
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-33366

Cheniere Energy Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-5913059
(I.R.S. Employer Identification No.)

700 Milam Street, Suite 800
Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 375-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	£	Accelerated filer	T
Non-accelerated filer	£	Smaller reporting company	£

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 17, 2013, the issuer had 57,078,848 common units, 133,333,334 Class B units and 135,383,831 subordinated units outstanding.

CHENIERE ENERGY PARTNERS, L.P
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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 456,852	\$ 419,292
Restricted cash and cash equivalents	252,854	92,519
Accounts and interest receivable	170	44
Accounts receivable—affiliate	1,095	2,005
Advances to affiliate	10,008	4,987
LNG inventory	2,157	2,625
LNG inventory - affiliate	2,448	4,420
Prepaid expenses and other	7,303	6,652
Total current assets	<u>732,887</u>	<u>532,544</u>
Non-current restricted cash and cash equivalents	1,466,602	272,425
Property, plant and equipment, net	3,241,990	2,704,895
Debt issuance costs, net	245,804	220,949
Other	22,248	17,465
Total assets	<u>\$ 5,709,531</u>	<u>\$ 3,748,278</u>
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 19,947	\$ 73,760
Accounts payable—affiliate	—	1,122
Accrued liabilities	218,399	47,403
Accrued liabilities—affiliate	19,369	5,791
Deferred revenue	25,329	26,540
Deferred revenue—affiliate	—	696
Other	1,498	98
Total current liabilities	<u>284,542</u>	<u>155,410</u>
Long-term debt, net of discount	3,668,286	2,167,113
Deferred revenue	20,500	21,500
Deferred revenue—affiliate	17,173	14,720
Long-term derivative liability	21,978	26,424
Other non-current liabilities	300	303
Commitments and contingencies		
Partners' capital		
Common unitholders (57.1 million units and 39.5 million units issued and outstanding at March 31, 2013 and December 31, 2012, respectively)	786,138	448,412
Class B unitholders (133.3 million units issued and outstanding at March 31, 2013 and December 31, 2012)	(37,342)	(37,342)
Subordinated unitholders (135.4 million units issued and outstanding at March 31, 2013 and December 31, 2012)	918,775	949,482
General partner interest (2% interest with 6.6 million units and 6.3 million units issued and outstanding at March 31, 2013 and December 31, 2012, respectively)	35,154	29,496
Accumulated other comprehensive loss	(5,973)	(27,240)
Total partners' capital	<u>1,696,752</u>	<u>1,362,808</u>
Total liabilities and partners' capital	<u>\$ 5,709,531</u>	<u>\$ 3,748,278</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit data)
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Revenues		
Revenues	\$ 65,563	\$ 66,958
Revenues—affiliate	511	2,365
Total revenues	66,074	69,323
Expenses		
Operating and maintenance expense	8,018	6,112
Operating and maintenance expense—affiliate	6,168	2,998
Depreciation expense	10,650	10,629
Development expense	3,484	16,669
Development expense—affiliate	451	1,231
General and administrative expense	3,231	1,681
General and administrative expense—affiliate	19,156	5,112
Total expenses	51,158	44,432
Income from operations	14,916	24,891
Other income (expense)		
Interest expense, net	(40,262)	(43,458)
Derivative loss, net	(17,468)	(836)
Other	327	71
Total other expense	(57,403)	(44,223)
Net loss	\$ (42,487)	\$ (19,332)
Basic and diluted net income per common unit	\$ 0.10	\$ 0.23
Weighted average number of common units outstanding used for basic and diluted net income per common unit calculation	45,547	31,017

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Net loss	\$ (42,487)	\$ (19,332)
Other comprehensive income		
Interest rate cash flow hedges		
Loss on settlements retained in other comprehensive income	(30)	—
Change in fair value of interest rate cash flow hedges	21,297	—
Total other comprehensive income	21,267	—
Comprehensive loss	\$ (21,220)	\$ (19,332)

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' AND
OWNERS' CAPITAL
(in thousands)
(unaudited)

	Common Unitholders	Class B Unitholders	Subordinated Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Total Partners' Capital
Balance at December 31, 2012	\$ 448,412	\$ (37,342)	\$ 949,482	\$ 29,496	\$ (27,240)	\$ 1,362,808
Net loss	(10,331)	—	(30,707)	(1,449)	—	(42,487)
Sale of common and general partner units	364,840	—	—	7,449	—	372,289
Distributions	(16,783)	—	—	(342)	—	(17,125)
Interest rate cash flow hedges	—	—	—	—	21,267	21,267
Balance at March 31, 2013	<u>\$ 786,138</u>	<u>\$ (37,342)</u>	<u>\$ 918,775</u>	<u>\$ 35,154</u>	<u>\$ (5,973)</u>	<u>\$ 1,696,752</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Cash flows from operating activities		
Net loss	\$ (42,487)	\$ (19,332)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	10,650	10,629
Investment in restricted cash and cash equivalents	(27,542)	(41,197)
Amortization of debt discount	1,174	1,174
Amortization of debt issuance costs	1,036	1,092
Non-cash derivative loss	18,118	527
Other	3,064	—
Changes in operating assets and liabilities:		
Accounts and interest receivable	(126)	504
Accounts receivable—affiliate	909	(2,350)
Accounts payable and accrued liabilities	41,494	45,966
Accounts payable and accrued liabilities—affiliate	6,882	171
Deferred revenue—affiliate	(695)	—
Deferred revenue	(2,210)	(1,104)
Advances to affiliate	(4,552)	(5,330)
LNG inventory—affiliate	1,972	2,652
Other	29	(3,289)
Net cash provided by (used in) operating activities	7,716	(9,887)
Cash flows from investing activities		
Use of restricted cash and cash equivalents	463,476	—
LNG terminal costs, net	(462,731)	(414)
Other	(790)	(1,128)
Net cash used in investing activities	(45)	(1,542)
Cash flows from financing activities		
Proceeds from 2021 Sabine Pass Liquefaction Notes	1,500,000	—
Proceeds from sale of partnership units	372,449	2,903
Investment in restricted cash and cash equivalents	(1,790,446)	—
Debt issuance and deferred financing costs	(34,986)	—
Distributions to owners	(17,125)	(13,445)
Other	(3)	—
Net cash provided by (used in) financing activities	29,889	(10,542)
Net increase (decrease) in cash and cash equivalents	37,560	(21,971)
Cash and cash equivalents—beginning of period	419,292	81,415
Cash and cash equivalents—end of period	\$ 456,852	\$ 59,444

The accompanying notes are an integral part of these consolidated financial statements.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements of Cheniere Energy Partners, L.P. have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included. As used in these Notes to Consolidated Financial Statements, the terms "Cheniere Partners", "we", "us" and "our" refer to Cheniere Energy Partners, L.P. and its wholly owned subsidiaries, unless otherwise stated or indicated by context.

Results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2013.

We are not subject to either federal or state income tax, as the partners are taxed individually on their allocable share of taxable income.

Certain reclassifications have been made to prior period information to conform to the current presentation. The reclassifications had no effect on our overall consolidated financial position, results of operations or cash flows.

For further information, refer to the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2012, as amended by Amendment No. 1 on Form 10-K/A.

NOTE 2—RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consists of cash and cash equivalents that are contractually restricted as to usage or withdrawal, as follows:

Sabine Pass LNG Senior Notes Debt Service Reserve

Sabine Pass LNG, L.P. ("Sabine Pass LNG") has consummated private offerings of an aggregate principal amount of \$1,665.5 million of 7.50% Senior Secured Notes due 2016 (the "2016 Notes") and \$420.0 million of 6.50% Senior Secured Notes due 2020 (the "2020 Notes") (See [Note 6—"Long-Term Debt"](#)). Collectively, the 2016 Notes and the 2020 Notes are referred to as the "Sabine Pass LNG Senior Notes." Under the indentures governing the Sabine Pass LNG Senior Notes (the "Sabine Pass Indentures"), except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied, including that there must be on deposit in an interest payment account an amount equal to one-sixth of the semi-annual interest payment multiplied by the number of elapsed months since the last semi-annual interest payment and there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment. Distributions are permitted only after satisfying the foregoing funding requirements, a fixed charge coverage ratio test of 2:1 and other conditions specified in the Sabine Pass Indentures.

As of March 31, 2013 and December 31, 2012, we classified \$55.4 million and \$17.4 million, respectively, as current restricted cash and cash equivalents for the payment of interest due within twelve months. As of March 31, 2013 and December 31, 2012, we classified the permanent debt service reserve fund of \$76.1 million as non-current restricted cash and cash equivalents. These cash accounts are controlled by a collateral trustee, and, therefore, are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

Liquefaction Reserve

In July 2012, Sabine Pass Liquefaction, LLC ("Sabine Pass Liquefaction") closed on a \$3.6 billion senior secured credit facility (the "Liquefaction Credit Facility"). Under the terms and conditions of the Liquefaction Credit Facility, Sabine Pass Liquefaction is required to deposit all cash received into reserve accounts controlled by a collateral trustee. Therefore, all of Sabine Pass Liquefaction's cash and cash equivalents are shown as restricted cash and cash equivalents on our Consolidated Balance Sheets. As of March 31, 2013 and December 31, 2012, we classified \$100.0 million as non-current restricted cash and cash equivalents held by Sabine Pass Liquefaction as such funds are to be used to acquire non-current assets. As of March 31, 2013 and December 31, 2012, we classified \$197.4 million and \$75.1 million, respectively, as current restricted cash and cash equivalents held by Sabine Pass Liquefaction as such funds are to be used to pay for current liabilities. As of March 31, 2013 and December 31, 2012, we classified \$1,290.4 million and \$96.3 million, respectively, as non-current restricted cash and cash equivalents held by Sabine Pass Liquefaction as such funds are to be used to pay for the natural gas liquefaction facilities we are developing at the Sabine Pass LNG terminal adjacent to the existing regasification facilities (the "Liquefaction Project").

NOTE 3—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of LNG terminal costs and fixed assets, as follows (in thousands):

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
LNG terminal costs		
LNG terminal	\$ 1,641,717	\$ 1,641,722
LNG terminal construction-in-process	1,776,308	1,228,647
LNG site and related costs, net	154	156
Accumulated depreciation	(177,084)	(166,538)
Total LNG terminal costs, net	<u>3,241,095</u>	<u>2,703,987</u>
Fixed assets		
Computer and office equipment	424	368
Vehicles	797	704
Machinery and equipment	1,471	1,473
Other	703	760
Accumulated depreciation	(2,500)	(2,397)
Total fixed assets, net	<u>895</u>	<u>908</u>
Property, plant and equipment, net	<u>\$ 3,241,990</u>	<u>\$ 2,704,895</u>

Depreciation expense related to the Sabine Pass LNG terminal totaled \$10.5 million for each of the three months ended March 31, 2013 and 2012.

In June 2012, Train 1 and Train 2 of the Liquefaction Project satisfied the criteria for capitalization. Accordingly, costs associated with the construction of Train 1 and Train 2 of the Liquefaction Project have been recorded as construction-in-process since that date. For the three months ended March 31, 2013, we capitalized \$35.3 million of interest expense related to the construction of Train 1 and Train 2 of the Liquefaction Project.

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

NOTE 4—FINANCIAL INSTRUMENTS

Derivative Instruments

We have entered into certain instruments to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory ("LNG Inventory Derivatives"), to hedge the exposure to price risk attributable to future purchases of natural gas to be utilized as fuel to operate the Sabine Pass LNG terminal ("Fuel Derivatives"), and to hedge the exposure to volatility in a portion of the floating-rate interest payments under the Liquefaction Credit Facility ("Interest Rate Derivatives").

The following table (in thousands) shows the fair value of our derivative assets and liabilities that are required to be measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012, which are classified as other current assets, other current liabilities and other non-current liabilities in our Consolidated Balance Sheets.

	Fair Value Measurements as of							
	March 31, 2013				December 31, 2012			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LNG Inventory Derivatives asset (liability)	\$ —	\$ (421)	\$ —	\$ (421)	\$ —	\$ 232	\$ —	\$ 232
Fuel Derivatives asset (liability)	—	420	—	420	—	(98)	—	(98)
Interest Rate Derivatives (liability)	—	(23,055)	—	(23,055)	—	(26,424)	—	(26,424)

The estimated fair values of our LNG Inventory Derivatives and Fuel Derivatives are the amount at which the instruments could be exchanged currently between willing parties. We value these derivatives using observable commodity price curves and other relevant data. We value our Interest Rate Derivatives using valuations based on the initial trade prices. Using an income-based approach, subsequent valuations are based on observable inputs to the valuation model including interest rate curves, risk adjusted discount rates, credit spreads and other relevant data.

Commodity Derivatives

Changes in the fair value of our LNG Inventory Derivatives and Fuel Derivatives are reported in earnings because we have not elected to designate these derivative instruments as a hedging instrument that is required to qualify for cash flow hedge accounting. The following table (in thousands) shows the fair value and location of our LNG Inventory Derivatives and Fuel Derivatives on our Consolidated Balance Sheets:

	Balance Sheet Location	Fair Value Measurements as of	
		March 31, 2013	December 31, 2012
LNG Inventory Derivatives asset (liability)	Prepaid expenses and other/ (Other current liabilities)	\$ (421)	\$ 232
Fuel Derivatives asset (liability)	Prepaid expenses and other/ (Other current liabilities)	420	(98)

The following table (in thousands) shows the changes in the fair value and settlements of our LNG Inventory Derivatives recorded in marketing and trading revenues (losses) on our Consolidated Statements of Operations during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
LNG Inventory Derivatives gain (loss)	\$ (550)	\$ 1,171

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

The following table (in thousands) shows the changes in the fair value and settlements of our Fuel Derivatives recorded in derivative gain (loss) on our Consolidated Statements of Operations during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Fuel Derivatives gain (loss)	\$ 515	\$ (836)

The use of derivative instruments exposes us to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments. Our commodity derivative transactions are executed through over-the-counter contracts which are subject to nominal credit risk as these transactions are settled on a daily margin basis with investment grade financial institutions. Collateral of \$1.4 million and \$0.9 million deposited for such contracts, which has not been reflected in the derivative fair value tables, is included in the other current assets balance as of March 31, 2013, and December 31, 2012, respectively.

Interest Rate Swaps Designated as Cash Flow Hedges

In August 2012, Sabine Pass Liquefaction entered into Interest Rate Derivatives to protect against volatility of future cash flows and hedge a portion of the variable interest payments on the Liquefaction Credit Facility.

