Teekay LNG Partners L.P.
Form 424B5
September 28, 2016
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Filed Pursuant to Rule 424(b)(5)
Registration Number 333-197479

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT (Subject to Completion) Issued September 28, 2016

(To Prospectus dated July 17, 2014)

Teekay LNG Partners L.P.

Units

% Series A Cumulative Redeemable Perpetual Preferred Units

(Liquidation Preference $25.00 per unit)

We are offering of our % Series A Cumulative Redeemable Perpetual Preferred Units, liquidation preference $25.00 per unit (or the Series A Preferred Units).

Distributions on the Series A Preferred Units are cumulative from the date of original issue and will be payable quarterly in arrears on the 15th day of January, April, July and October of each year, when, as and if declared by the board of directors of our general partner. The initial distribution on the Series A Preferred Units offered hereby will be payable on January 15, 2017 in an amount equal to $ per unit. Distributions will be payable out of amounts legally available therefor at an initial rate equal to % per annum of the stated liquidation preference.

At any time on or after , 2021, the Series A Preferred Units may be redeemed, in whole or in part, out of amounts legally available therefor, at a redemption price of $25.00 per unit plus an amount equal to all accumulated and unpaid distributions thereon to the date of redemption, whether or not declared.

We intend to apply to have the Series A Preferred Units listed on the New York Stock Exchange (or NYSE) under the symbol TGPPRA . If the application is approved, we expect trading of the Series A Preferred Units on the NYSE to begin within 30 days after their original issue date. Currently, there is no public market for the Series A Preferred Units.

Investing in our Series A Preferred Units involves a high degree of risk. Our Series A Preferred Units have not been rated and are subject to the risks associated with unrated securities. Please read Risk Factors beginning on page S-23 of this prospectus supplement and on page 6 of the accompanying prospectus.

	Per Series A Preferred Unit	***Total***
Price to the public	*$*	*$*
Underwriting discounts and commissions	*$*	*$*
Proceeds to Teekay LNG Partners L.P. (before expenses)	*$*	*$*

We have granted the underwriters a 30-day option to purchase up to an additional Series A Preferred Units from us on the same terms and conditions as set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series A Preferred Units on or about , 2016.

Joint Book-Running Managers

Morgan Stanley *UBS Investment Bank* *Stifel*

, 2016

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Prospectus Supplement

Prospectus

ALTERNATIVE SETTLEMENT DATE

It is expected that delivery of the Series A Preferred Units will be made on or about the closing date specified on the cover page of this prospectus, which will be the fifth business day following the date of pricing of the Series A Preferred Units (this settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (or the *Exchange Act*), trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series A Preferred Units on the initial pricing date of the Series A Preferred Units or the next succeeding business day will be required, by virtue of the fact that the Series A Preferred Units initially will settle in T+5, to specify alternative settlement arrangements at the time of any such trade to prevent a failed settlement and should consult their own advisor.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Series A Preferred Units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of Series A Preferred Units. Generally, when we refer to the prospectus, we refer to both parts combined. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the U.S. Securities and Exchange Commission (or *SEC*) that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are not, and the underwriters are not, offering to sell, or seeking offers to buy, the Series A Preferred Units in any jurisdiction where the offer or sale is not permitted. The distribution of this prospectus and the offering of the Series A Preferred Units in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the Series A Preferred Units and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe propose, potential, continue or the negative of these terms or other comparable terminology.

Forward-looking statements reflect management s current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us. Forward-looking statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited, to those factors discussed under the heading Risk Factors set forth in this prospectus and in our most recent Annual Report on Form 20-F (our *2015 Annual Report*), our Reports on Form 6-K for the quarters ended March 31, 2016 and June 30, 2016 and in other reports we file with or furnish to the SEC and that are incorporated into this prospectus by reference.

