TEEKAY LNG PARTNERS LP

Moderator: Emily Lee
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10:00 am CT

Operator: Welcome to Teekay LNG Partners 3RD Quarter 2015 Earnings Results Conference Call.

During the call all participants will be in a listen only mode. Afterwards you will be invited to participate in a question and answer session. At that time if you have a question participants will be asked to press star one to register for a question.

For assistance during the call please press star zero on your touch-tone phone. As a reminder this call is being recorded. Now for opening remarks and introductions I would like to turn the call over to Mr. Peter Evensen, Teekay LNG Partners Chief Executive Officer. Please go ahead sir.

(Cam): Before Mr. Evensen begins I would like to direct all participants to our Website at www.teekay.com where you will find a copy of the third quarter 2015 earnings presentation. Mr. Evensen will review this presentation during today's conference call.

Please allow me to remind you that all - that our discussion today contains forward looking statements. Actual results may differ materially from results projected by those forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the third quarter of 2015 earnings release and earnings presentation available on our Website. I will now turn the call over to Mr. Evensen to begin.

Peter Evensen: Thank you (Cam). Good morning everyone and thank you for joining us on our Third Quarter Investor Conference Call for Teekay LNG Partners. I am joined today by Teekay

Corporation's CFO Vince Lok. Mark Kremin, Vice President of Teekay Gas Service and Teekay LNG Partners Controller, Brian Fortier.

During our call today I will be taking you through the earnings presentation which can be found on our Website. Turning to slide three of the presentation I will review some of Teekay LNG's recent highlights.

For the third quarter of 2015 the partnership generated distributable cash flow of $61.1 million. We generated a coverage ratio of 0.9 five times primarily reflecting the premature termination of the Magellan Spirit Charter contract in March 2015 which we are currently disputing.

For the third quarter of 2015 the partnership declared a cash distribution of $0.70 per unit consistent with the previous quarter. During the quarter we continue to generate stable distributable cash flows supported by the partnership's diversified portfolio of fee based contracts with no direct link to commodity prices, comprised of forward fixed rate revenues of approximately $11.3 billion.

In October Teekay LNG's LPG joint venture with Exmar took delivery of the fifth of its 12 mid-size LPG carrier newbuildings which form part of the joint venture's fleet renewal and growth strategy. This vessel is currently providing ammonia transportation services under a 10-year charter with Potash Corporation.

Turning to slide four we continue to build on our book of forward fee based revenues that support the partnership's stable and growing cash flows. On this slide we provided a breakdown of our existing contract portfolio of forward fee-based revenues of $11.3 billion. Based on revenues attributable to our existing assets which are currently in operation and which support our current cash distributions and revenues attributable to our new growth projects which are expected to provide incremental coverage and cash distribution growth in the future.

Our portfolio of $5.8 billion of forward revenues related to our existing assets are contracted with oil majors and utility companies and we are a critical component of their logistics chain and importantly this excludes extension options.

We continue to focus on extracting maximum cash flows from our existing assets through cost and fleet efficiencies, including operating our assets with high fleet availability. Two of our 52% owned LNG carriers, the Magellan Spirit and the Methane Spirit recently command short term charters which will keep the vessels earnings charter higher through mid-2016 while our chartering team works to secure medium to longer term employment for both of these vessels.

Our portfolio of new growth projects and associated forward fixed rate revenues of $5.5 billion are scheduled to deliver and commence their respective long-term contracts between early 2016 through the first quarter of 2020. We expect this portfolio will grow as we secure new charter contracts for our three unchartered MEGI LNG newbuildings.

Overall our focus is to execute on our existing committed growth projects and insure these projects deliver on time and on budget while continuing to seek charters for our unchartered growth projects.

Looking ahead with weakness in the energy space and the MLP markets, including Teekay LNG's equity valuation we have adopted a new approach to future growth, including implementing higher hurdle rates and prioritizing capital allocation. We have increased our hurdle return rates for new projects to take into account our slightly higher all in cost to capital. As a reminder we are able to debt finance our assets up to 80%, the cost of which has declined over the past few years which partially offsets the currently inflated cost of equity.

With regards to prioritizing capital we plan to allocate capital first to our existing uncontracted newbuildings should they require upgrades for contracts followed by high quality on the water M&A opportunities over large organic growth projects.