Sabine Pass Liquefaction has elected to designate these Interest Rate Derivatives as hedging instruments which is required in order to qualify for cash flow hedge accounting. As a result of this cash flow hedge designation, we recognize the Interest Rate Derivatives as an asset or liability at fair value, and reflect changes in fair value through other comprehensive income in our Consolidated Statements of Comprehensive Loss. Any hedge ineffectiveness associated with the Interest Rate Derivatives is recorded immediately as derivative gain (loss) in our Consolidated Statements of Operations. The realized gain (loss) on the Interest Rate Derivatives is recorded as an (increase) decrease in interest expense on our Consolidated Statements of Operations to the extent not capitalized as part of the Liquefaction Project. The effective portion of the gains or losses on our Interest Rate Derivatives recorded in other comprehensive income is reclassified to earnings as interest payments on the Liquefaction Credit Facility impact earnings. In addition, amounts recorded in other comprehensive income are also reclassified into earnings if it becomes probable that the hedged forecasted transaction will not occur.

The Interest Rate Derivatives hedge approximately 75% of the weighted average of the expected outstanding borrowings over the term of the Liquefaction Credit Facility. The aggregate notional amount each month follows our expected borrowing schedule under the Liquefaction Credit Facility with an expected maximum swap notional amount outstanding of \$2.9 billion in 2017. Based on the continued development of our financing strategy for the Liquefaction Project, in particular the 2021 Sabine Pass Liquefaction Notes issued in February 2013 and the additional \$1.5 billion fixed-rate notes issued in April 2013 described in [Note 6—"Long-Term Debt"](#), during the first quarter of 2013 we determined it was no longer probable that the forecasted variable interest payments on the Liquefaction Credit Facility would occur in the time period originally specified. As a result, all of the Interest Rate Derivatives were no longer effective hedges, and the remaining portion of hedge relationships that were designated as of December 31, 2012, were de-designated as of February 1, 2013. For de-designated hedges, changes in fair value prior to their de-designation date are recorded as other comprehensive income (loss) within the Consolidated Balance Sheets, and changes in fair value subsequent to their de-designation date are recorded as derivative gain (loss) within the Consolidated Statements of Operations. We have continued to maintain the Interest Rate Derivatives in anticipation of our upcoming financing needs, particularly for the financing of the construction of Train 3 and Train 4 of the Liquefaction Project, and have concluded that the likelihood of occurrence of our variable interest payments has not changed to probable not to occur. As a result, amounts recorded in other comprehensive income related to our de-designated Interest Rate Derivatives will continue to remain in other comprehensive income until interest payments on the Liquefaction Credit Facility impact earnings.

At March 31, 2013, Sabine Pass Liquefaction had the following Interest Rate Derivatives outstanding that converted \$20.0 million of the Liquefaction Credit Facility from a variable to a fixed interest rate. Sabine Pass Liquefaction pays a fixed interest rate on the swap and in exchange receives a variable interest rate based on the one-month LIBOR.

	Initial Notional Amount	Maximum Notional Amount	Effective Date	Maturity Date	Weighted Average Fixed Interest Rate Paid	Variable Interest Rate Received
Interest Rate Derivatives - De-designated	\$20.0 million	\$2.9 billion	August 14, 2012	July 31, 2019	1.98%	One-month LIBOR

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

Interest Rate Derivatives were reflected in our Consolidated Balance Sheets at fair value with the effective portion of the Interest Rate Derivatives' gain or loss recorded in other comprehensive income. For de-designated hedges, changes in fair value prior to their de-designation date are recorded as other comprehensive income (loss) within the Consolidated Balance Sheets, and changes in fair value subsequent to their de-designation date are recorded as derivative gain (loss) within the Consolidated Statements of Operations. The following table (in thousands) shows the fair value of our interest rate swaps:

	Balance Sheet Location	Fair Value Measurements as of	
		March 31, 2013	December 31, 2012
Interest Rate Derivatives - Designated	Non-current derivative liabilities	\$ —	\$ 21,290
Interest Rate Derivatives - De-designated	Other current liabilities	1,077	—
Interest Rate Derivatives - De-designated	Non-current derivative liabilities	21,978	5,134

The following table (in thousands) shows our Interest Rate Derivatives market adjustments recorded during the three months ended March 31, 2013 and 2012:

	Gain (Loss) in Other Comprehensive Income		Gain (Loss) Reclassified from Accumulated OCI into Interest Expense (Effective Portion)		Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Interest Rate Derivatives - Designated	21,297	—	—	—	—	—
Interest Rate Derivatives - De-designated	—	—	—	—	—	—
Interest Rate Derivatives - Settlements	(30)	—	—	—	—	—

The following table (in thousands) shows the changes in the fair value of our De-designated Interest Rate Derivatives recorded in derivative loss on our Consolidated Statements of Operations during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Interest Rate Derivatives - De-designated loss	\$ 17,983	\$ —

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

Balance Sheet Presentation

The Company's commodity and interest rate derivatives are presented on a net basis on our Consolidated Balance Sheets as described above. The following table (in thousands) shows the fair value of our derivatives outstanding on a gross basis:

Offsetting Derivative Assets (Liabilities)	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Derivative Instrument	Cash Collateral Received (Paid)	
As of March 31, 2013:						
Fuel Derivatives	\$ 420	\$ —	\$ 420	\$ —	\$ —	\$ 420
LNG Inventory Derivatives	(421)	(421)	—	—	—	—
Interest Rate Derivatives - de-designated	(23,055)	—	(23,055)	—	—	(23,055)
As of December 31, 2012:						
Fuel Derivatives	(98)	(98)	—	—	—	—
LNG Inventory Derivatives	232	—	232	—	—	232
Interest Rate Derivatives - designated	(21,290)	—	(21,290)	—	—	(21,290)
Interest Rate Derivatives - de-designated	(5,134)	—	(5,134)	—	—	(5,134)

Other Financial Instruments

The estimated fair value of our other financial instruments, including those financial instruments for which the fair value option was not elected are set forth in the table below. The carrying amounts reported on our Consolidated Balance Sheets for cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, interest receivable and accounts payable approximate fair value due to their short-term nature.

Other Financial Instruments (in thousands):

	March 31, 2013		December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2016 Notes, net of discount (1)	\$ 1,648,286	\$ 1,825,477	\$ 1,647,113	\$ 1,824,177
2020 Notes (1)	420,000	444,150	420,000	437,850
2021 Sabine Pass Liquefaction Notes (1)	1,500,000	1,552,500	—	—
Liquefaction Credit Facility (2)	100,000	100,000	100,000	100,000

- (1) The Level 2 estimated fair value was based on quotations obtained from broker-dealers who make markets in these and similar instruments based on the closing trading prices on March 31, 2013 and December 31, 2012, as applicable.
- (2) The Level 3 estimated fair value was determined to be the carrying amount due to our ability to call this debt at anytime without penalty.

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NOTE 5—ACCRUED LIABILITIES

As of March 31, 2013 and December 31, 2012, accrued liabilities consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Interest and related debt fees	\$ 68,422	\$ 16,327
Affiliate	19,369	5,791
LNG liquefaction costs	143,628	26,131
LNG terminal costs	2,756	977
Other	3,593	3,968
Total accrued liabilities (including affiliate)	<u>\$ 237,768</u>	<u>\$ 53,194</u>

NOTE 6—LONG-TERM DEBT

As of March 31, 2013 and December 31, 2012, our long-term debt consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Long-term debt		
2016 Notes	\$ 1,665,500	\$ 1,665,500
2020 Notes	420,000	420,000
2021 Sabine Pass Liquefaction Notes	1,500,000	—
Liquefaction Credit Facility	100,000	100,000
Total long-term debt	<u>3,685,500</u>	<u>2,185,500</u>
Long-term debt discount		
2016 Notes	(17,214)	(18,387)
Total long-term debt, net of discount	<u>\$ 3,668,286</u>	<u>\$ 2,167,113</u>

Sabine Pass LNG Senior Notes

As of March 31, 2013 and December 31, 2012, Sabine Pass LNG had an aggregate principal amount of \$1,665.5 million of the 2016 Notes and \$420.0 million of the 2020 Notes. The terms of the 2016 Notes and the 2020 Notes are substantially similar. Interest on the 2016 Notes is payable semi-annually in arrears on May 30 and November 30 of each year. Interest on the 2020 Notes is payable semi-annually in arrears on May 1 and November 1 of each year. Subject to permitted liens, the Sabine Pass LNG Senior Notes are secured on a first-priority basis by a security interest in all of Sabine Pass LNG's equity interests and substantially all of its operating assets.

Sabine Pass LNG may redeem some or all of its 2016 Notes at any time, and from time to time, at a redemption price equal to 100% of the principal plus any accrued and unpaid interest plus the greater of:

- 1.0% of the principal amount of the 2016 Notes; or
- the excess of: a) the present value at such redemption date of (i) the redemption price of the 2016 Notes plus (ii) all required interest payments due on the 2016 Notes (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over b) the principal amount of the 2016 Notes, if greater.

Sabine Pass LNG may redeem all or part of its 2020 Notes at any time on or after November 1, 2016, at fixed redemption prices specified in the indenture governing the 2020 Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass LNG may also, at its option, redeem all or part of the 2020 Notes at any time prior to November 1, 2016, at a "make-whole" price set forth in the indenture governing the 2020 Notes, plus accrued and unpaid interest, if any, to the date of redemption. At any time before November 1, 2015, Sabine Pass LNG may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price of 106.5% of the principal amount of the 2020 Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, in an amount not to exceed the net proceeds of one or more completed equity offerings as long as

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Sabine Pass LNG redeems the 2020 Notes within 180 days of the closing date for such equity offering and at least 65% of the aggregate principal amount of the 2020 Notes originally issued remains outstanding after the redemption.

Under the Sabine Pass Indentures, except for permitted tax distributions, Sabine Pass LNG may not make distributions until certain conditions are satisfied: there must be on deposit in an interest payment account an amount equal to one-sixth of the semi-annual interest payment multiplied by the number of elapsed months since the last semi-annual interest payment, and there must be on deposit in a permanent debt service reserve fund an amount equal to one semi-annual interest payment. Distributions are permitted only after satisfying the foregoing funding requirements, a fixed charge coverage ratio test of 2:1 and other conditions specified in the Sabine Pass Indentures. During the three months ended March 31, 2013 and 2012, Sabine Pass LNG made distributions of \$76.7 million and \$69.4 million, respectively, after satisfying all the applicable conditions in the Sabine Pass Indentures.

In connection with the issuance of the 2020 Notes, Sabine Pass LNG also entered into a registration rights agreement (the "Sabine Pass LNG Registration Rights Agreement"). Under the Sabine Pass LNG Registration Rights Agreement, Sabine Pass LNG has agreed to use commercially reasonable efforts to file with the Securities and Exchange Commission (the "SEC") and cause to become effective a registration statement relating to an offer to exchange the 2020 Notes for a like aggregate principal amount of SEC-registered notes with terms identical in all material respects to the 2020 Notes (other than with respect to restrictions on transfer or to any increase in annual interest rate) within 360 days after the 2020 Notes were issued. Under specified circumstances, we may be required to file a shelf registration statement to cover resales of the 2020 Notes. If we fail to satisfy these obligations, we may be required to pay additional interest to holders of the 2020 Notes under certain circumstances.

2021 Sabine Pass Liquefaction Notes

In February 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$1.5 billion of 5.625% Senior Secured Notes due 2021 (the "2021 Sabine Pass Liquefaction Notes"). Interest on the 2021 Sabine Pass Liquefaction Notes is payable semi-annually in arrears on February 1 and August 1 of each year. Subject to permitted liens, the 2021 Sabine Pass Liquefaction Notes are secured on a first-priority basis by a security interest in all of Sabine Pass Liquefaction's equity interests and substantially all of Sabine Pass Liquefaction's assets.

Sabine Pass Liquefaction may redeem some or all of the 2021 Sabine Pass Liquefaction Notes at any time prior to November 1, 2020 at a redemption price equal to the "make-whole" price set forth in the indenture governing the 2021 Sabine Pass Liquefaction Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass Liquefaction may also at any time on or after November 1, 2020, redeem the 2021 Sabine Pass Liquefaction Notes in whole or in part, at a redemption price equal to 100% of the principal amount of the 2021 Sabine Pass Liquefaction Notes to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Under the indenture governing the 2021 Sabine Pass Liquefaction Notes, Sabine Pass Liquefaction may not make any distributions until, among other requirements, substantial completion of Train 1 and Train 2 has occurred, deposits are made into debt service reserve accounts and a debt service coverage ratio of 1.25:1.00 is satisfied.

The indenture governing the 2021 Sabine Pass Liquefaction Notes also contains customary terms and events of default and certain covenants that, among other things, limit Sabine Pass Liquefaction's ability and the ability of Sabine Pass Liquefaction's restricted subsidiaries to incur additional indebtedness or issue preferred stock, make certain investments or pay dividends or distributions on capital stock or subordinated indebtedness or purchase, redeem or retire capital stock, sell or transfer assets, including capital stock of Sabine Pass Liquefaction's restricted subsidiaries, restrict dividends or other payments by restricted subsidiaries, incur liens, enter into transactions with affiliates, consolidate, merge, sell or lease all or substantially all of Sabine Pass Liquefaction's assets and enter into certain LNG sales contracts. The indenture governing the 2021 Sabine Pass Liquefaction Notes covenants are subject to a number of important limitations and exceptions.

In connection with the issuance of the 2021 Sabine Pass Liquefaction Notes, Sabine Pass Liquefaction also entered into a registration rights agreement (the "Liquefaction Registration Rights Agreement"). Under the Liquefaction Registration Rights Agreement, Sabine Pass Liquefaction has agreed to use commercially reasonable efforts to file with the SEC and cause to become effective a registration statement relating to an offer to exchange the 2021 Sabine Pass Liquefaction Notes for a like aggregate principal amount of SEC-registered notes with terms identical in all material respects to the 2021 Sabine Pass Liquefaction Notes.

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(other than with respect to restrictions or transfer or to any increase in annual interest rate) within 360 days after February 1, 2013. Under specified circumstances, Sabine Pass Liquefaction may be required to file a shelf registration statement to cover resales of the 2021 Sabine Pass Liquefaction Notes. If Sabine Pass Liquefaction fails to satisfy these obligations, Sabine Pass Liquefaction may be required to pay additional interest to holders of the 2021 Sabine Pass Liquefaction Notes under certain circumstances.