We undertake no obligation to update any forward-looking statement to reflect any change in our expectations or events or circumstances that may arise after the date on which such statement is made. New factors emerge from time to time, and it is not possible for us to predict all of these factors. In addition, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

Forward-looking statements in this prospectus or incorporated by reference herein include, among others, statements about the following matters:

- our distribution policy and our ability to make cash distributions on our units or any increases in quarterly distributions on our common units, the temporary nature of our current reduced distribution level and the impact of cash distribution reductions on our financial position;

- the stability and growth of our business and future cash flows;

- our future financial condition and results of operations and our future revenues, including forward fee-based revenues, expenses and capital expenditures, and our expected financial flexibility to pursue capital expenditures, acquisitions and other expansion opportunities;

- our liquidity needs, anticipated funds for liquidity needs and the sufficiency of cash flows;

our expected sources of funds for liquidity and working capital needs and our ability to enter into new bank financings and to refinance existing indebtedness;

growth prospects and future trends of the markets in which we operate;

liquefied natural gas (or *LNG*), liquefied petroleum gas (or *LPG*) and tanker market fundamentals, including the balance of supply and demand in the LNG, LPG and tanker markets and spot LNG, LPG and tanker charter rates;

our ability to conduct and operate our business and the business of our subsidiaries in a manner that minimizes taxes imposed upon us and our subsidiaries;

the expected lifespan of our vessels, including our expectations as to any impairment of our vessels;

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our expectations and estimates regarding future charter business, including with respect to minimum charter hire payments, revenues and our vessels ability to perform to specifications and maintain their hire rates in the future;

our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term charter;

the adequacy of our insurance coverage;

the future resumption of a LNG plant in Yemen operated by Yemen LNG Company Limited (or *YLNG*) and our expectations regarding repayment of deferred hire amounts on our two 52% owned vessels, the *Marib Spirit* and *Arwa Spirit*, on charter to YLNG and any future deferrals;

expected purchases and deliveries of newbuilding vessels, our ability to obtain charter contracts for LNG and LPG carrier newbuildings that are not yet subject to fixed-rate contracts, and the newbuildings commencement of service under charter contracts;

expected financing, deliveries and charter commencement dates with respect to LPG newbuilding vessels in Exmar LPG BVBA;

expected financing for our joint venture with China LNG Shipping (Holdings) Limited (or the *Yamal LNG Joint Venture*);

our expectations regarding the financing, schedule and performance of the joint venture, Bahrain LNG W.L.L., owned by us (30%), National Oil & Gas Authority (30%), Samsung C&T (20%) and Gulf Investment Corporation (20%) (or the *Bahrain LNG Joint Venture*), and our expectations regarding the supply, modification, charter and timing of completion of the conversion of the floating storage unit (or *FSU*) vessel for the project;

expected funding of our proportionate share of the remaining shipyard installment payments for our joint venture with China LNG, CETS Investment Management (HK) Co. Ltd. and BW LNG Investments Pte. Ltd. (or the *BG Joint Venture*);

the cost of supervision and crew training in relation to the BG Joint Venture, and our expected recovery of a portion of those costs;

the expected technical and operational capabilities of newbuildings, including the benefits of the M-type, Electronically Controlled, Gas Injection (or *MEGI*) twin engines in certain LNG carrier newbuildings;

our ability to maintain long-term relationships with major LNG and LPG importers and exporters and major crude oil companies;

our ability to leverage to our advantage Teekay Corporation s relationships and reputation in the shipping industry;

our continued ability to enter into long-term, fixed-rate time-charters with our LNG and LPG customers;

obtaining LNG and LPG projects that we or Teekay Corporation bid on;

the expected timing, amount and method of financing for our newbuilding vessels, including the remaining MEGI LNG carrier newbuildings and the six LNG carrier newbuildings relating to the Yamal LNG Joint Venture, and the possible purchase of two of our leased Suezmax tankers, the *Teide Spirit* and the *Toledo Spirit*;

our ability to continue to obtain all permits, licenses, and certificates material to our operations;

the impact of, and our ability to comply with, new and existing governmental regulations and maritime self-regulatory organization standards applicable to our business, including the expected cost to install ballast water treatment systems on our tankers in compliance with IMO proposals;

the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

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the future valuation of goodwill;

our expectations regarding whether the U.K. taxing authority can successfully challenge the tax benefits available under certain of our former and current leasing arrangements, and the potential financial exposure to us if such a challenge is successful;

our hedging activities relating to foreign exchange, interest rate and spot market risks, and the effects of fluctuations in foreign exchange, interest rate and spot market rates on our business and results of operations;

the potential impact of new accounting guidance;

our and Teekay Corporation s ability to maintain good relationships with the labor unions who work with us;

our treatment of distributions on the Series A Preferred Units as guaranteed payments for the use of capital;

anticipated taxation of our partnership and its subsidiaries; and

our business strategy and other plans and objectives for future operations.

