With the shares trading at just over $8, Venture Global's current market capitalization is $20 billion, or about 4x next year's projected operating income. That's a bargain price, assuming the company can achieve its ambitious future growth plans. However, there are several near-term risks for Venture Global's business model and its share price that investors should be aware of.

Key Risks To Consider Before Investing In Venture Global

The first risk is that Venture Global is currently engaged in a legal dispute with customers that signed SPA agreements to buy LNG from its Calcasieu Pass project. These customers, which include energy BP, Shell, and Spanish energy giant Repsol, allege that Venture Global failed to make good on the supply commitments of its SPA agreements. The crux of the dispute lies with the length of the "commissioning" phase, during which Venture was performing various equipment tests and checks, and thus not technically obligated to begin making commercial deliveries under the SPA agreement. Instead, Venture sold its production into the more lucrative spot market, which forced its customers to forego the cheaper prices it would have otherwise received from the SPA contracts from Calcasieu Pass.

For most LNG facilities, this commissioning phase only lasts several months. But Venture has kept its Calcasieu Pass project operating in commissioning status for a total of three years, starting in Q1 2022, and began commercial sales under its SPA contracts in Q2 2025.

The customers who signed these SPAs argue that Venture acted in bad faith to purposefully prolong this commissioning phase, in order to boost its own profits at the expense of its customers, by selling LNG at the higher prices available on the spot market. In total, its customers claim that Venture owes them approximately $6 billion in damages for depriving them of the lower-priced LNG supply they believe they should have received from the SPA contracts.

Venture is arguing that its modular approach naturally results in a longer-than-average commissioning phase, given the greater number of valves, pipes, and other individual pieces of equipment associated with many smaller scale trains versus those of a single, large-scale train used elsewhere in the industry. The company also argues that it followed the letter of the law in the contracts, which ultimately gives Venture the discretion for determining when to move its projects from commissioning status to normal commercial operations.

We suspect the truth is somewhere in the middle, and that the two parties will eventually settle the dispute. The litigation is expected to continue throughout 2025.

While we don't place high odds on a major defeat for Venture Global, there's still some degree of risk to Venture that could be forced to pay out billions in damages. This would be a significant setback, but not a death blow for a company with $3.6 billion in cash, and one that is expected to generate $7.1 billion in earnings before interest, tax, depreciation and amortization in 2025. It's also worth noting the company has had no trouble raising debt to date, and currently has $27 billion in debt, for a comfortable leverage ratio of 3.8x. We suspect the company could raise additional debt if needed to come up with capital to settle the dispute, even if this causes its leverage ratio to increase modestly in the near-term (for perspective, Cheniere's leverage ratio went beyond 10x for several years during its early growth phase).

Another risk is that the existing SPA contracts Venture has secured with its Calcasieu Pass customers could become null and void, if Venture is found to have violated these contracts. Alternatively, the tainted reputation from the incident could deter customers from signing new SPA agreements. We also view this as unlikely for the simple reason that the world desperately needs new LNG supplies, and Venture Global is one of the few companies capable of providing this supply. And even without SPA agreements, the company might still find a suitable financial arrangement that allows it to sell its LNG into the lucrative spot market.

The third key risk Venture faces is the near-term pressure on its share price from the expected future stock sales by company insiders and other pre-IPO investors. When a new initial public offering ("IPO") is launched, there's typically a "lock up" period where these insiders and early investors are prohibited from selling shares. Once that lock up period expires, the share price can drop due to a large volume of share sales. And oftentimes, market participants anticipate this and sell ahead of time. For this reason, it's typically good practice to avoid buying into IPOs until after this lock-up period passes. Venture Global's lock-up period will expire July 23, 2025.

However, a buying opportunity emerged in shares of **Venture Global** after a nearly 50% drop from $15 to around $8 in March 2025.

The cause of the decline in Venture's share price was investor reaction to a disappointing Q4 earnings report on March 6. The company reported lower LNG prices in Q4, combined with fewer than expected LNG shipments, which caused revenue to come in at $1.52 billion in Q4, or 21% below analyst estimates of $1.92 billion. Meanwhile, higher operating costs caused earnings per share to disappoint at $0.33, versus estimates of $0.76.

The company also increased the expected costs to complete its Plaquemines LNG expansion project by $2 billion, citing cost inflation. Plus, management provided earnings guidance for 2025 that called for EBITDA of $6.8 to $7.4 billion, 21% below analyst estimates of $9.1 billion before the earnings report.

But nothing we saw in the Q4 2024 earnings report changed our long-term bullish thesis for the business. We believe the main culprit for the disappointing results is that Wall Street analysts had little information to go on in determining their quarterly estimates for the company's first earnings report as a public company, and thus the analysts set their expectations too high.

But now, expectations, and its valuation, have been reset. The business trades at an EV/EBITDA of around 8x – more than 30% discount to its top competitor, Cheniere Energy , which trades at 11.6x EV/EBITDA.

Despite VG's lower valuation, the company is on track to outpace Cheniere's growth over the next few years. And all signs indicate Venture Global's growth trajectory remains on track, including two approvals it recently received from the Federal Energy Regulatory Commission ("FERC"), including:

- On February 7, FERC gave Venture Global the green light to proceed with its environmental impact for the CP2 LNG project – its third and largest LNG project slated for initial shipments in 2028.
- On February 20, FERC approved the company's plan to expand capacity at its Plaquemines Project, its second LNG facility, by 13% to 27.2 million tons per year.

With the shares down nearly 70% from its IPO price of $25 in January 2025, and trading at a steep discount to its top competitor, we believe Venture Global offers a compelling value.

We're not the only ones seeing value in shares of Venture Global. In March, three company insiders made significant share purchases, including co-founders Michael Sable and Robert Pender, and board member Jimmy Staton. Together, these three insiders bought 2.4 million shares for a total of $24 million, at prices ranging from $8.95 to $10.71.

Assuming the company can resolve this contract dispute and continue signing up new customers, we believe it has all the makings of America's next great energy success story.

The company has developed a revolutionary new approach to LNG construction that allows it to grow faster and generate more cash than even the best players in the industry. And it has secured a critical advantage in being the first company to deploy this technology at large scale.

Any new entrant attempting to replicate this approach would first need to raise billions of dollars just to have a chance at entering the market. And while the existing large competitors could try adopting Venture's approach in theory, the reality is that they have already invested tens of billions of dollars into their stick-built approaches, and all of their current projects are locked into these designs. As we discussed earlier, starting a new project from scratch requires many years of lead time just to raise capital and achieve regulatory approvals, before construction can even begin. In the meantime, Venture will be growing larger with each new project it completes.

Thus, we believe Venture has all the ingredients to become one of the leading global LNG giants, and maintain that position for decades to come.

Action to Take: For the latest updates on our open positions and current buy up to prices, please visit our live portfolio **here.**

While we're bullish about Venture Global's future prospects, we reiterate our view that the stock comes with significant risk, as we detailed above (and as evidenced by its 50% share-price decline since its IPO in January). Thus, we are assigning this recommendation our highest risk rating level of 5, and urge investors to size their positions appropriately.

Porter & Co.
Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us **here**. You can follow me (Porter) on **X** here: **@porterstansb**