Liquefaction Credit Facility

In July 2012, Sabine Pass Liquefaction entered into the \$3.6 billion Liquefaction Credit Facility with a syndicate of lenders. The Liquefaction Credit Facility will be used to fund a portion of the costs of developing, constructing and placing into operation Train 1 and Train 2 of the Liquefaction Project. The Liquefaction Credit Facility will mature on the earlier of July 31, 2019 or the second anniversary of the completion date of Train 1 and Train 2 of the Liquefaction Project, as defined in the Liquefaction Credit Facility. Borrowings under the Liquefaction Credit Facility may be refinanced, in whole or in part, at any time without premium or penalty, except for interest hedging and interest rate breakage costs. Sabine Pass Liquefaction made a \$100.0 million borrowing under the Liquefaction Credit Facility in August 2012 after meeting the required conditions precedent to the initial advance.

Borrowings under the Liquefaction Credit Facility bear interest, at Sabine Pass Liquefaction's election, at a variable rate equal to LIBOR or the base rate, plus the applicable margin. The applicable margin for LIBOR loans is 3.50% during construction and 3.75% during operations, and the applicable margin for base rate loans is 2.50% during construction and 2.75% during operations. Interest on LIBOR loans is due and payable at the end of each LIBOR period, and interest on base rate loans is due and payable at the end of each calendar quarter. The Liquefaction Credit Facility required Sabine Pass Liquefaction to pay certain up-front fees to the agents and lenders in the aggregate amount of approximately \$178 million and provides for a commitment fee calculated at a rate per annum equal to 40% of the applicable margin for LIBOR loans, multiplied by the average daily amount of the undrawn commitment. Annual administrative fees must also be paid to the agent and the trustee. The principal of loans made under the Liquefaction Credit Facility must be repaid in quarterly installments, commencing with the first calendar quarter ending at least three months following the completion of Train 1 and Train 2 of the Liquefaction Project. Scheduled repayments are based upon an 18-year amortization, with the remaining balance due upon the maturity of the Liquefaction Credit Facility.

Under the terms and conditions of the Liquefaction Credit Facility, all cash held by Sabine Pass Liquefaction is controlled by the collateral agent. These funds can only be released by the collateral agent upon satisfaction of certain terms and conditions, including receipt of satisfactory documentation that the Liquefaction Project costs are bona fide expenditures and are permitted under the terms of the Liquefaction Credit Facility. The Liquefaction Credit Facility does not permit Sabine Pass Liquefaction to hold any cash, or cash equivalents, outside of the accounts established under the agreement. Because these cash accounts are controlled by the collateral agent, the cash balance of \$100.0 million held in these accounts as of March 31, 2013 is classified as restricted on our Consolidated Balance Sheets.

The Liquefaction Credit Facility contains customary conditions precedent for the second borrowing and any subsequent borrowings, as well as customary affirmative and negative covenants. The obligations of Sabine Pass Liquefaction under the Liquefaction Credit Facility are secured by substantially all of the assets of Sabine Pass Liquefaction as well as all of the membership interests in Sabine Pass Liquefaction, and a security interest in Cheniere Partners' rights under the Blackstone Unit Purchase Agreement and the guaranty related thereto.

Under the terms of the Liquefaction Credit Facility, Sabine Pass Liquefaction is required to hedge against the potential of rising interest rates with respect to no less than 75% (calculated on a weighted average basis) of the projected outstanding borrowings. In connection with the closing of the Liquefaction Credit Facility, Sabine Pass Liquefaction entered into interest rate swap agreements. The swap agreements have the effect of fixing the LIBOR component of the interest rate payable under the Liquefaction Credit Facility with respect to forecasted borrowings under the Liquefaction Credit Facility up to a maximum of \$2.9 billion at 1.98% from August 14, 2012 to July 31, 2019, the final termination date of the swap agreements.

In February 2013, Sabine Pass Liquefaction issued the 2021 Sabine Pass Liquefaction Notes to refinance a portion of the Liquefaction Credit Facility, and a portion of available commitments pursuant to the Liquefaction Credit Facility was suspended. In April 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$500.0 million of 5.625% Senior Secured Notes due 2021 and \$1.0 billion of 5.625% Senior Secured Notes due 2023 (the "2023 Sabine Pass Liquefaction Notes"), and a portion of available commitments pursuant to the amended Liquefaction Credit Facility was terminated. The \$500.0 million aggregate principal amount of 2021 notes constitutes a further issuance of and forms a single series with the 2021 Sabine Pass Liquefaction

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Notes issued in February 2013 for an aggregate principal amount of \$2.0 billion. Net proceeds from the offering of approximately \$1,466.0 million are intended to pay capital costs in connection with the construction of Train 1 and Train 2 of the Liquefaction Project in lieu of a portion of the commitments under the Liquefaction Credit Facility. The 2021 Sabine Pass Liquefaction Notes and 2023 Sabine Pass Liquefaction Notes are pari passu in right of payment with all existing and future senior debt of Sabine Pass Liquefaction. As a result of Sabine Pass Liquefaction's issuances in April 2013, Sabine Pass Liquefaction has terminated approximately \$1.4 billion of commitments under the Liquefaction Credit Facility. This termination resulted in a write-off of debt issuance costs associated with the Liquefaction Credit Facility of approximately \$75 million in April 2013.

NOTE 7—DESCRIPTION OF EQUITY INTERESTS

The common units, Class B units and subordinated units represent limited partner interests in us. The holders of the units are entitled to participate in partnership distributions and exercise the rights and privileges available to limited partners under our partnership agreement.

The general partner interest is entitled to at least 2% of all distributions made by us. In addition, the general partner holds incentive distribution rights, which allow the general partner to receive a higher percentage of quarterly distributions of available cash from operating surplus after the minimum distributions have been achieved and as additional target levels are met. The higher percentages range from 15% up to 50%.

The common units have the right to receive minimum quarterly distributions of \$0.425, plus any arrearages thereon, before any distribution is made to the holders of the subordinated units. Subordinated units will convert into common units on a one-for-one basis when we meet financial tests specified in the partnership agreement. Although common and subordinated unitholders are not obligated to fund losses of the partnership, their capital accounts, which would be considered in allocating the net assets of the partnership were it to be liquidated, continue to share in losses.

During 2012, Blackstone CQP Holdco LP ("Blackstone") and Cheniere completed their purchases of newly created Cheniere Partners Class B units ("Class B units") for total consideration of \$1.5 billion and \$500.0 million, respectively. Proceeds from the financings are being used to fund a portion of the costs of developing, constructing and placing into service the Liquefaction Project. The Class B units are subject to conversion, mandatorily or at the option of the holders of the Class B units under specified circumstances, into a number of common units based on the then-applicable conversion value of the Class B units. On a quarterly basis beginning on the initial purchase of the Class B units, and ending on the conversion date of the Class B units, the conversion value of the Class B units increases at a compounded rate of 3.5% per quarter, subject to an additional upward adjustment for certain equity and debt financings. The Class B units are not entitled to cash distributions except in the event of a liquidation (or merger, combination or sale of substantially all of our assets). The holders of Class B units have a preference over the holders of the subordinated units in the event of a liquidation (or merger, combination or sale of substantially all of our assets). The Class B units will mandatorily convert into common units upon the earlier of the substantial completion date of Train 3 or August 9, 2017, provided that if Train 3 notice to proceed with construction is issued prior to August 9, 2017, then the mandatory conversion date becomes the substantial completion date of Train 3.

NOTE 8—RELATED PARTY TRANSACTIONS

As of March 31, 2013 and December 31, 2012, we had \$10.0 million and \$5.0 million of advances to affiliates, respectively. In addition, we have entered into the following related party transactions:

LNG Terminal Capacity Agreements

Terminal Use Agreement

Effective July 2012, Sabine Pass Liquefaction received an assignment of a firm commitment terminal use agreement ("TUA") with Sabine Pass LNG for approximately 2.0 Bcf/d of regasification capacity, 6.9 Bcf of LNG storage rights, access to approximately half of the berth capacity at the Sabine Pass LNG terminal, and certain other services and is required to make fixed capacity fee payments of approximately \$250 million per calendar year from 2013 until at least twenty years following the Liquefaction Project start date.

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Cheniere Energy Investments, LLC ("Cheniere Investments"), a wholly owned subsidiary of Cheniere Partners, Sabine Pass Liquefaction and Sabine Pass LNG entered into a terminal use rights assignment and agreement ("TURA") pursuant to which Cheniere Investments has the right to use Sabine Pass Liquefaction's reserved capacity under the TUA and has the obligation to make the monthly capacity payments required by the TUA to Sabine Pass LNG. We have guaranteed the obligations of Sabine Pass Liquefaction under its TUA and the obligations of Cheniere Investments under the TURA. However, the revenue earned by Sabine Pass LNG from Cheniere Investments' capacity payments under its TUA was eliminated and under its TURA is eliminated upon consolidation of our financial statements.

In connection with monetizing Cheniere Investments' reserved capacity under its TURA during construction of the Liquefaction Project, Cheniere Marketing has entered into a variable capacity rights agreement ("VCRA") pursuant to which Cheniere Marketing is obligated to pay Cheniere Investments 80% of the expected gross margin of each cargo of LNG that Cheniere Marketing arranges for delivery to the Sabine Pass LNG terminal. During the term of the VCRA, Cheniere Marketing is responsible for the payment of taxes and new regulatory costs paid by Cheniere Investments under the TURA. We recorded zero and \$1.7 million of revenues—affiliate from Cheniere Marketing in the three months ended March 31, 2013 and 2012, respectively, related to the VCRA.

LNG Sale and Purchase Agreement ("SPA")

Cheniere Marketing has entered into an SPA with Sabine Pass Liquefaction to purchase, at its option, any excess LNG produced that is not committed to non-affiliate parties, for up to a maximum of 104,000,000 MMBtu per annum produced from Train 1 through Train 4 of the Liquefaction Project. Cheniere Marketing may purchase incremental LNG volumes at a price of 115% of Henry Hub plus up to \$3.00 per MMBtu for the first 36,000,000 MMBtu of the most profitable cargoes sold each year by Cheniere Marketing, and then 20% of net profits of the remaining 68,000,000 MMBtu sold each year by Cheniere Marketing.

LNG Lease Agreement

In September 2011, Cheniere Investments entered into an agreement in the form of a lease (the "LNG Lease Agreement") with Cheniere Marketing that enables Cheniere Investments to supply the Sabine Pass LNG terminal with LNG to maintain proper LNG inventory levels and temperature. The LNG Lease Agreement also enables Cheniere Investments to hedge the exposure to variability in expected future cash flows of its LNG inventory. Under the terms of the LNG Lease Agreement, Cheniere Marketing funds all activities related to the purchase and hedging of the LNG, and Cheniere Investments reimburses Cheniere Marketing for all costs and assumes full price risk associated with these activities.

As a result of Cheniere Investments assuming full price risk associated with the LNG Lease Agreement, LNG inventory purchased by Cheniere Marketing under this arrangement is classified as LNG inventory—affiliate on our Consolidated Balance Sheets, and is recorded at cost and subject to lower-of-cost-or-market ("LCM") adjustments at the end of each period. LNG inventory—affiliate cost is determined using the average cost method. Recoveries of losses resulting from interim period LCM adjustments are made due to market price recoveries on the same LNG inventory—affiliate in the same fiscal year and are recognized as gains in later interim periods with such gains not exceeding previously recognized losses. Gains or losses on the sale of LNG inventory—affiliate and LCM adjustments are recorded as revenues on our Consolidated Statements of Operations. As of March 31, 2013, we had 758,000 MMBtu of LNG inventory—affiliate recorded at \$2.4 million on our Consolidated Balance Sheets, and as of December 31, 2012, we had 1,369,000 MMBtu of LNG inventory—affiliate recorded at \$4.4 million on our Consolidated Balance Sheets. During the three months ended March 31, 2013 and 2012, we recognized a loss of zero and \$0.9 million, respectively, as a result of LCM adjustments to our LNG inventory—affiliate.

Cheniere Marketing has entered into financial derivatives, on our behalf, to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory under the LNG Lease Agreement. The fair value of these derivative instruments at March 31, 2013 and December 31, 2012 was a derivative liability of \$0.4 million and a derivative asset of \$0.2 million, respectively, and was classified as other current liabilities and assets on our Consolidated Balance Sheets, respectively. Changes in the fair value of these derivative instruments are classified as revenues on our Consolidated Statements of Operations. We recorded losses of \$0.6 million and revenues of \$1.2 million related to LNG inventory—affiliate derivatives in the three months ended March 31, 2013 and 2012, respectively.

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Service Agreements

During the three months ended March 31, 2013 and 2012, we recorded general and administrative expense—affiliate of \$18.4 million and \$4.8 million, respectively, under the following service agreements.

Cheniere Partners Services Agreement

We have entered into a services agreement with Cheniere LNG Terminals, Inc. ("Cheniere Terminals"), a wholly owned subsidiary of Cheniere, pursuant to which we pay Cheniere Terminals a quarterly non-accountable overhead reimbursement charge of \$2.8 million (adjusted for inflation) for the provision of various general and administrative services for our benefit. In addition, we reimburse Cheniere Terminals for all audit, tax, legal and finance fees incurred by Cheniere Terminals that are necessary to perform the services under the agreement.

Sabine Pass LNG O&M Agreement

Sabine Pass LNG has entered into a long-term operation and maintenance agreement (the "Sabine Pass LNG O&M Agreement") with a wholly owned subsidiary of Cheniere pursuant to which we receive all necessary services required to operate and maintain the Sabine Pass LNG receiving terminal. Sabine Pass LNG is required to pay a fixed monthly fee of \$130,000 (indexed for inflation) under the agreement, and the counterparty is entitled to a bonus equal to 50% of the salary component of labor costs in certain circumstances to be agreed upon between Sabine Pass LNG and the counterparty at the beginning of each operating year. In addition, Sabine Pass LNG is required to reimburse the counterparty for its operating expenses, which consist primarily of labor expenses.

Sabine Pass LNG MSA

Sabine Pass LNG has entered into a long-term management services agreement (the "Sabine Pass LNG MSA") with Cheniere Terminals, pursuant to which Cheniere Terminals manages the operation of the Sabine Pass LNG receiving terminal, excluding those matters provided for under the O&M Agreement. Sabine Pass LNG is required to pay Cheniere Terminals a monthly fixed fee of \$520,000 (indexed for inflation).