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SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference in this prospectus and does not contain all the information you will need in making an investment decision. You should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus.

Unless otherwise indicated, references in this prospectus to Teekay LNG Partners, we, us and our and similar term refer to Teekay LNG Partners L.P. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the Series A Preferred Units described herein, shall mean specifically Teekay LNG Partners L.P. References to our general partner refer to Teekay GP L.L.C. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries. Unless otherwise indicated, references in this prospectus to unitholders refer to common unitholders and Series A Preferred unitholders and references to units refer to common units and Series A Preferred Units. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional Series A Preferred Units.

Our Partnership

We are an international provider of marine transportation services for liquefied natural gas (or *LNG*), liquefied petroleum gas (or *LPG*) and crude oil. We were formed in 2004 by Teekay Corporation (NYSE: TK), a portfolio manager of marine services to the global oil and natural gas industries, to expand its operations in the LNG shipping sector. Our primary growth strategy focuses on expanding our fleet of LNG and LPG carriers under long-term, fixed-rate time charters. In executing our growth strategy, we may engage in vessel or business acquisitions or enter into joint ventures and partnerships with companies that may provide increased access to emerging opportunities from the global expansion of the LNG and LPG sectors.

We seek to leverage the expertise, relationships and reputation of Teekay Corporation and its affiliates to pursue these opportunities in the LNG and LPG sectors and may consider other opportunities to which our competitive strengths are well suited. We view our conventional tanker fleet primarily as a source of stable cash flow as we seek to continue to expand our LNG and LPG operations. Teekay Corporation, which beneficially owns and controls our general partner, beneficially owns 31.7% of our common units and a 2% general partner interest.

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our interests in our subsidiaries through our 100% ownership interest in our operating company, Teekay LNG Operating L.L.C., a Marshall Islands limited liability company. Our general partner, Teekay GP L.L.C., a Marshall Islands limited liability company, has an economic interest in us and manages our operations and activities.

Our Fleet

As of September 1, 2016, our fleet consisted of:

LNG Carriers. We have 50 LNG carriers (including one regasification unit and 19 newbuildings) which primarily operate under long-term, fixed-rate charters primarily to major energy and utility companies. Of the 50 LNG carriers, 17 are held through 99-100% owned subsidiaries, five are held through 69-70% owned subsidiaries, six are held through 52% owned subsidiaries, eight are held through 49-50% owned subsidiaries, four are held through 40% owned entities, four are held through 33% owned entities, two are held through 30% owned entities, two are held through 20% entities and two are chartered in by us. As of July 1, 2016, the weighted average remaining term for our out-charters of these vessels was approximately 12 years. As of September 1, 2016, our LNG carrier fleet, including newbuildings on order, had a total capacity of approximately 8.2 million cubic meters representing approximately 9.2% of the total capacity of the global LNG fleet and orderbook.

LPG/Multigas Carriers. We have 29 LPG/Multigas carriers (including five LPG carrier newbuildings) which usually are chartered to carry LPG on time-charters, contracts of affreightment or spot voyage charters primarily with international energy and fertilizer companies. Of the 29 LPG/Multigas carriers, six are held through 99% owned subsidiaries, 20 are held through 50% owned subsidiaries, and three are chartered in by us. As of July 1, 2016, the weighted average remaining term for our out-charters of these vessels was approximately five years. As of September 1, 2016, our LPG/Multigas carrier fleet, including newbuildings on order, had a total capacity of approximately 0.9 million cubic meters representing approximately 2.5% of the total capacity of the global LPG/Multigas carrier fleet and orderbook.