Turning to slide five I will provide a brief update on the status of the world’s first two MEGI LNG newbuildings. The picture on the top right is of the Creole Spirit leaving the harbor to commence sea trials in October and the vessel remains on track to commence its five-year charter contract late in the first quarter of 2016.

The picture on the bottom right is of the Oak Spirit being launched from dry dock in August and it remains on contract to commence its five-year contract later in the second quarter of 2016.

Both vessels will provide LNG transportation services for Chaniere Energy Sabine Pass LNG export facility which is expected to ship its first LNG cargo in early 2016 and will be the very first LNG export facility in the lower 48.

We are also pleased to report that we have recently secured a new $360 million long-term finance lease facility for these two vessels upon their delivery.

Turning to slide six I will review our financial results for the third quarter of 2015 compared to the second quarter of 2015. For reconciliation of distributable cash flow to net income please refer to Appendix B of our earnings release.

Distributable cash flow decreased in Q3 to $61.1 million for a coverage ratio of 0.9 five times compared to $65.8 million and a coverage ratio of 1.0 three times in the prior quarter. The main factors contributing to the decrease in the coverage ratio in the third quarter included lower equity income from our 33% owned Angola Joint Venture due to the effect on one-time cumulative catch up in Q2 upon finalization of the amended contracts.

Lower equity income from our 52% owned joint venture with Marubeni due to off hire related cost for the Magellan Spirit and Methane Spirit in the third quarter and charter rate adjustments for the Arctic Spirt and Polar Spirit which increased revenues in Q2 and the Polar Spirit and Toledo Spirit being off hire for 25 and 22 days respectively during the third quarter for scheduled dry docking.

These decreases were partially offset by lower general and administrative expenses due to the timing of expenditures. In the fourth quarter we are currently expecting TGP's coverage ratio to increase to approximately one times primarily as a result in an increase in revenue due to an estimated 2015 profit share relating to the (Team) Spirit conventional tanker due to strong crude spot tanker market rates during the year.

Fewer expected off hire in the fourth quarter compared to the third quarter related to scheduled dry dockings in our fleet and commencement of the six month charter contracts for the Magellan Spirit and Methane Spirit in our 52% owned joint-venture with Marubeni.

Wrapping up today's call on slide seven Teekay LNG's distributable cash flow remains stable and growing supported by our strong operating track record and a large diversified contract portfolio of fee-based contracts with no direct link to commodity prices and which total $11.3 billion of forward revenues with strong counter party.

Looking ahead with continued growth in LNG trade and growing requirements for floating regasification we continue to seek new opportunities for higher return growth, including prioritizing capital first for redeployment of existing assets or upgrades on to new contracts followed by high quality on the water M&A that provide immediate (bi-creation).

Lastly we continue to have access to competitive bank financing in multiple capital markets as evidenced by our recent $360 million long-term lease facility on our first two MEGI LNG newbuildings and a new $150 million unsecured credit facility with a group of international banks that can be used to finance a portion of our remaining capital commitment.

Thank you for joining us on the call today and operator I am now available to take questions.

Operator: Thank you. If you would like to ask a question please signal by pressing the star key followed by the digit one on your telephone keypad.

If you are using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. If you have signaled for a question prior to hearing these instructions on today's call please repeat the process now by pressing star one again to insure our equipment has captured your signal.

We will pause for just a moment to allow everyone the opportunity to signal for questions. Our first question comes from Michael Webber of Wells Fargo. Please go ahead.

Michael Webber: Hey good morning guys, how are you?

Peter Evensen: Good, thanks Mike.

Michael Webber: Peter wanted to touch first on the new approach you guys are taking to tendering with the new hurdles certainly makes sense and I am just curious within the context of that new approach can you help us think about how that might kind of break down when we think about the current tender in activity - does that put more of a focus on any individual region or an individual kind of start date for the tender just how do we think about how that could kind of carve up the potential tender list for you guys and where your focus is going to be?

Peter Evensen: Sure, well first of all the emphasis is on contracting the three existing MEGI newbuildings that we have that we think are delivering into a pretty good window and so we are actually using those existing newbuildings rather than ordering new ones when we get tenders and we can upgrade those in order to meet various customer requirements or go off specification and just say, “Here we can give you a cheaper MEGI,” which is what they want so there is a few good points here.