Sabine Pass Liquefaction O&M Agreement

In May 2012, Sabine Pass Liquefaction entered into an operation and maintenance agreement (the "Liquefaction O&M Agreement") with a wholly owned subsidiary of Cheniere and our general partner pursuant to which we receive all of the necessary services required to construct, operate and maintain the liquefaction facilities. Before the liquefaction facilities are operational, the services to be provided include, among other services, obtaining governmental approvals on behalf of Sabine Pass Liquefaction, preparing an operating plan for certain periods, obtaining insurance, preparing staffing plans and preparing status reports. After the liquefaction facilities are operational, the services include all necessary services required to operate and maintain the liquefaction facilities.

Before the liquefaction facilities are operational, in addition to reimbursement of operating expenses, Sabine Pass Liquefaction is required to pay a monthly fee equal to 0.6% of the capital expenditures incurred in the previous month. After substantial completion of each Train, for services performed while the liquefaction facilities are operational, Sabine Pass Liquefaction will pay in addition to the reimbursement of operating expenses, a fixed monthly fee of \$83,333 (indexed for inflation) for services with respect to such Train.

Sabine Pass Liquefaction MSA

In May 2012, Sabine Pass Liquefaction entered into a management services agreement (the "Liquefaction MSA") with a wholly owned subsidiary of Cheniere pursuant to which such subsidiary was appointed to manage the construction and operation of the liquefaction facilities, excluding those matters provided for under the Liquefaction O&M Agreement. The services to be provided include, among other services, exercising the day-to-day management of Sabine Pass Liquefaction's affairs and business, managing Sabine Pass Liquefaction's regulatory matters, managing bank and brokerage accounts and financial books and records of Sabine Pass Liquefaction's business and operations, and providing contract administration services for all contracts associated

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with the liquefaction facilities. Sabine Pass Liquefaction will pay a monthly fee equal to 2.4% of the capital expenditures incurred in the previous month. After substantial completion of each Train, Sabine Pass Liquefaction pays a fixed monthly fee of \$541,667 for services with respect to such Train.

Agreement to Fund Sabine Pass LNG's Cooperative Endeavor Agreements

In July 2007, Sabine Pass LNG executed Cooperative Endeavor Agreements ("CEAs") with various Cameron Parish, Louisiana taxing authorities that allow them to collect certain annual property tax payments from Sabine Pass LNG in 2007 through 2016. This ten-year initiative represents an aggregate \$25.0 million commitment and will make resources available to the Cameron Parish taxing authorities on an accelerated basis in order to aid in their reconstruction efforts following Hurricane Rita. In exchange for Sabine Pass LNG's payments of annual ad valorem taxes, Cameron Parish will grant Sabine Pass LNG a dollar for dollar credit against future ad valorem taxes to be levied against the Sabine Pass LNG terminal starting in 2019. In September 2007, Sabine Pass LNG modified its TUA with Cheniere Marketing, pursuant to which Cheniere Marketing would pay Sabine Pass LNG additional TUA revenues equal to any and all amounts payable under the CEAs in exchange for a similar amount of credits against future TUA payments it would owe Sabine Pass LNG under its TUA starting in 2019. In June 2010, Cheniere Marketing assigned its existing TUA to Cheniere Investments and concurrently entered into a VCRA, allowing Cheniere Marketing to monetize Cheniere Investments' capacity under the TUA after the assignment. In July 2012, Cheniere Investments entered into an amended and restated VCRA with Cheniere Marketing in order for Cheniere Investments to monetize the capacity rights granted under the TUA during construction of the Liquefaction Project. The amended and restated VCRA provides that Cheniere Marketing will continue to fund the CEAs during the term of the amended and restated VCRA and, in exchange, Cheniere Marketing will receive any future credits.

On a consolidated basis, these advance tax payments were recorded to other assets, and payments from Cheniere Marketing that Sabine Pass LNG utilized to make the ad valorem tax payments were recorded as deferred revenue. As of March 31, 2013 and December 31, 2012, we had \$17.2 million and \$14.7 million of other non-current assets and non-current deferred revenue—affiliate resulting from Sabine Pass LNG's ad valorem tax payments and the advance tax payments received from Cheniere Marketing, respectively.

Contracts for Sale and Purchase of Natural Gas and LNG

Sabine Pass LNG is able to sell and purchase natural gas and LNG under an agreement with Cheniere Marketing. Under this agreement, Sabine Pass LNG purchases natural gas or LNG from Cheniere Marketing at a sales price equal to the actual purchase cost paid by Cheniere Marketing to suppliers of the natural gas or LNG, plus any third-party costs incurred by Cheniere Marketing in respect of the receipt, purchase, and delivery of the natural gas or LNG to the Sabine Pass LNG terminal.

Sabine Pass LNG recorded \$0.9 million and \$0.7 million of natural gas and LNG purchased from Cheniere Marketing under this agreement in the three months ended March 31, 2013 and 2012, respectively. Sabine Pass LNG recorded \$0.9 million and zero of natural gas sold to Cheniere Marketing under this agreement in the three months ended March 31, 2013 and 2012, respectively.

LNG Terminal Export Agreement

In January 2010, Sabine Pass LNG and Cheniere Marketing entered into an LNG Terminal Export Agreement that provides Cheniere Marketing the ability to export LNG from the Sabine Pass LNG terminal. Sabine Pass LNG recorded revenues—affiliate of zero pursuant to this agreement in the three months ended March 31, 2013 and 2012.

Tug Boat Lease Sharing Agreement

In connection with its tug boat lease, Sabine Pass Tug Services, LLC, a wholly owned subsidiary of Sabine Pass LNG ("Tug Services"), entered into a tug sharing agreement with Cheniere Marketing to provide its LNG cargo vessels with tug boat and marine services at the Sabine Pass LNG terminal. Tug Services recorded revenues—affiliate from Cheniere Marketing of \$0.7 million pursuant to this agreement in each of the three months ended March 31, 2013 and 2012.

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NOTE 9—SUPPLEMENTAL CASH FLOW INFORMATION AND DISCLOSURES OF NON-CASH TRANSACTIONS

The following table provides supplemental disclosure of cash flow information (in thousands):

	Three Months Ended March 31,	
	2013	2012
LNG terminal costs funded with accounts payable and accrued liabilities (including affiliate)	\$ 176,488	\$ —

NOTE 10—CASH DISTRIBUTIONS AND NET INCOME (LOSS) PER COMMON UNIT

Cash Distributions

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in our partnership agreement). Generally, our available cash is our cash on hand at the end of a quarter less the amount of any reserves established by our general partner. All distributions paid to date have been made from operating surplus as defined in the partnership agreement. The following provides a summary of distributions paid by us during the three months ended March 31, 2013:

Date Paid	Period Covered by Distribution	Distribution Per Common Unit	Distribution Per Subordinated Unit	Total Distribution (in thousands)			General Partner Units
				Common Units	Class B Units	Subordinated Units	
February 14, 2013	October 1 - December 31, 2012	\$ 0.425	\$ —	\$ 16,783	—	—	\$ 342

The subordinated units will receive distributions only to the extent we have available cash above the minimum quarterly distribution requirement for our common unitholders and general partner and certain reserves.

Pursuant to the Blackstone and Cheniere Unit Purchase Agreements, we issued and sold 133.3 million Class B units at a price of \$15.00 per Class B unit in 2012, resulting in total gross proceeds of \$2.0 billion. The Class B units were issued at a discount to the market price of the common units into which they are convertible. This discount totaling \$1,950.0 million represents a beneficial conversion feature and is reflected as an increase in common and subordinated unitholders' capital and a decrease in Class B unitholders' capital to reflect the fair value of the Class B units at issuance on our consolidated statement of partners' and owners' capital (deficit). The beneficial conversion feature is considered a dividend that will be distributed ratably with respect to any Class B unit from its issuance date through its conversion date, resulting in an increase in Class B unitholders' capital and a decrease in common and subordinated unitholders' capital. The impact of the beneficial conversion feature is also included in earnings per unit for the three months ended March 31, 2013.

Net Income (Loss) per Common Unit

Net income (loss) per common unit for a given period is based on the distributions that will be made to the unitholders with respect to the period plus an allocation of undistributed net income (loss) based on provisions of the partnership agreement, divided by the weighted average number of common units outstanding. The two class method dictates that net income (loss) for a period be reduced by the amount of available cash that will be distributed with respect to that period and that any residual amount representing undistributed net income be allocated to common unitholders and other participating unitholders to the extent that each unit may share in net income as if all of the net income for the period had been distributed in accordance with the partnership agreement. Undistributed income is allocated to participating securities based on the distribution waterfall for available cash specified in the partnership agreement. Undistributed losses (including those resulting from distributions in excess of net income) are allocated to common units and other participating securities on a pro rata basis based on provisions of the partnership agreement. Distributions are treated as distributed earnings in the computation of earnings per common unit even though cash distributions are not necessarily derived from current or prior period earnings.

Under our partnership agreement, the incentive distribution rights ("IDRs") participate in net income (loss) only to the extent of the amount of cash distributions actually declared, thereby excluding the IDRs from participating in undistributed net income (loss). We did not allocate earnings or losses to IDR holders for the purpose of the two class method earnings per unit calculation for any of the periods presented. The following table provides a reconciliation of net income (loss) and the allocation of net income

CHENIERE ENERGY PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(unaudited)

(loss) to the common units and the subordinated units for purposes of computing net income (loss) per unit (in thousands, except per unit data):

	Total	Limited Partner Units			General Partner
		Common Units	Class B Units	Subordinated Units	
Three Months Ended March 31, 2013					
Net loss	\$ (42,487)				
Declared distributions	24,754	24,259	—	—	495
Assumed allocation of undistributed net loss	(67,241)	(19,543)	—	(46,353)	(1,345)
Assumed allocation of net income (loss)		\$ 4,716	\$ —	\$ (46,353)	\$ (850)
Weighted average units outstanding		45,547	133,333	135,384	
Net income (loss) per unit		\$ 0.10	\$ —	\$ (0.34)	
Three Months Ended March 31, 2012					
Net loss	\$ (19,332)				
Declared distributions	13,499	13,229	—	—	270
Assumed allocation of undistributed net loss	(32,831)	(6,015)	—	(26,160)	(656)
Assumed allocation of net income (loss)		\$ 7,214	\$ —	\$ (26,160)	\$ (386)
Weighted average units outstanding		31,017	—	135,384	
Net income (loss) per unit		\$ 0.23	\$ —	\$ (0.19)	

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Information Regarding Forward-Looking Statements

This quarterly report contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact, included herein or incorporated herein by reference are "forward-looking statements." Included among "forward-looking statements" are, among other things:

- statements regarding our ability to pay distributions to our unitholders;
- statements regarding our expected receipt of cash distributions from Sabine Pass LNG, L.P. ("Sabine Pass LNG") or Sabine Pass Liquefaction, LLC ("Sabine Pass Liquefaction");
- statements regarding future levels of domestic and international natural gas production, supply or consumption or future levels of liquefied natural gas ("LNG") imports into or exports from North America and other countries worldwide, regardless of the source of such information, or the transportation or demand for and prices related to natural gas, LNG or other hydrocarbon products;
- statements regarding any financing transactions or arrangements, or ability to enter into such transactions;
- statements relating to the construction of our natural gas liquefaction trains ("Trains"), including statements concerning the engagement of any engineering, procurement and construction ("EPC") contractor or other contractor and the anticipated terms and provisions of any agreement with any EPC or other contractor, and anticipated costs related thereto;
- statements regarding any agreement to be entered into or performed substantially in the future, including any revenues anticipated to be received and the anticipated timing thereof, and statements regarding the amounts of total LNG regasification, liquefaction or storage capacities that are, or may become, subject to contracts;
- statements regarding counterparties to our commercial contracts, construction contracts and other contracts;
- statements regarding our planned construction of additional Trains, including the financing of such Trains;
- statements that our Trains, when completed, will have certain characteristics, including amounts of liquefaction capacities;
- statements regarding our business strategy, our strengths, our business and operation plans or any other plans, forecasts, projections or objectives, including anticipated revenues and capital expenditures, any or all of which are subject to change;
- statements regarding legislative, governmental, regulatory, administrative or other public body actions, requirements, permits, investigations, proceedings or decisions;
- statements regarding our anticipated LNG and natural gas marketing activities;
and
- any other statements that relate to non-historical or future information.

These forward-looking statements are often identified by the use of terms and phrases such as "achieve," "anticipate," "believe," "contemplate," "develop," "estimate," "expect," "forecast," "plan," "potential," "project," "propose," "strategy" and similar terms and phrases, or by the use of future tense. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. You should not place undue reliance on these forward-looking statements, which are made as of the date of this quarterly report and speak only as of the date of this quarterly report.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, as amended by Amendment No. 1 on Form 10-K/A. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. Other than as required under the securities laws, we assume no obligation to update or revise these forward-looking statements or provide reasons why actual results may differ.

As used herein, the terms "Cheniere Partners," "we," "our" and "us" refer to Cheniere Energy Partners, L.P. and its wholly owned subsidiaries.

Introduction

The following discussion and analysis presents management's view of our business, financial condition and overall performance and should be read in conjunction with our Consolidated Financial Statements and the accompanying notes in "Financial Statements and Supplementary Data." This information is intended to provide investors with an understanding of our past performance, current financial condition and outlook for the future. Our discussion and analysis include the following subjects:

- Overview of Business
- Overview of Significant Events
- Liquidity and Capital Resources
- Results of Operations
- Off-Balance Sheet Arrangements
- Summary of Critical Accounting Policies and Estimates
- Recent Accounting Standards

Overview of Business

We are a Delaware limited partnership formed by Cheniere Energy, Inc. ("Cheniere"). Through our wholly owned subsidiary, Sabine Pass LNG, L.P. ("Sabine Pass LNG") we own and operate the regasification facilities at the Sabine Pass LNG terminal located on the Sabine Pass deep water shipping channel less than four miles from the Gulf Coast. The Sabine Pass LNG terminal includes existing infrastructure of five LNG storage tanks with capacity of approximately 16.9 Bcfe, two docks that can accommodate vessels of up to 265,000 cubic meters and vaporizers with regasification capacity of approximately 4.0 Bcf/d. Approximately one-half of the receiving capacity at the Sabine Pass LNG terminal is contracted to two multinational energy companies. We are developing natural gas liquefaction facilities (the "Liquefaction Project") at the Sabine Pass LNG terminal adjacent to the existing regasification facilities through a wholly owned subsidiary, Sabine Pass Liquefaction, LLC ("Sabine Pass Liquefaction"). We plan to construct up to six Trains (each in sequence, "Train 1", "Train 2", "Train 3", "Train 4", "Train 5" and "Train 6"), which are in various stages of development. Nominal capacity for each Train is expected to be approximately 4.5 million metric tons per annum ("mmtpa") of LNG.