The first is that we do see still a need for new - for more LNG carriers than is in the existing fleet and that is kind of weird when you think about how low spot LNG rates are but we can still see that you are going to need about 50 new ones for just the existing contracts.

And the other thing we observed is that our customers prefer the MEGI rather than very low priced existing DFDE ships which are 155,000 - 160,000 cubic rather than the 174 - 175,000 cubic. So that is what gives us optimism but it is just a function of the reality right now that we are trimming down our growth and focusing in on return on capital rather than capital allocation.

Michael Webber: Got you and that makes sense - is it - does that approach, do you think does that lend itself to any particular region or is it relatively spread out in terms of the hurdle rates?

Peter Evensen: I don’t really want to get caught on that from a competitive point of view...

Michael Webber: Sure.

Peter Evensen:...since I know people monitor this but I would say that what we are observing in this low gas environment is that there has been a pickup in LNG demand in South America and the mid-east and less so in Asia.

Michael Webber: Okay, that is helpful and I guess maybe within the context of your - I guess, your customers, are they starting - considering that - I mean it is a bit of a paradox that we see one more long term demands versus what is on the water now and the market is where it is. Are you starting to see customers bend at all or maybe kind of readjust slightly expect - their requirements making looking at a bit more tonnage on the water thinking they can get in on the cheap - any change in the way their approach their tonnages at all yet?

Peter Evensen: We haven't seen that yet and that was our concern which was that existing ships would be priced lower in order to try to compete with our more fuel efficient MEGI's but the customers are saying - they are thinking medium turn and saying that they would like the MEGI technology and they also logistically want to get the same lots rather than have them all around the map. So we expect the market will bifurcate into having more of a - more of a spot fleet and that is a natural consequence we think of the fact that you will get more spot cargos and then there will be this long term outlook going forward.

Having said that we think that in the future there will be more ships that will be built in China rather than necessarily Japan linked in with Chinese import contracts.

Michael Webber: Okay, that does make sense. You mentioned looking for some medium to long term charters for the handful - or I think it is two vessels you have in the sport market now. Without pinning you down to a specific number and if we kind of keep it general what is the right way to think about I guess a hurdle rate for multi-year contracts for assets in the water right now? Maybe, if I think about it on a like a percentage of kind of as a normalized and a kind of mid cycle rate of 75 to 80 on a general percentage basis where do you think the market is right now for multi-year contracts for assets in the water?

Peter Evensen: Again I don't want to be drawn on that for competitive reasons because when you talk about unlevered IRR's it depends on people's contract price. We think we have a favorable contract price so when you compare our favorable contract price to other people's contract price you aren't comparing apples with apples.

Michael Webber: Mm-hmm, got you, yes I wasn't sure if you were ((inaudible)) that or not. Just two more - one kind of more long term and theoretical and the other one around project but you guys have been pretty consistent around your support for Yumal and lots of different press, you know press around financing etc. You - I believe you have got an April installment coming on your - it is pretty long dated exposure, it is a ways out, but is it fair to look at that April time period as a - as an inflection point for the way you guys think about that project or no?

Peter Evensen: No, that is just a small installment we have as part of our shipyard contract that we have. We continue to work on the financing of that project and there is a lot of work going on - on training of crews and preparing for the logistics of moving gas out of Yumal so we have an operating team that is working very hard there and we are already getting mostly Russian based crews to be trained up for that new trade route.

Michael Webber: Okay.

Peter Evensen: And we expect that we will complete financing on that using mostly Asian banks.

Michael Webber: Okay, that makes sense. Just one more for me - around just kind of generally as we some US based projects maybe moving forward with trains with a bit less forward cover than they had in the past and the idea that we could see some players in the US get I guess a bit more merchant in I guess the intermediate term - I guess, one do you think that is realistic and two, does - how does that necessarily manifest itself within the transportation space?

Do you think we see more kind of COA base commitments down the line and this is a bit more of a long term kind of development question but just any color on that would be helpful?

Peter Evensen: Well I am in the transportation side of it but obviously we are looking at it. What everybody has seen is there is several projects all around Mozambique not - the US Gulf of Mexico, West Coast Canada that we are scheduled to take FID that haven't taken FID and my personal view is that because they require longer term contracts in order to go forward and those longer term contracts are being negotiated now and without those long term contracts I don't think we will get more units necessarily taking FID given the uncertainty that there is.

But I would note that that is something that we are talking about basically 2019, 2020 and beyond. In the near term we can see a lot of projects coming on in 2015 and 2016. I was down in Australia myself about a month ago and seeing these - touring the LNG plants that are coming on Curtis Island and that is really - that is really firsthand you can see the amount of export capacity that is being put in place.

And for example we were able to charter our - the Magellan and the Methane in - on one of those Australian projects so we can see it soaking up capacity as these contracts come back on line or actually start up, excuse me.

Operator: Thank you. The next question comes from (Noah Parquet) of JP Morgan. Please go ahead.

(Noah Parquet): Thanks, I wanted to follow up on the question about increased spot market and more kind of merchant trading, you know, with the lack of the destination clauses. How do you think if that effects the fleet that is servicing those trades - I mean is there room to increase the efficiency there through triangulation or does that fleet slow down or how does that change how we think about the efficiency as a ship servicing those trades?

Peter Evensen: The realistic answer is that we don't know because there has never really been a substantial spot trade that - for ships but what there has been has been charterers, not ship owners, but charterers swapping cargos in order to gain efficiencies.

But right now we don't know. What we do see is trade - changing trade routes. As I said we see more - we expect actually to see some Australian cargoes come in to the Atlantic and what is happening is the market is going from regional trade to a global trade and so as Asian contracts are priced off of oil and Atlantic projects will, especially Gulf of Mexico will increasingly be priced off of Henry Hub, you will start to get arbitrage trading and it is uncertain now if that will yield us more ton miles or less ton miles. We just don't know but we do have some positive things that, as I said, South America is taking more volumes. I expect Europe will reduce its dependence and then we have seen the Mideast take a lot of volumes that we hadn't seen - hadn't expected to go forward and that could really be significant.

And so LNG imports have doubled into the Middle East with startups in Egypt and Jordan and in the Persian Gulf just as an example.

(Noah Parquet): Okay, that is very helpful and then just - last quarter you did a great job of kind of letting us know what the minimum equity requirements are to fund your growth. Has that changed at all - I mean we saw a little bit of instances of COP - I mean maybe give us an update there that would be helpful?

Peter Evensen: No, I didn't want to repeat that slide because it hasn't really changed but no, we are - as I tried to say in our - in my prepared remarks we are minimizing the amount of equity given the low unit price and that will continue to be our view but what we are trying to stress to investors is the stability of our revenues which support the current distribution and that remains where we are looking and most of our CAPEX is I showed last quarter is back-ended and is - and we are relying on the debt markets which remain open to us given that most of the contracts are contracted or most of the ships are contracted.

(Noah Parquet): Okay, that is all I have, thank you.

Operator: Thank you. The next question comes from (Spiro Donas) from UBS. Please go ahead.

(Spiro Donas): Hey Peter and Vince, just wanted to get back to the new growth approach, specifically I guess with on the water acquisitions, you know obviously with the new builds, you know, not CAPEX and tends to up front like you just mentioned and 80% financing makes those really, you know, I guess accretive but I guess as far as on the water acquisition goes one, I guess I was just wondering if you could offer up I guess asset types that you would be looking at specifically and maybe just give us a sense of magnitude there and whether or not this is one or two bolt-ons or more of a fleet you would be looking at?

Peter Evensen: The short answer is both. I am not going to get drawn on how much but what each one has to have is contracts. We are not in the business of speculating on buying cheap LNG's that are trading spot so we are looking for opportunities from our customers or small competitors that where we can take in fleets that have already long term contracts. That is what separates we think Teekay LNG from other LNG companies is our long term contract book and we - and that is what we are looking for because that is what our investors are looking for.

With, you know, 13 years remaining on our existing LNG order book that puts us in a good position.

(Spiro Donas): Okay, and then - and so I guess the 80% financing would still hold in a situation like that?

Peter Evensen: I said up to 80% ((inaudible)).

(Spiro Donas): Up to, okay.