Overview of Significant Events

In 2013, and through the filing date of this Form 10-Q, we continue to execute our strategy to operate the Sabine Pass LNG terminal, generate steady and reliable revenues under Sabine Pass LNG's long-term terminal use agreements ("TUAs") and develop and construct the Liquefaction Project.

Our significant accomplishments since January 1, 2013 and through the filing date of this Form 10-Q, include the following:

- In February 2013, Sabine Pass Liquefaction issued an aggregate principal amount of \$1.5 billion of 5.625% Senior Secured Notes due 2021 (the "2021 Sabine Pass Liquefaction Notes"). In April 2013, Sabine Pass Liquefaction issued an additional aggregate principal amount of \$500.0 million of the 2021 Sabine Pass Liquefaction Notes for an aggregate principal amount of \$2.0 billion. In April 2013, Sabine Pass Liquefaction also issued \$1.0 billion of 5.625% Senior Secured Notes due 2023 (the "2023 Sabine Pass Liquefaction Notes"). Net proceeds from these offerings are intended to be used to pay capital costs incurred in connection with the construction of Train 1 and Train 2 of the Liquefaction Project in lieu of a portion of the commitments under the Liquefaction Credit Facility described below;
- We entered into a purchase agreement with institutional investors to sell 17.6 million common units for net proceeds, after deducting expenses, of \$372.4 million, which includes the general partner's proportionate capital contribution of approximately \$7.4 million. We intend to use the proceeds from this offering for costs associated with the Liquefaction Project; and
- Sabine Pass Liquefaction entered into an LNG sale and purchase agreement ("SPA") with Centrica plc that commences upon the date of first commercial delivery for Train 5 and includes an annual contract quantity of 91.25 million MMBtu of LNG and a fixed fee of \$3.00 per MMBtu, equating to expected annual contracted cash flow from fixed fees of \$274 million.

Liquidity and Capital Resources

Cash and Cash Equivalents

As of March 31, 2013, we had \$456.9 million of cash and cash equivalents and \$1,719.5 million of restricted cash and cash equivalents.

Sabine Pass LNG Terminal

Regasification Facilities

The Sabine Pass LNG terminal has operational regasification capacity of approximately 4.0 Bcf/d and aggregate LNG storage capacity of approximately 16.9 Bcfe. Approximately 2.0 Bcf/d of the regasification capacity at the Sabine Pass LNG terminal has been reserved under two long-term third-party terminal use agreements ("TUAs"), under which Sabine Pass LNG's customers are required to pay fixed monthly fees, whether or not they use the LNG terminal. Capacity reservation fee TUA payments are made by Sabine Pass LNG's third-party TUA customers as follows:

- Total Gas & Power North America, Inc. ("Total") has reserved approximately 1.0 Bcf/d of regasification capacity and is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years that commenced April 1, 2009. Total, S.A. has guaranteed Total's obligations under its TUA up to \$2.5 billion, subject to certain exceptions; and
- Chevron U.S.A. Inc. ("Chevron") has reserved approximately 1.0 Bcf/d of regasification capacity and is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$125 million per year for 20 years that commenced July 1, 2009. Chevron Corporation has guaranteed Chevron's obligations under its TUA up to 80% of the fees payable by Chevron.

The remaining approximately 2.0 Bcf/d of capacity has been reserved under a TUA by Sabine Pass Liquefaction. Sabine Pass Liquefaction is obligated to make monthly capacity payments to Sabine Pass LNG aggregating approximately \$250 million per year, continuing until at least 20 years after Sabine Pass Liquefaction delivers its first commercial cargo at Sabine Pass Liquefaction's facilities under construction, which may occur as early as late 2015. Cheniere Energy Investments, LLC ("Cheniere Investments"), our wholly owned subsidiary, Sabine Pass Liquefaction and Sabine Pass LNG entered into a terminal use rights assignment and agreement ("TURA") pursuant to which Cheniere Investments has the right to use Sabine Pass Liquefaction's reserved capacity under the TUA and has the obligation to make the monthly capacity payments required by the TUA to Sabine Pass LNG. In an effort to monetize Cheniere Investments' reserved capacity under its TURA during construction of the Liquefaction Project, Cheniere Marketing, LLC ("Cheniere Marketing"), a wholly owned subsidiary of Cheniere, has entered into a variable capacity rights agreement ("VCRA") pursuant to which Cheniere Marketing is obligated to pay Cheniere Investments 80% of the expected gross margin of each cargo of LNG that Cheniere Marketing arranges for delivery to the Sabine Pass LNG terminal. The revenue earned by Sabine Pass LNG from the capacity payments made under the TUA and the revenue earned by Cheniere Investments under the TURA are eliminated upon consolidation of our financial statements. We have guaranteed the obligations of Sabine Pass Liquefaction under its TUA and the obligations of Cheniere Investments under the TURA.

In September 2012, Sabine Pass Liquefaction entered into a partial TUA assignment agreement with Total, whereby Sabine Pass Liquefaction will progressively gain access to Total's capacity and other services provided under Total's TUA with Sabine Pass LNG. This agreement will provide Sabine Pass Liquefaction with additional berthing and storage capacity at the Sabine Pass LNG terminal that may be used to accommodate the development of Train 5 and Train 6, provide increased flexibility in managing LNG cargo loading and unloading activity starting with the commencement of commercial operations of Train 3, and permit Sabine Pass Liquefaction to more flexibly manage its LNG storage capacity with the commencement of Train 1. Notwithstanding any arrangements between Total and Sabine Pass Liquefaction, payments required to be made by Total to Sabine Pass LNG shall continue to be made by Total to Sabine Pass LNG in accordance with its TUA.

Under each of these TUAs, Sabine Pass LNG is entitled to retain 2% of the LNG delivered to the Sabine Pass LNG terminal.

Liquefaction Facilities

The Liquefaction Project is being developed at the Sabine Pass LNG terminal adjacent to the existing regasification facilities. We plan to construct up to six Trains, which are in various stages of development. We have commenced construction of Train 1 and Train 2 and the related new facilities needed to treat, liquefy, store and export natural gas. Construction of Train 3 and Train 4 and the related facilities is expected to commence upon, among other things, obtaining financing commitments sufficient to fund construction of such Trains and making a positive final investment decision. We recently began the development of Train 5 and Train 6 and commenced the regulatory approval process in February 2013.

The Trains are being designed, constructed and commissioned by Bechtel Oil, Gas and Chemicals, Inc. ("Bechtel") using the ConocoPhillips Optimized Cascade® technology, a proven technology deployed in numerous LNG projects around the world. Sabine Pass Liquefaction has entered into lump sum turnkey contracts for the engineering, procurement and construction of Train 1 and Train 2 (the "EPC Contract (Train 1 and 2)") and Train 3 and Train 4 (the "EPC Contract (Train 3 and 4)"), and together with the EPC Contract (Train 1 and 2), the "EPC Contracts", with Bechtel in November 2011 and December 2012, respectively.

Sabine Pass Liquefaction has received authorization from the Federal Energy Regulatory Commission (the "FERC") to site, construct and operate Train 1, Train 2, Train 3 and Train 4. Sabine Pass Liquefaction has also received authorization from FERC to begin the pre-filing review process for the development of the additional two Trains. The Department of Energy (the "DOE") has granted Sabine Pass Liquefaction an order authorizing the export of up to the equivalent of 16 mmtpa of LNG to all nations with which trade is permitted.

As of March 31, 2013, the overall project completion for Train 1 and Train 2 was approximately 26% complete, which is significantly ahead of the contractual schedule. Based on our current construction schedule, we anticipate that Train 1 will produce LNG as early as the end of 2015, with Train 2, Train 3, Train 4 and Train 5 expected to commence operations on a staggered basis thereafter.

Customers

Sabine Pass Liquefaction has entered into six fixed price, 20-year SPAs that in the aggregate equate to approximately 19.75 mmtpa, which represents approximately 88% of the nominal production capacity of Trains 1 through 5. Under the SPAs, the customers will purchase LNG from us on an FOB basis for a price consisting of a fixed fee plus 115% of Henry Hub per MMBtu of LNG. In certain circumstances, the customers may elect to cancel or suspend deliveries of LNG cargoes, in which case the customers would still be required to pay the fixed fee with respect to cargoes that are not delivered. A portion of the fixed fee will be subject to annual adjustment for inflation. The SPAs and contracted volumes to be made available under the SPAs are not tied to a specific Train; however, the term of each SPA commences upon the start of operations of the specified Train. In aggregate, the fixed fee portion to be paid by these customers is approximately \$2.9 billion annually, with fixed fees starting from the commencement of operations of Train 1, Train 2, Train 3, Train 4 and Train 5 equating to approximately \$411 million, \$564 million, \$650 million, \$649 million and \$588 million, respectively.

To date, we have entered into the following third-party SPAs:

- BG Gulf Coast LNG, LLC ("BG") SPA commences upon the date of first commercial delivery for Train 1 and includes an annual contract quantity of 182,500,000 MMBtu of LNG and a fixed fee of \$2.25 per MMBtu and includes additional annual contract quantities of 36,500,000 MMBtu, 34,000,000 MMBtu, and 33,500,000 MMBtu upon the date of first commercial delivery for Train 2, Train 3 and Train 4, respectively, with a fixed fee of \$3.00 per MMBtu. The total expected annual contracted cash flow from BG from the fixed fee component is \$723 million. In addition, Sabine Pass Liquefaction has agreed to make LNG available to BG to the extent that Train 1 becomes commercially operable prior to the beginning of the first delivery window. The obligations of BG are guaranteed by BG Energy Holdings Limited, a company organized under the laws of England and Wales, with a credit rating of A/A2.
- Gas Natural Aprovevisionamientos SDG S.A. ("Gas Natural Fenosa"), an affiliate of Gas Natural SDG, S.A., SPA commences upon the date of first commercial delivery for Train 2 and includes an annual contract quantity of 182,500,000 MMBtu of LNG and a fixed fee of \$2.49 per MMBtu, equating to expected annual contracted cash flow from the fixed fee component of \$454 million. In addition, we have agreed to make LNG available to Gas Natural Fenosa to the extent that Train 2 becomes commercially operable prior to the beginning of the first delivery window. The obligations of Gas Natural Fenosa are guaranteed by Gas Natural SDG S.A., a company organized under the laws of Spain, with a credit rating of BBB/Baa2.

- Korea Gas Corporation ("KOGAS") SPA commences upon the date of first commercial delivery for Train 3 and includes an annual contract quantity of 182,500,000 MMBtu of LNG and a fixed fee of \$3.00 per MMBtu, equating to expected annual contracted cash flow from fixed fees of \$548 million. KOGAS is organized under the laws of the Republic of Korea, with a credit rating of A/A1.
- GAIL (India) Limited ("GAIL") SPA commences upon the date of first commercial delivery for Train 4 and includes an annual contract quantity of 182,500,000 MMBtu of LNG and a fixed fee of \$3.00 per MMBtu, equating to expected annual contracted cash flow from fixed fees of \$548 million. GAIL is organized under the laws of India, with a credit rating of NR/Baa2/BBB-.
- Total, an affiliate of Total S.A., SPA commences upon the date of first commercial delivery for Train 5 and includes an annual contract quantity of 104,750,000 MMBtu of LNG and a fixed fee of \$3.00 per MMBtu, equating to expected annual contracted cash flow from fixed fees of \$314 million. The obligations of Total are guaranteed by Total S.A., a company organized under the laws of France, with a credit rating of AA/Aa1.
- Centrica plc ("Centrica") SPA commences upon the date of first commercial delivery for Train 5 and includes an annual contract quantity of 91,250,000 MMBtu of LNG and a fixed fee of \$3.00 per MMBtu, equating to expected annual contracted cash flow from fixed fees of \$274 million. Centrica is registered in England and Wales, with a credit rating of A-/A3/A.

In addition, Cheniere Marketing has entered into an SPA to purchase, at its option, any excess LNG produced that is not committed to non-affiliate parties, for up to a maximum of 104,000,000 MMBtu per annum produced from Train 1 through Train 4. Cheniere Marketing may purchase incremental LNG volumes at a price of 115% of Henry Hub plus up to \$3.00 per MMBtu for the first 36,000,000 MMBtu of the most profitable cargoes sold each year by Cheniere Marketing, and then 20% of net profits of the remaining 68,000,000 MMBtu sold each year by Cheniere Marketing.

Construction

In November 2011, Sabine Pass Liquefaction entered into the EPC Contract (Train 1 and 2) with Bechtel. Sabine Pass Liquefaction issued a notice to proceed for construction under the EPC Contract (Train 1 and 2) in August 2012.

In December 2012, Sabine Pass Liquefaction entered into the EPC Contract (Train 3 and 4) with Bechtel. Under the EPC Contract (Train 3 and 4), if Sabine Pass Liquefaction fails to issue notice to proceed to Bechtel by December 31, 2013, then either Sabine Pass Liquefaction or Bechtel may terminate the EPC Contract (Train 3 and 4), and Bechtel will be paid costs reasonably incurred on account of such termination and a lump sum of \$5.0 million. The Trains are in various stages of development, as described above.

The total contract price of the EPC Contract (Train 1 and 2) is approximately \$3.97 billion, reflecting amounts incurred under change orders through March 31, 2013. Total expected capital costs for Train 1 and Train 2 are estimated to be between \$4.5 billion and \$5.0 billion before financing costs, including estimated owner's costs and contingencies. The contract price of the EPC Contract (Train 3 and 4) is \$3.77 billion, only subject to adjustment by change order (including if Sabine Pass Liquefaction issues the notice to proceed after June 1, 2013). The cost to construct Train 3 and Train 4 is currently estimated to be between \$4.5 billion and \$5.0 billion before financing costs, including estimated owner's costs and contingencies.

The liquefaction technology to be employed under the EPC Contracts is the ConocoPhillips Optimized Cascade® Process, which was first used at the ConocoPhillips Petroleum Kenai plant built by Bechtel in 1969 in Kenai, Alaska. Bechtel has since designed and/or constructed LNG facilities using the ConocoPhillips Optimized Cascade® technology in Angola, Australia, Egypt, Equatorial Guinea and Trinidad. The design and technology has been proven in over four decades of operation.

Sabine Pass Liquefaction's Trains will require significant amounts of capital to construct and operate and are subject to risks and delays in completion. Even if successfully completed, Train 1 is not expected to operate and generate significant cash flows before the end of 2015.