Peter Evensen: I didn't say that we would necessarily finance everything at 80%. We want to continue to make it accretive and that means we want to be able to put equity to work. We can obviously use short term more debt and then supplement that with equity but it is not our plan to move our leverage ratios higher than where they are in the medium term.

(Spiro Donas): Okay and I guess just if we are expanding the definition of assets you are looking at, it sounds like obviously LNG carriers are in there. Would - are there any FSRU's that you would potentially be able to make a move on - I know that has obviously been something you have talked about in the past?

Peter Evensen: Yes, we are looking at FSRU's both as an M&A as well as from organic growth so those are things we are continuing to work on and as I said earlier what - and I guess Mike Webber called it a paradox but it is a paradox that we have short, very weak spot rates but yet we have a strong customer tendering activity because they can see that they ultimately will need more LNG carriers for just the existing liquefaction.

And I have been very happy with our chartering team that the two 52% owned ships that we had spot they were able to re-employ on short term charters so I think that is a testimony both to our team as well as how customers think about Teekay operations.

(Spiro Donas): Definitely and just last quick one. As we think about the three new bills, the three MEGI's that you have. I am not sure if this makes any sense at all but would it be too late to turn one of those into an FSRU if the tender made sense?

Peter Evensen: No, it wouldn't.

(Spiro Donas): Okay, settles that question. Appreciate the color, thanks guys.

Peter Evensen: Thank you.

Operator: Thank you. The next question comes from (Fotus Dionaculous) from Morgan Stanley, please go ahead.

(Fotus Dionaculous): Yes, hi guys. Peter I want to ask you about the spot market. There is a lot of discussion that a big part of the volume that is coming on line is going to be sold spot. What are the requirements in order for the entire volume to reach the market and to be traded - what kind of pricing differentials we need to see between US and Europe or Australis and Europe or whatever this volume is going to go?

Mark Kremin: Hi this is Mark Kremin. The answer is we are not quite sure but there are a few things we are seeing right now. The idea that the two basins are going to come together in terms of spot market arbitrage parity is not happening yet but as Peter said we definitely are seeing a lot more cargos go from for instance Asia to the Middle East in India and we see sometimes a more repositioning from the Atlantic to the Middle East as well.

In terms of what is going to drive the actual - what pricing is going to drive the basins to do that, I am not quite sure.

(Fotus Dionaculous): And regarding the future demand do you have a view of how much this can be absorbed - how much of this demand can come from Europe versus Middle East or new countries that that are using FSRU’s? There was a lot of discussion about European imports and the decision of AU to try to refuse dependence in - from Russia in gas. Is this something that 15% that Europe is importing right now can ((inaudible)) - what kind of volumes are we talking and if you have any view of what is a realistic scenario for FSRU expansion and the LNG's that can be absorbed by new buyers?

Mark Kremin: It does appear that yes, Europe is going to be the resort for most of this uncontracted gas - the Middle East is going very well but there is just not enough infrastructure and demand right now. There are - is - for instance if you look at the Middle East it has FSRU's in Egypt and it has Pakistan and Jordan. There are more FSRU's being contracted into Egypt but it is not going to be able to take a lot of that uncontracted gas and so we do see most of that going to Europe in the end.

(Fotus Dionaculous): Okay, thank you and one last question about the financing capacity of a Teekay LNG - one of the constraints that the - over - it has in order to increase distribution is of course the general partner. Is there any thought of a potential adjusting the ((inaudible)) fleets for deal going forward or in other words if the capital markets do not come back what are the alternatives for Teekay LNG in order to finance growth that will lead to ((inaudible))?

Peter Evensen: Well that isn't how we are thinking. How we are thinking is that we will prioritize projects that give us our hurdle rates and that work with our new cost of capital and that is our strategy rather than try to look at it differently.

We continue to believe that with the dividend and with the stability that we have we will continue to see the unit price come back as investors realize that we do have a stable distribution.

(Fotus Dionaculous): Just to understand your answer if there is a project that on the one hand meets your capital, your hurdle rates and it is a good project but it has a difficulty in achieving accretion because of the IDR's is this something that you will go ahead even if it doesn't - even if it means that the ((inaudible))?

Peter Evensen: No, that is not our friend and please don't attribute anything of what you said to our strategy. That is not our plan. Obviously if there was a project and it wasn't accretive it would not meet our hurdle rates so that it is ((inaudible)) what we want to do.

(Fotus Dionaculous): Okay, that is very clear - thank you Peter.

Peter Evensen: Thank you (Fotus).

Operator: The next question comes from Ben Brownlow of Raymond James. Please go ahead.

Ben Brownlow: Hi Peter. Most of my questions have been answered but I guess switching over to the LPG carrier rates. Any color around the rate outlook or renewals there especially given, you know, expected capacity additions in 2016 and the recent rate pressures on larger LPG carriers recently?

Peter Evensen: Well we only have one VLGC in our joint venture that we have and we have sold out of the rest of our VLGC's at a good profit so we think that ultimately the growth of the order book which is well documented in VLGC's will put pressure on rates. Fourteen have delivered since July and 12 more are scheduled to deliver by year end but I would contrast that with the market we are in which is the, not the VLGC's but the medium size gas carriers of 38,000. There we are seeing good regional trades on the LPG side and we are seeing the ammonia trade pick up and what is most important about that trade is it isn't spot based, it is much longer term charters like the newbuilding we just took over which has the 10-year charter.

So that is why we selected that area which is a lot more ((inaudible)) driven, less commodity like and that fits the MLP's view of wanting more long term contracts. So what we have seen is the focus on environmentally sensitive areas has meant that our newbuildings are preferred as they come off and that is why they are getting good charters. So that is how we see it. We are absolutely conscious of the huge amount of propane that is going to come out from the US and we too are looking and seeing how the world will absorb that propane.

Ben Brownlow: Great, that is very helpful. And just touching on an earlier question and understandably you may not want to answer this but I will give it a shot anyway. On the Magellan and Methane just from a more generalized statement, are the short term charter rates you are getting there are they relative to the legacy rates? Are they higher or just some - any color there and kind of what is the interest level in terms of long term charters on those two vessels?

Peter Evensen: So first of all the, given the - they came off quite high contracts. The Methane came off one of the highest contracts ever done, a three-year contract with BP that was in the 130,000 per day, whereas the Magellan Spirit we are disputing that - that was unchartered until basically the end of 2016 and they are on lower charter rates which is what gave us a lower coverage ratio but we are in dispute with charter around the Magellan Spirit which may lead to us recovering many millions of dollars.

Ben Brownlow: And the Magellan that was off charter until October - is that correct?

Peter Evensen: No, it has now been re-chartered on a short - both have been re-chartered and have started contracts and those are on until mid-2016.

Ben Brownlow: And - but those started in October or were they operating in the third quarter as well?

Peter Evensen: We had off time in the third quarter. They were operating for part of it and those charters started in early October.

Ben Brownlow: Great, thank you.

Peter Evensen: Thank you.

Operator: Thank you. The next question comes from (Nick Ressa) of Citigroup. Please go ahead.

(Nick Ressa): Thanks guys. Most of the questions I had have already been answered but I had a few regarding just a macro picture. What are your - what is your sense for sort of a rebalancing of the market? Is it still what a lot of folks believe may be 2017, 2018 in terms of just vessels out there and them being contracted?

Peter Evensen: Sure what we are - so I would say that we were of the view about six months ago that it would start to rebalance itself by late ’16. I think that has moved to ’17 and that is mostly because of the weaker demand that we have seen on LNG than what we had anticipated. And that is particularly in places like Japan where we have seen LNG imports year-to-date decrease about 6% and Korea where they have also had mild weather and used more coal and we have seen LNG imports decline about 12%.

So from that standpoint we have seen that there is weaker demand than what we would have seen. What we are going to see as I said earlier about eight new projects come on in which the biggest is clearly Sabine Pass starting in early 2016 but we see Angola coming back as well. We see the three Gladstone QC, LNG and AP, LNG coming on in Australia and ramping up to full capacity. We see small projects in Malaysia and Indonesia and that is going to bring out more LNG on to the market and that is going to need more ships.

When we look at the ships that are coming in the future we only see in 2016 we only see six that are uncommitted so that is - so we can see the market is going to tighten. The - and then the question is to what degree does it have to tighten before you see ship’s rates start to spike and that is what we call the business.