We currently expect that Sabine Pass Liquefaction's capital resources requirements with respect to Train 1 and Train 2 will be financed through borrowings, equity contributions from us and cash flows under Sabine Pass Liquefaction's SPAs. We believe that with the net proceeds from the issuance of the 2021 Sabine Pass Liquefaction Notes and 2023 Sabine Pass Liquefaction Notes and the construction loans and unfunded commitments under the Liquefaction Credit Facility, Sabine Pass Liquefaction will have adequate financial resources available to complete Train 1 and Train 2 and to meet its currently anticipated capital, operating and debt service requirements through the maturity of its outstanding debt. We currently project that Sabine Pass Liquefaction will generate cash flow from operations by the end of 2015, when Train 1 is anticipated to commence commercial operations, and that such cash flow will be sufficient to meet Sabine Pass Liquefaction's ongoing capital and operating requirements and to pay the interest on our outstanding debt relating to Train 1 and Train 2.

Pipeline Facilities

Cheniere Creole Trail Pipeline, L.P. ("Creole Trail"), an indirect wholly owned subsidiary of Cheniere, owns the Creole Trail Pipeline, a 94-mile pipeline interconnecting the Sabine Pass LNG terminal with a number of large interstate pipelines, including Natural Gas Pipeline Company of America, Transcontinental Gas Pipeline Corporation, Tennessee Gas Pipeline Company, Florida Gas Transmission Company, Texas Eastern Gas Transmission, and Trunkline Gas Company, as well as the intrastate pipeline system of Bridgeline Holdings, L.P.

Sabine Pass Liquefaction has entered into a transportation precedent agreement to secure firm pipeline transportation capacity with Creole Trail and two other pipelines for Train 1 and Train 2. In February 2013, Creole Trail received authorization from the FERC for certain modifications to allow the Creole Trail Pipeline to be able to transport natural gas to the Sabine Pass LNG terminal. Creole Trail estimates the capital costs to modify the Creole Trail Pipeline will be approximately \$90 million. The modifications are expected to be in service in time for the commissioning and testing of Train 1 and Train 2.

We have entered into an agreement with Cheniere to purchase the equity interests of the entities that own the Creole Trail Pipeline if, among other things, we obtain acceptable financing for the purchase price. The consideration to be paid by us for the Creole Trail Pipeline is 12 million Class B units and \$300 million, plus any costs incurred by Creole Trail from August 2012 until the purchase date, including, if applicable, any portion of the expected \$90 million for pipeline modifications.

Capital Resources

Senior Secured Notes

We currently have four series of senior notes outstanding:

- \$1,665.5 million of 7½% Senior Secured Notes due 2016 issued by Sabine Pass LNG (the "2016 Notes");
- \$420.0 million of 6½% Senior Secured Notes due 2020 issued by Sabine Pass LNG (the "2020 Notes" and collectively with the 2016 Notes, the "Sabine Pass LNG Senior Notes");
- \$2,000.0 million of the 2021 Sabine Pass Liquefaction Notes; and
- \$1,000.0 million of the 2023 Sabine Pass Liquefaction Notes.

Interest on the 2016 Notes is payable semi-annually in arrears on May 30 and November 30 of each year, interest on the 2020 Notes is payable semi-annually in arrears on May 1 and November 1 of each year, interest on the 2021 Sabine Pass Liquefaction Notes is payable semi-annually in arrears on February 1 and August 1 of each year and interest on the 2023 Sabine Pass Liquefaction Notes is payable semi-annually in arrears on April 15 and October 15 of each year. Subject to permitted liens, the Sabine Pass LNG Senior Notes are secured on a first-priority basis by a security interest in all of Sabine Pass LNG's equity interests and substantially all of Sabine Pass LNG's operating assets, and the 2021 and 2023 Sabine Pass Liquefaction Notes are secured on a first-priority basis by a security interest in all of Sabine Pass Liquefaction's equity interests and substantially all of Sabine Pass Liquefaction's assets.

Sabine Pass LNG may redeem some or all of the 2016 Notes at any time, and from time to time, at a redemption price equal to 100% of the principal plus any accrued and unpaid interest plus the greater of 1.0% of the principal amount of the 2016 Notes or the excess of (i) the present value at such redemption date of the redemption price of the 2016 Notes plus all required interest payments due on the 2016 Notes (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points, over (ii) the principal amount of the 2016 Notes, if greater.

Sabine Pass LNG may redeem some or all of the 2020 Notes at any time on or after November 1, 2016 at fixed redemption prices specified in the indenture governing the 2020 Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass LNG may also redeem some or all of the 2020 Notes at any time prior to November 1, 2016 at a "make-whole" price set forth in the indenture, plus accrued and unpaid interest, if any, to the date of redemption. At any time before November 1, 2015, Sabine Pass LNG may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price of 106.5% of the principal amount of the 2020 Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, in an amount not to exceed the net proceeds of one or more completed equity offerings as long as Sabine Pass LNG redeems the 2020 Notes within 180 days of the closing date for such equity offering and at least 65% of the aggregate principal amount of the 2020 Notes originally issued remains outstanding after the redemption.

Sabine Pass Liquefaction may redeem some or all of the 2021 Sabine Pass Liquefaction Notes at any time prior to November 1, 2020 at a redemption price equal to the "make-whole" price set forth in the indenture governing the 2021 Sabine Pass Liquefaction Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass Liquefaction may also at any time on or after November 1, 2020, redeem the 2021 Sabine Pass Liquefaction Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2021 Sabine Pass Liquefaction Notes to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass Liquefaction may redeem some or all of the 2023 Sabine Pass Liquefaction Notes at any time prior to January 15, 2023 at a redemption price equal to the "make-whole" price set forth in the indenture governing the 2023 Sabine Pass Liquefaction Notes, plus accrued and unpaid interest, if any, to the date of redemption. Sabine Pass Liquefaction may also at any time on or after January 15, 2023, redeem the 2023 Sabine Pass Liquefaction Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2023 Sabine Pass Liquefaction Notes to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Under the indentures governing the Sabine Pass LNG Senior Notes, except for permitted tax distributions, Sabine Pass LNG may not make distributions until, among other requirements, deposits are made into debt service reserve accounts and a fixed charge coverage ratio test of 2:1 is satisfied. Under the indentures governing the 2021 and 2023 Sabine Pass Liquefaction Notes, Sabine Pass Liquefaction may not make any distributions until, among other requirements, substantial completion of Train 1 and Train 2 has occurred, deposits are made into debt service reserve accounts and a debt service coverage ratio of 1.25:1.00 is satisfied.

Liquefaction Credit Facility

In July 2012, Sabine Pass Liquefaction entered into a construction/term loan facility in an amount up to \$3.626 billion available to us in four tranches solely to fund Liquefaction Project costs for Train 1 and Train 2, the related debt service reserve account up to an amount equal to six months of scheduled debt service and the return of equity and affiliate subordinated debt funding to Cheniere or its affiliates up to an amount that will result in senior debt being no more than 65% of our total capitalization. The four tranches are as follows:

- *Tranche 1*: up to \$200 million;
- *Tranche 2*: up to \$150 million;
- *Tranche 3*: up to \$150 million; and
- *Tranche 4*: up to \$3.126 billion.

The principal of the construction/term loan is repayable in quarterly installments beginning on the first quarter-end date to occur at least three months after the earlier of the date on which all conditions for project completion under the Liquefaction Credit Facility have been satisfied and the date on which all of the construction/term loan commitments have been used or terminated.

Sabine Pass Liquefaction may make borrowings based on LIBOR plus the applicable margin (3.50% prior to the Liquefaction Project completion date or 3.75% thereafter) or the base rate plus the applicable margin (2.50% prior to the Liquefaction Project completion date or 2.75% thereafter). Sabine Pass Liquefaction is also required to pay commitment fees on the undrawn amount. Sabine Pass Liquefaction is party to interest rate protection agreements with respect to no less than 75% (calculated on a weighted average basis) of the projected outstanding balance for a term of no less than seven years on terms reasonably satisfactory to us and the required secured parties. Upon our incurrence of any replacement debt prior to June 30, 2013, including the sale of the 2021 Sabine Liquefaction Notes, Tranche 4 of the Liquefaction Credit Facility commitments, in an amount equal to the proceeds from such replacement debt less certain fees and expenses, will be suspended and extended until December 31, 2013 unless expansion debt shall have been approved prior to such date. Subject to approval by Sabine Pass Liquefaction's lenders, Sabine Pass Liquefaction currently intends to use such suspended commitments to finance the construction of Train 3 and Train 4.

In February 2013, Sabine Pass Liquefaction issued the 2021 Sabine Pass Liquefaction Notes to refinance a portion of the Liquefaction Credit Facility, and a portion of available commitments pursuant to the Liquefaction Credit Facility was suspended. In April 2013, Sabine Pass Liquefaction issued an additional \$1.5 billion of notes which further reduced the available commitments. As of April 23, 2013, there were \$938.5 million of additional available commitments pursuant to the Liquefaction Credit Facility.

Sources and Uses of Cash

The following table summarizes (in thousands) the sources and uses of our cash and cash equivalents for the three months ended March 31, 2013 and 2012. The table presents capital expenditures on a cash basis; therefore, these amounts differ from the amounts of capital expenditures, including accruals, that are referred to elsewhere in this report. Additional discussion of these items follows the table.

	Three Months Ended March 31,	
	2013	2012
Sources of cash and cash equivalents		
Proceeds from 2021 Sabine Pass Liquefaction Notes	\$ 1,500,000	\$ —
Proceeds from sale of partnership common and general partner units	372,449	2,903
Operating cash flow	7,716	—
Total sources of cash and cash equivalents	<u>1,880,165</u>	<u>2,903</u>
Uses of cash and cash equivalents		
Investment in restricted cash and cash equivalents	(1,326,970)	—
LNG terminal costs, net	(462,731)	(414)
Debt issuance and deferred financing costs	(34,986)	—
Distributions to unitholders	(17,125)	(13,445)
Operating cash flow	—	(9,887)
Other	(793)	(1,128)
Total uses of cash and cash equivalents	<u>(1,842,605)</u>	<u>(24,874)</u>
Net increase (decrease) in cash and cash equivalents	37,560	(21,971)
Cash and cash equivalents—beginning of period	419,292	81,415
Cash and cash equivalents—end of period	<u>\$ 456,852</u>	<u>\$ 59,444</u>

Proceeds from 2021 Sabine Pass Liquefaction Notes and Debt Issuance and Deferred Financing Costs

In February 2013, Sabine Pass Liquefaction issued the 2021 Sabine Pass Liquefaction Notes. Net proceeds from the offering are intended to be used to pay capital costs incurred in connection with the construction of Train 1 and Train 2 of the Liquefaction Project in lieu of a portion of the commitments under the Liquefaction Credit Facility. Debt issuance and deferred financing costs in the three months ended March 31, 2013 resulted from amounts paid by Sabine Pass Liquefaction related to the 2021 Sabine Pass Liquefaction Notes.

Proceeds from the Sale of Partnership Common and General Partner Units

In February 2013, we entered into a purchase agreement with institutional investors to sell 17.6 million common units for net proceeds, after deducting expenses, of \$372.4 million, which includes the general partner's proportionate capital contribution of approximately \$7.4 million. We intend to use the proceeds from this offering for costs associated with the Liquefaction Project and general business purposes.

Operating cash flow

Operating cash flow was \$7.7 million in the three months ended March 31, 2013, compared to cash used in operations of \$9.9 million in the three months ended March 31, 2012. The increase in operating cash flow primarily resulted from decreased development expenses in the three months ended March 31, 2013 as a result of satisfying the criteria for capitalizing costs for Train 1 and Train 2 of the Liquefaction Project beginning in June 2012.

Use of (Investment in) Restricted Cash and Cash Equivalents

In the three months ended March 31, 2013, we invested \$1,327.0 million in restricted cash and cash equivalents. This investment in restricted cash and cash equivalents is primarily a result of the \$1,790.4 million investment in restricted cash and cash equivalents related to the net proceeds from 2011 Sabine Pass Liquefaction Notes. This investment in restricted cash and cash equivalents was partially offset by the use of \$463.5 million of restricted cash and cash equivalents related to the construction of Train 1 and Train 2.

LNG Terminal Costs, net

LNG terminal costs, net in the three months ended March 31, 2013 primarily related to the construction of Train 1 and Train 2. We began capitalizing costs associated with construction of Train 1 and Train 2 as construction-in-process during the second quarter of 2012.

Distributions to Unitholders

During the three months ended March 31, 2013 and 2012, we distributed \$17.1 million and \$13.4 million, respectively, to our common and general partner unitholders.

Cash Distributions to Unitholders

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash (as defined in our partnership agreement). Our available cash is our cash on hand at the end of a quarter less the amount of any reserves established by our general partner. All distributions paid to date have been made from accumulated operating surplus. The following provides a summary of distributions paid by us during the three months ended March 31, 2013:

Date Paid	Period Covered by Distribution	Distribution Per Common Unit	Distribution Per Subordinated Unit	Total Distribution (in thousands)			
				Common Units	Class B Units	Subordinated Units	General Partner Units
February 14, 2013	October 1 - December 31, 2012	\$ 0.425	\$ —	\$ 16,783	—	—	\$ 342

The subordinated units will receive distributions only to the extent we have available cash above the minimum quarterly distributions requirement for our common unitholders and general partner along with certain reserves. Such available cash could be generated through new business development or fees received from Cheniere Marketing under the VCRA. The ending of the subordination period and conversion of the subordinated units into common units will depend upon future business development.

In 2012, we issued Class B units, a new class of equity interests representing limited partner interests in us, in connection with the development of the Liquefaction Project. The Class B units are not entitled to cash distributions except in the event of a liquidation (or merger, combination or sale of substantially all of our assets). The Class B units are subject to conversion, mandatorily or at the option of the holders of the Class B units under specified circumstances, into a number of common units based on the then-applicable conversion value of the Class B units. On a quarterly basis beginning on the initial purchase of the Class B units,

and ending on the conversion date of the Class B units, the conversion value of the Class B units increases at a compounded rate of 3.5% per quarter, subject to an additional upward adjustment for certain equity and debt financings. The holders of Class B units have a preference over the holders of the subordinated units in the event of a liquidation (or merger, combination or sale of substantially all of our assets).

On April 19, 2013, we declared a \$0.425 distribution per common unit and the related distribution to our general partner to be paid to owners of record on May 1, 2013 for the period from January 1, 2013 to March 31, 2013.