(Nick Ressa): Absolutely, that is all I had guys. Thank you.

Peter Evensen: Thank you.

Operator: Thank you. The next question comes from (Ahmed Maracha) from Deutsche Bank. Please go ahead.

(Ahmed Maracha): Yes, thank you very much. Peter you have mentioned in the past specifically on TGP about I guess past dislocations between, you know, the unit price and originally and see the cash flows and the duration of charters etc. etc. and specifically related to sort of the period of late 2008 and early 2009 when you have the whole world was pretty much ending and you guys were still doing the same thing.

So in that context just would appreciate if you can compare and contrast the two sort of stressful periods, you know, back then and then currently and in the context of sort of your review on the partnership’s ability to sort of deliver on the perspective, you know, grow targets or ambitions? Thanks.

Peter Evensen: Sure, well so what we saw in ’08, ’09 and I will pretty much restrict my comments to LNG is that is a lot of what we are seeing now which is that projects that should have taken FID in ’09 - in late ’08, ’09 they were deferred and then we saw that they ultimately did go forward but there was this pause and we see this same pause going forward now because the LNG price is primarily oil linked.

What is different now is we have of course a new source of LNG which is out of the Gulf of Mexico priced on Henry Hub rather than oil linked and the market is figuring out what the future contracts will be denominated in. Will they continue to be oil-linked - will they continue to - will there be some mix of Henry Hub? And that is what the - so that is the new wrinkle if you will going forward but what we do see is that the LNG continues to have a bright future and when we go out and talk to our customers be they buyers of LNG or suppliers they continue to see that there will be a need for them.

The difficulty is that a lot of LNG plants that were built were built to a higher break-even rate and so the industry, and this is across all of energy is finding a way to build units and take costs out of the whole stream - out of the whole chain, whether it be liquefaction, regasification and I think Teekay is very much working with its customers to try to lower its prices and become more relevant and that is where the industry is taking itself.

So the only difference between ’08 and ’09 is I don’t think we will get as quick a bounce back in oil prices and so that is what leads us to believe things will, as I like to say, move to the right, be more delayed but people continue to work on their projects. They just won’t take FID as quickly.

(Ahmed Maracha): Right, okay, that is very helpful. Can I just ask one follow up and kind of dovetails on the previous answer that you have and it is related to sort of your comment about the market’s need for additional ships and, you know, trying to foot that with where spot rates are or have trended year-to-date and, you know, you talked about sort of pushing from end of ’16 to end of ’17 but, you know, is there a perspective that you have on at what point, you know, will the additional capacity that is coming on line each half of the year, at what point will we reach sort of that tipping point on that I guess, you know, supply versus supply equation because clearly it is not as relevant to your partnership but I guess a shift or sort of inflection would clearly have good effect on sort of your cost to capital.

So if you can sort of walk through, you know, first half of ’16, second half of ’16, what type of project incremental capacity do you see coming on line that maybe would drive that sort of tightening of demand supply imbalance?

Peter Evensen: Well I don't really want to punt the question but you said the most important thing which is that spot LNG rates and the tightening doesn't really have much effect on Teekay LNG because we have two 52% owned ships that are trading spot and so it actually - I mean I understand you want to talk about it but it actually doesn't have that much relevance to our partnership. So I am really going to punt on the question.

I - but what I will say is what I said before which is that we can see that our customers really want the new MAGI ships for their long-term requirements and as Mark said there will continue to be a growth in the spot rate but we have been pleased that our customers have been looking for long term contracts and I think that is important because people who are going to finance the buildout of new liquefaction plants are going to want to know that there is committed transportation and I don't think and that is what we saw with Sabine Pass, that is what we saw with Yamal certainly and I think the new projects that take that will have to go back to the old style of having contracts and having - and that includes having dedicated transportation if they are going to attract the debt financing which is crucial to taking FID.

(Ahmed Maracha): Right, okay, that is very good. Thank you very much, appreciate it.

Peter Evensen: Thank you all.

Operator: Thank you. There are no further questions at this time. Please continue.

Peter Evensen: All right, thank you all for the good questions and interest and we look forward to reporting back to you next quarter.

Operator: Thank you. Ladies and gentlemen this does conclude the conference call for today. You may now disconnect your line and have a great day.

END