Results of Operations

Our consolidated net loss increased \$23.2 million, from \$19.3 million of net loss in the three months ended March 31, 2012, to \$42.5 million of net loss in the three months ended March 31, 2013. This increase in net loss was primarily a result of increased general and administrative expense (including affiliate expense), increased derivative loss and increased operating and maintenance expense (including affiliate expense) that was partially offset by decreased development expense (including affiliate expense). Our general and administrative expense (including affiliate expense) increased \$15.6 million, from \$6.8 million in the three months ended March 31, 2012 to \$22.4 million in the three months ended March 31, 2013. This increase in general and administrative expense (including affiliate expense) is primarily due to increased costs incurred to manage the construction of Train 1 and Train 2, which resulted from a management services agreement entered into by Sabine Pass Liquefaction, in which Sabine Pass Liquefaction is required to pay a wholly owned subsidiary of Cheniere a monthly fee based upon the capital expenditures incurred in the previous month for the Liquefaction Project. These payments are being funded from proceeds received from the Liquefaction Project's equity and debt financings. Derivative loss increased \$16.7 million, from \$0.8 million in the three months ended March 31, 2012 to \$17.5 million in the three months ended March 31, 2013. This increase in derivative loss primarily resulted from the change in fair value of Sabine Pass Liquefaction's interest rate derivatives that were entered into in August 2012. Operating and maintenance expense (including affiliate expense) increased \$5.1 million, from \$9.1 million in the three months ended March 31, 2012 to \$14.2 million in the three months ended March 31, 2013. This increase primarily resulted from increased costs to manage the operation and maintenance of the Sabine Pass LNG terminal under Sabine Pass LNG's long-term operation and maintenance agreement with a wholly owned subsidiary of Cheniere. Development expense (including affiliate expense) decreased \$14.0 million, from \$17.9 million in the three months ended March 31, 2012 to \$3.9 million in the three months ended March 31, 2013. This decrease in development expense (including affiliate) resulted from Train 1 and Train 2 satisfying the criteria for capitalizing costs beginning in June 2012.

Off-Balance Sheet Arrangements

As of March 31, 2013, we had no "off-balance sheet arrangements" that may have a current or future material affect on our consolidated financial position or results of operations.

Summary of Critical Accounting Policies and Estimates

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives but involve an implementation and interpretation of existing rules, and the use of judgment, to apply the accounting rules to the specific set of circumstances existing in our business. In preparing our consolidated financial statements in conformity with generally accepted accounting principles in the United States ("GAAP"), we endeavor to comply with all applicable rules on or before their adoption, and we believe that the proper implementation and consistent application of the accounting rules are critical. However, not all situations are specifically addressed in the accounting literature. In these cases, we must use our best judgment to adopt a policy for accounting for these situations. We accomplish this by analogizing to similar situations and the accounting guidance governing them. There have been no significant changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012, as amended by Amendment No. 1 on Form 10-K/A.

Recent Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued guidance that requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount is required under U.S. Generally Accepted Accounting Principles ("U.S. GAAP") to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. This standard is effective prospectively for reporting periods beginning after December 15, 2012. We adopted this standard effective January 1, 2013. The adoption of this guidance did not have an impact on our consolidated financial position, results of operations or cash flows, as it only expanded disclosures.

In December 2011 and February 2013, the FASB issued guidance that requires entities to disclose both gross and net information about both derivatives and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. Retrospective presentation for all comparative periods presented is required. We adopted this standard effective January 1, 2013. The adoption of this guidance did not have an impact on our consolidated financial position, results of operations or cash flows, as it only expanded disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Cash Investments

We have cash investments that we manage based on internal investment guidelines that emphasize liquidity and preservation of capital. Such cash investments are stated at historical cost, which approximates fair market value on our Consolidated Balance Sheets.

Marketing and Trading Commodity Price Risk

We have entered into certain instruments to hedge the exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory ("LNG Inventory Derivatives") and to hedge the exposure to price risk attributable to future purchases of natural gas to be utilized as fuel to operate the Sabine Pass LNG terminal ("Fuel Derivatives"). We use one-day value at risk ("VaR") with a 95% confidence interval and other methodologies for market risk measurement and control purposes of our LNG Inventory Derivatives and Fuel Derivatives. The VaR is calculated using the Monte Carlo simulation method. The table below provides information about our LNG Inventory Derivatives and Fuel Derivatives that are sensitive to changes in natural gas prices and interest rates as of March 31, 2013.

Hedge Description	Hedge Instrument	Contract Volume (MMBtu)	Price Range (\$/MMBtu)	Final Hedge Maturity Date	Fair Value (in thousands)	VaR (in thousands)
LNG Inventory Derivatives	Fixed price natural gas swaps	797,500	\$3.372 - \$3.895	June 2013	\$ (421)	\$ 5
Fuel Derivatives	Fixed price natural gas swaps	1,095,000	\$4.024 - \$4.421	April 2014	420	5

We have entered into interest rate swaps to hedge the exposure to volatility in a portion of the floating-rate interest payments under the Liquefaction Credit Facility ("Interest Rate Derivatives"). In order to test the sensitivity of the fair value of the Interest Rate Derivatives to changes in interest rates, management modeled a 10% change in the forward 1-month LIBOR curve across the full 7-year term of the Interest Rate Derivatives. This 10% change in interest rates resulted in a change in the fair value of the Interest Rate Derivatives of \$19.5 million. The table below provides information about our Interest Rate Derivatives that are sensitive to changes in the forward 1-month LIBOR curve as of March 31, 2013.

Hedge Description	Hedge Instrument	Initial Notional Amount	Maximum Notional Amount	Fixed Interest Rate Range (%)	Final Hedge Maturity Date	Fair Value (in thousands)	10% Change in LIBOR (in thousands)
Interest Rate Derivatives	Interest rate swaps	\$20.0 million	\$2.9 billion	1.978 - 1.981	July 2019	\$ (23,055)	\$ 19,506

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports filed by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of our general partner's management, including our general partner's Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, our general partner's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may in the future be involved as a party to various legal proceedings, which are incidental to the ordinary course of business. We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management, as of March 31, 2013, there were no pending legal matters that could reasonably be expected to have a material adverse impact on our consolidated results of operations, financial position or cash flows.

ITEM 5. OTHER INFORMATION

Compliance Disclosure

Pursuant to Section 13(r) of the Exchange Act, if during the first quarter of 2013, we or any of our affiliates have engaged in certain transactions with Iran or with persons or entities designated under certain executive orders, we would be required to disclose information regarding such transactions in our Quarterly Report on Form 10-Q as required under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA"). During the first quarter of 2013, we did not engage in any transactions with Iran or with persons or entities related to Iran.

Blackstone CQP HoldCo LP ("Blackstone") is a holder of approximately 30% of the outstanding equity interests of Cheniere Partners and has two representatives on Cheniere Partners' Board of Directors and the right to appoint a third representative. Accordingly, Blackstone may be deemed an "affiliate" of Cheniere Partners, as that term is defined in Exchange Act Rule 12b-2. We have received notice from Blackstone that it may include in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 disclosures pursuant to ITRA regarding several of its portfolio companies that may be deemed to be affiliates of Blackstone, although specific information was not available at the time this quarterly report was filed. Because of the broad definition of "affiliate" in Exchange Act Rule 12b-2, these portfolio companies of Blackstone, through Blackstone's ownership of Cheniere Partners, may also be deemed to be affiliates of ours.

We received notice from Blackstone that, in the fourth quarter of 2012, a U.K. subsidiary of SunGard Capital Corp., SunGard Capital Corp. II and SunGard Data Systems Inc. provided certain limited disaster recovery services and hosted co-location of some hardware at their premises in London for Bank Saderat PLC, which is identified on the U.S. Treasury Department's List of Specially Designated Nationals and Blocked Persons pursuant to Executive Order No. 13224; the gross revenue and net profits attributable to these activities in 2012 was reported to be £16,300 and approximately £5,700, respectively; and the contract was reported to be terminated in the first quarter of 2013. We have not independently verified the disclosures described in this paragraph.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1*	Amendment No. 1 of LNG Sale and Purchase Agreement (FOB), dated April 3, 2013, between Sabine Pass Liquefaction, LLC (Seller) and Gas Natural Aproveisionamientos SDG S.A. (Buyer)
10.2*	Change orders to the Lump Sum Turnkey Agreement for the Engineering, Procurement and Construction of the Sabine Pass LNG Liquefaction Facility, dated as of November 11, 2011, between Sabine Pass Liquefaction, LLC and Bechtel Oil, Gas and Chemicals, Inc.: (i) the Change Order CO-0019 Delete Tank 6 Scope of Work, dated February 28, 2013 and (ii) the Change Order CO-0020 Modification to Builder's Risk Insurance Sum Insured Value, dated March 14, 2013. (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)
31.1*	Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
31.2*	Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema Document
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB+	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith.

+ Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHENIERE ENERGY PARTNERS, L.P.

By: Cheniere Energy Partners GP, LLC,
its general partner

By: _____ /s/ JERRY D. SMITH
Jerry D. Smith
Chief Accounting Officer
(on behalf of the registrant and as principal accounting
officer)

Date: May 3, 2013

AMENDMENT NO. 1 OF LNG SALE AND PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 OF LNG SALE AND PURCHASE AGREEMENT ("Amendment") is made and entered into as of April 03, 2013 (the "Amendment Effective Date"), by and between Sabine Pass Liquefaction, LLC, a Delaware limited liability company whose principal place of business is located at 700 Milam St., Suite 800, Houston, TX 77002 ("Seller"), and Gas Natural Aprovevisionamientos SDG S.A., a corporation whose principal place of business is located at Avenida de América nº38 Madrid Spain ("Buyer"). Buyer and Seller are each referred to herein as a "Party" and collectively as the "Parties".

Recitals

- (A) Seller and Buyer are parties to that certain LNG Sale and Purchase Agreement dated as of November 21, 2011 ("Agreement"); and
- (B) Seller and Buyer desire to amend the Agreement to establish rights and obligations of each Party in respect of certain cargoes of LNG for delivery prior to the Date of First Commercial Delivery.

It is agreed:1. **Definitions**

Capitalized terms used in or incorporated into this Amendment and not otherwise defined herein have the meanings given to them in the Agreement.

2. **Amendments**

- 2.1. Section 1.1 of the Agreement is amended by deleting in its entirety the definition of "Delivery Window", and the following definition is inserted in lieu thereof:

Delivery Window: a twenty-four (24) hour period starting at 6:00 a.m. on a specified Day and ending twenty-four (24) consecutive hours thereafter that is allocated to Buyer under the ADP or Ninety Day Schedule or as identified in a notice from Seller to Buyer pursuant to Section 4.5.2 or 4.5.3, as applicable;

- 2.2. Section 1.1 of the Agreement is further amended by deleting in its entirety the definition of "Designated Train", and the following definition is inserted in lieu thereof:

Designated Train: with respect to the two LNG production trains to be constructed at the Sabine Liquefaction Facility pursuant to the Lump Sum Turnkey Agreement for the

Engineering, Procurement and Construction of the Sabine Pass LNG Liquefaction Facility dated November 11, 2011, between Seller and Bechtel Oil, Gas and Chemicals, Inc., the second (2nd) such train that becomes commercially operable, as determined in accordance with Section 4.3.6, including those facilities included in the Sabine Pass Facility that are necessary to enable Seller to fulfill its obligations to Buyer from such LNG production train;

- 2.3. Section 1.1 of the Agreement is further amended by the addition of the following new definition:

Pre-commercial LNG: as defined in Section 4.5.1;

- 2.4. Section 1.1 of the Agreement is further amended by deleting in its entirety the definition of "Scheduled Cargo Quantity", and the following definition is inserted in lieu thereof:

Scheduled Cargo Quantity: the quantity of LNG (in MMBtus) identified in the ADP or Ninety Day Schedule to be loaded onto an LNG Tanker in a Delivery Window in accordance with Section 8 or as provided pursuant to Section 4.5.2 or 4.5.3, as applicable;

- 2.5. Each of Sections 4.3.2, 4.3.3, 4.3.4, and 4.3.5 of the Agreement is deleted in its entirety, and in each such Section, the words "Intentionally omitted." are inserted in lieu thereof.

- 2.6. A new Section 4.5 is added to the Agreement as follows:

4.5 Early Cargoes

- 4.5.1 If and to the extent Seller determines, acting reasonably (taking into account the uncertainty of producing and delivering any cargo prior to the Date of First Commercial Delivery), that the Designated Train is capable of producing LNG complying with the Specifications prior to the start of the First Contract Year ("**Pre-commercial LNG**"), then Seller shall offer to Buyer (a) the first two hundred eighty-five thousand (285,000) MMBtu per Day of Pre-commercial LNG produced by the Designated Train on any Day that is on or prior to the last Day of the Final Window Period, and (b) the first five hundred thousand (500,000) MMBtu per Day of Pre-commercial LNG produced by the Designated Train on any Day that is after the last Day of the Final Window Period; *provided*

that such Pre-commercial LNG is to be allocated and scheduled for delivery in full cargo lots which shall be no less than three million one hundred thousand (3,100,000) MMBtus and no greater than three million seven hundred fifty thousand (3,750,000) MMBtus.

- 4.5.2 If Seller offers a Pre-commercial LNG cargo to Buyer and such offer indicates a Delivery Window in respect of such Pre-commercial LNG cargo that is at least sixty (60) Days from the date of such Seller's offer, then:
- (a) Buyer may reject such offer within five (5) Days after receipt of Seller's offer, in which case (A) Buyer will pay to Seller in accordance with Section 10.2.5 an amount equal to USD two decimal forty-nine (USD 2.49) per MMBtu *multiplied by* the quantity (in MMBtu) rejected by Buyer and (B) neither Buyer nor Seller shall have any further liability to the other Party with respect to such Pre-commercial LNG cargo; or
 - (b) Buyer may accept such offer, in which case, Buyer shall purchase and take (subject to Buyer's Cancellation Right), and Seller shall sell and make available, such Pre-commercial LNG cargo during such Delivery Window and otherwise in accordance with the terms of this Agreement (provided that (A) the price to be paid by Buyer for such Pre-commercial LNG cargo, including in the event Buyer exercises its Cancellation Right in respect of such cargo, shall be as set forth in Section 4.5.4 and (B) the Scheduled Cargo Quantity for such Pre-commercial LNG cargo shall be the quantity identified in Buyer's acceptance of such offer subject to such quantity being no less than three million one hundred thousand (3,100,000) MMBtus and no greater than three million seven hundred fifty thousand (3,750,000) MMBtus).
- 4.5.3 If Buyer receives an offer for a Pre-commercial LNG cargo from Seller less than sixty (60) Days prior to the proposed Delivery Window for such cargo, Buyer shall use reasonable efforts (taking into account, among other things, the availability of shipping capacity within Buyer's shipping fleet) to accept such offer and shall, not later than five (5) Days after receipt of such Seller's offer, provide Seller with notice as to whether Buyer is able, using such reasonable efforts, to accept such offer. If Buyer accepts such offer, then Buyer shall purchase and take (subject to Buyer's Cancellation Right), and Seller shall sell and make available, such Pre-commercial LNG cargo during the Delivery Window

identified in Seller's offer and otherwise in accordance with the terms of this Agreement (provided that (A) the price to be paid by Buyer for such Pre-commercial LNG cargo, including in the event Buyer exercises its Cancellation Right in respect of such cargo, shall be as set forth in Section 4.5.4 and (B) the Scheduled Cargo Quantity for such Pre-commercial LNG cargo shall be the quantity identified in Buyer's acceptance of such offer subject to such quantity being no less than three million one hundred thousand (3,100,000) MMBtus and no greater than three million seven hundred fifty thousand (3,750,000) MMBtus). If Buyer does not accept such offer, then neither Buyer nor Seller shall have any further liability to the other Party with respect to such Pre-commercial LNG cargo.

- 4.5.4 The price in respect of any Pre-commercial LNG cargo purchased by Buyer pursuant to Section 4.5.2(b) or Section 4.5.3 shall be an amount in USD per MMBtu equal to the sum of (i) one decimal fifteen (1.15) *multiplied by* HH, *plus* (ii) USD two decimal forty-nine (USD 2.49). With respect to any Pre-commercial LNG cargo in relation to which (A) Buyer has accepted the relevant offer pursuant to Section 4.5.2(b) or Section 4.5.3, and (B) Buyer has exercised its Cancellation Right with respect to such Pre-commercial LNG cargo: (1) Buyer will pay to Seller in accordance with Section 10.2.5 an amount equal to USD two decimal forty-nine (USD 2.49) per MMBtu *multiplied by* the quantity identified in Seller's offer for such Pre-commercial LNG cargo and (2) neither Buyer nor Seller shall have any further liability to the other Party with respect to such Pre-commercial LNG cargo.
- 4.5.5 Upon the occurrence of the Date of First Commercial Delivery, Seller shall no longer be obligated to offer Pre-commercial LNG to Buyer. The provisions of Section 9 shall not apply with respect to Pre-commercial LNG cargoes.

2.7. Section 5.6.1 of the Agreement is deleted in its entirety, and the following Section 5.6.1 is inserted in lieu thereof:

5.6.1 Buyer may cancel all or any portion of the Scheduled Cargo Quantity of any cargo(es) scheduled in any ADP (or any Pre-commercial LNG cargo) ("**Cancellation Right**") only if Buyer issues a notice of cancellation to Seller on or prior to the Cancellation Deadline for the applicable cargoes.

2.8. Section 9.3 of the Agreement is amended by deleting the words "per MMBtu".

2.9. All provisions of the Agreement not specifically amended hereby shall remain in full force and effect.

3. **Miscellaneous**

- 3.1. Dispute Resolution; Immunity. The provisions of Section 21.1 (Dispute Resolution) and Section 21.4 (Immunity) of the Agreement shall apply in this Amendment as if incorporated herein *mutatis mutandis* on the basis that references therein to the Agreement are to this Amendment.
- 3.2. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York (United States of America) without regard to principles of conflict of laws that would specify the use of other laws.
- 3.3. Entire Agreement. The Agreement, as amended by this Amendment, constitutes the entire agreement between the Parties and includes all promises and representations, express or implied, and supersedes all other prior agreements and representations, written or oral, between the Parties relating to the subject matter thereof.
- 3.4. Amendments and Waiver. This Amendment may not be supplemented, amended, modified or changed except by an instrument in writing signed by Seller and Buyer and expressed to be a supplement, amendment, modification or change to the Agreement. A Party shall not be deemed to have waived any right or remedy under this Amendment by reason of such Party's failure to enforce such right or remedy.
- 3.5. Counterparts. This Amendment may be executed in two counterparts and each such counterpart shall be deemed an original Amendment for all purposes, provided that neither Party shall be bound to this Amendment unless and until both Parties have executed a counterpart.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the date first above written.

SELLER:

SABINE PASS LIQUEFACTION, LLC

/s/ H.D. Thames

Name: H. Davis Thames

Title: Executive Vice President

BUYER:

GAS NATURAL APROVISIONAMIENTOS
SDG S.A.

/s/ José Ma. Egea Krauel

Name: José Ma. Egea Krauel

Title: Managing Director of Energy Planning

CHANGE ORDER FORM
Tank 106 Scope Deletion and Ultrasonic Metering Configuration and Calibration

PROJECT NAME: Sabine Pass LNG Liquefaction Facility

CHANGE ORDER NUMBER: CO-00019

OWNER: Sabine Pass Liquefaction, LLC

DATE OF CHANGE ORDER: February 27, 2013

CONTRACTOR: Bechtel Oil, Gas and Chemicals, Inc.

DATE OF AGREEMENT: November 11, 2011

The Agreement between the Parties listed above is changed as follows: *(attach additional documentation if necessary)*

1. Per Article 6.1.B of the Agreement, Parties agree Bechtel will eliminate any scope with regards to Tank 106 installation.
 - a. The scope of work details which will remain despite the deletion include:
 - i. Soil stabilization inside Tank 6 is to be at a 3 foot depth, including the area/volume under the dikes.
 - ii. Soil improvement to include 5 feet stabilization depth at south pipe rack.
 - iii. Add fill, grade, and drain.
 - iv. Fencing modification needed to protect south pipe rack (21R02) due to Tank 106 deletion.
 - b. Clarifications and Exclusions:
 - i. The design of the BOG system remains unchanged. The capacity associated with LNG Tank S-106, 8% of 48,400 lb/hr (27 MMscfd), will be retained as margin for the BOG system.

2. Per Article 6.1.B of the Agreement, Parties agree Bechtel will provide calibration of Ultrasonic meters and engineering support/design modifications.
 - a. The scope of work includes:
 - i. Calibrating the USM with the meter tubes.
 - ii. Provide meter assembly per AGA standard configuration. Per AGA 9 on the uni-directional meter, there is to be 10 diameters from the meter inlet to the flow conditioner; 10 diameters from the flow conditioner to the meter body; and 5 diameters from the meter body to the first disturbance.
 - iii. Calibration to be conducted at CEESI or TransCanada
 - b. Clarifications:
 - i. The meter shall be calibrated as an "artifact" with upstream/downstream piping, flow conditioners, transducers, and tees in place.
 - ii. Piecewise linearization as the calibration method.
 - iii. Log files to be collected throughout the process.
 - iv. Tests at flow points of 2, 5, 10, 25, 40, 55, 70, and 100 fps with 6 repeats.

3. This Contract Change Order will decrease the Contract price by an amount of \$7,241,593. The breakdown of this amount is a \$2,278,663 lump sum decrease and a \$4,962,930 decrease in aggregate provisional sum as noted in item 6 of this Change Order. Accordingly, the Agreement is modified as follows:
 - a. Schedule C-1 (Milestone Payment Schedule) of Attachment C of the Agreement will be amended by including the Milestone(s) listed in Exhibit A of this Change Order.
4. The previous Existing Facility Labor Provisional Sum in Article 2.2 of Attachment EE of the Agreement was *** U.S. Dollars (\$***) and *** hours. This Change Order will amend the previous values respectively to *** (\$***) and *** hours.
5. The previous Soils Provisional Sum in Article 2.1 of Attachment EE of the Agreement after the executed Change Order CO-0007, dated July 13, 2012, was *** (\$***). This Change Order will amend the previous value and reduce the value by \$***. The new Soils Provisional Sum is now *** (\$***).
6. The previous Aggregate Provisional Sum after Change Order CO-00018, dated January 17, 2013, was Two Hundred Sixty Three Million, Six Hundred Sixty Seven Thousand, Three Hundred Ninety One U.S. Dollars (\$263,667,391). This Change Order will amend that value and the new value shall be Two Hundred Fifty Eight Million, Seven Hundred Four Thousand, Four Hundred Sixty One U.S. Dollars (\$258,704,461).
7. The overall cost breakdown data for all changes is provided in Exhibit B of this Change Order.
8. The cost breakdown data for the addition of the Ultrasonic Metering Configuration and Calibration is provided in Exhibit C of this Change Order.
9. The cost breakdown data for the Tank 106 Scope Deletion is provided in Exhibit D of this Change Order.

Adjustment to Contract Price

The original Contract Price was	\$3,900,000,000
Net change by previously authorized Change Orders (#0001-00018)	\$ 72,541,501
The Contract Price prior to this Change Order was	\$3,972,541,501
The Contract Price will be (decreased) by this Change Order in the amount of	\$ 7,241,593
The new Contract Price including this Change Order will be	\$3,965,299,908

Adjustment to dates in Project Schedule

The following dates are modified (*list all dates modified; insert N/A if no dates modified*) **No impact to Project Schedule.**

Adjustment to other Changed Criteria (*insert N/A if no changes or impact; attach additional documentation if necessary*)

Adjustment to Payment Schedule: **Yes. See sections 3, 4, 5, 6, 7 and Exhibits A, B, C, and D of this Change Order.**

Adjustment to Minimum Acceptance Criteria: N/A

Adjustment to Performance Guarantees: N/A

Adjustment to Design Basis: N/A

Other adjustments to liability or obligation of Contractor or Owner under the Agreement: N/A

Select either A or B:

[A] This Change Order **shall** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall** be deemed to compensate Contractor fully for such change. Initials: ____ Contractor ____ Owner

~~[B] This Change Order **shall not** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall not** be deemed to compensate Contractor fully for such change. Initials: ____ Contractor ____ Owner~~

Upon execution of this Change Order by Owner and Contractor, the above-referenced change shall become a valid and binding part of the original Agreement without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Agreement shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

/s/ Ed Lehotsky

Owner

Ed Lehotsky

Name

VP LNG Project Management

Title

March 13, 2013

Date of Signing

/s/ J. Jackson

Contractor

JT Jackson

Name

Sr. Vice President

Title

February 28, 2013

Date of Signing

CHANGE ORDER FORM

Modifications to Full Placement of Insurance Program Language

PROJECT NAME: Sabine Pass LNG Liquefaction Facility

CHANGE ORDER NUMBER: CO-00020

OWNER: Sabine Pass Liquefaction, LLC

DATE OF CHANGE ORDER: March 14, 2013

CONTRACTOR: Bechtel Oil, Gas and Chemicals, Inc.

DATE OF AGREEMENT: November 11, 2011

The Agreement between the Parties listed above is changed as follows: *(attach additional documentation if necessary)*

1. Sections 1.A.9(e) of Attachment Q is hereby amended and restated as follows:

- (e) **Sum Insured:** The insurance policy shall (i) be on a completed value form, with no periodic reporting requirements, (ii) insure not less than \$1,000,000,000 commencing at the earlier of LNTP or NTP, and insure no less than an amount to be determined based on probable maximum loss study performed by a reputable and experienced firm reasonably satisfactory to Contractor, Owner, and Owner's Lender's Insurance Advisor, with such maximum probable loss approved by the Parties and such increased amount commencing no later than March 31, 2013 (iii) value losses at replacement cost, without deduction for physical depreciation or obsolesce including custom duties, Taxes and fees and (iv) insure loss or damage from earth movement without a sub-limit, (v) insure property loss or damage from flood and named windstorm with a sub-limit not less than \$150,000,000 commencing at the earlier of LNTP or NTP, provided that such sub-limit shall increase to an amount that is not less than \$500,000,000 no later than March 31, 2013, and such sub-limit in the event of a named windstorm shall apply to the combined loss covered under Section 1.A.9 Builder's Risk and Section 1.A.10 Builder's Risk Delayed Startup, and (vi) insure loss or damage from strikes, riots and civil commotion with a sub-limit not less than \$100,000,000.

Adjustment to Contract Price

No Adjustment to Contract Price associated with CO-00020

Adjustment to dates in Project Schedule

The following dates are modified *(list all dates modified; insert N/A if no dates modified)*: N/A

Adjustment to other Changed Criteria: *if no changes or impact; attach additional documentation if necessary*: N/A

Adjustment to Payment Schedule: N/A

Adjustment to Minimum Acceptance Criteria: N/A

Adjustment to Performance Guarantees: N/A

Adjustment to Design Basis: N/A

Other adjustments to liability or obligation of Contractor or Owner under the Agreement: N/A

Select either A or B:

[A] This Change Order **shall** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall** be deemed to compensate Contractor fully for such change. Initials: ____ Contractor ____ Owner

~~[B] This Change Order **shall not** constitute a full and final settlement and accord and satisfaction of all effects of the change reflected in this Change Order upon the Changed Criteria and **shall not** be deemed to compensate Contractor fully for such change. Initials: ____ Contractor ____ Owner~~

Upon execution of this Change Order by Owner and Contractor, the above-referenced change shall become a valid and binding part of the original Agreement without exception or qualification, unless noted in this Change Order. Except as modified by this and any previously issued Change Orders, all other terms and conditions of the Agreement shall remain in full force and effect. This Change Order is executed by each of the Parties' duly authorized representatives.

/s/ Ed Lehotsky
Owner
Ed Lehotsky
Name
VP LNG Project Management
Title
March 28, 2013
Date of Signing

/s/ Sergio Buoncristiano
Contractor
Sergio Buoncristiano
Name
Principal Vice President
Title
March 14, 2013
Date of Signing

CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT

I, Charif Souki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Charif Souki

Charif Souki
Chief Executive Officer of Cheniere Energy Partners GP, LLC,
general partner of Cheniere Energy Partners, L.P.

Date: May 3, 2013

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT

I, Meg A. Gentle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Meg A. Gentle

Meg A. Gentle
Senior Vice President and Chief Financial Officer of Cheniere Energy Partners GP, LLC,
general partner of Cheniere Energy Partners, L.P.

Date: May 3, 2013

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charif Souki, Chief Executive Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Charif Souki

Charif Souki
Chief Executive Officer of Cheniere Energy Partners GP, LLC,
general partner of Cheniere Energy Partners, L.P.

Date: May 3, 2013

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cheniere Energy Partners, L.P. (the "Partnership") on Form 10-Q for the period ending March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Meg A. Gentle, Chief Financial Officer of Cheniere Energy Partners GP, LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Meg A. Gentle

Meg A. Gentle
Senior Vice President and Chief Financial Officer of Cheniere Energy Partners GP, LLC,
general partner of Cheniere Energy Partners, L.P.

Date: May 3, 2013