Conventional Tankers. We have six conventional tankers (consisting of five crude oil tankers and one product tanker) that operate under short- to medium-term charter contracts with international oil companies. Of the six conventional tankers, four are held through 100% owned subsidiaries and two are chartered in by us. As of July 1, 2016, the weighted average remaining term for our out-charters of these vessels was approximately two years. As of September 1, 2016, our conventional tanker fleet had a total capacity of approximately 0.8 million deadweight tonnes (or *dwt*) representing approximately 0.1% of the total capacity of the global conventional tanker fleet and orderbook.

Business Strategies

Our primary long-term business objective is to increase our cash available for distribution. However, we believe there is currently a dislocation in the energy and master limited partnership capital markets relative to the stability of our businesses. Based on upcoming capital requirements for our committed growth projects and scheduled debt repayment obligations, coupled with uncertainty regarding how long it will take for these capital markets to normalize, we believe it is in the best interests of our common unitholders to conserve more of our internally generated cash flows to fund these projects and to reduce debt levels. As a result, we have temporarily reduced our quarterly distributions on our common units and our near-term business strategy is primarily to focus on funding and implementing existing growth projects and repaying or refinancing scheduled debt obligations, rather than pursuing additional growth projects. Despite significant weakness in the global energy and capital markets, our operating cash flows remain largely stable and growing, supported by a large and well-diversified portfolio of fee-based contracts with high-quality counterparties.

We intend to achieve our long-term business objective, as stated above, by executing the following strategies:

Expand Our LNG and LPG Business Globally. We seek to capitalize on opportunities emerging from the global expansion of the LNG and LPG sectors by selectively targeting:

- projects which involve medium-to long-term, fixed-rate charters;

cost-effective LNG and LPG newbuilding contracts;

joint ventures and partnerships with companies that may provide increased access to opportunities in attractive LNG and LPG importing and exporting geographic regions;

strategic vessel and business acquisitions; and

specialized projects in adjacent areas of the business, including floating storage and regasification units.

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Provide Superior Customer Service by Maintaining High Reliability, Safety, Environmental and Quality Standards. LNG and LPG project operators seek LNG and LPG transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We seek to leverage our own and Teekay Corporation s operational expertise to create a sustainable competitive advantage with consistent delivery of superior customer service.

Manage Our Conventional Tanker Fleet to Provide Stable Cash Flows. The remaining terms for our existing long-term conventional tanker charters are one to three years. We believe the fixed-rate time-charters for our tanker fleet provide us stable cash flows during their terms and a source of funding for expanding our LNG and LPG operations. Depending on prevailing market conditions during and at the end of each existing charter, we may seek to extend the charter, enter into a new charter, operate the vessel on the spot market or sell the vessel, in an effort to maximize returns on our conventional tanker fleet while managing residual risk.

Competitive Strengths

We believe that we are well positioned to execute our business strategies successfully because of the following competitive strengths:

Leading Position in the LNG and LPG Markets. We are one of the world s largest independent owners and operators of LNG and mid-size LPG carriers, as we have ownership interests in or operate 50 LNG carriers (including 19 newbuildings) and 29 LPG/Multigas carriers (including five newbuildings). Our large fleet size enables us to provide comprehensive coverage of charters requirements and provides opportunities to enhance the efficiency of operations and increase fleet utilization.

Cash Flow Stability from Long-Term Contracts. Despite significant weakness in the global energy and capital markets, our operating cash flows remain largely stable, supported by a large and well-diversified portfolio of fee-based contracts with creditworthy counterparties. As of July 1, 2016, we estimate we had approximately $11.8 billion of forward fee-based revenues under existing charters (excluding extension options), of which approximately $5.2 billion are expected to originate from existing vessels and approximately $6.6 billion are expected to originate from newbuildings not yet delivered and for which charters have been secured.

Operational Expertise and Enhanced Growth Opportunities through Our Relationship with Teekay Corporation. Teekay Corporation has achieved a global brand name in the shipping industry and the LNG and LPG markets, developed an extensive network of long-standing relationships with major energy companies and earned a reputation for reliability, safety and excellence. Some benefits we believe we receive due to our relationship with Teekay Corporation include:

- access through services agreements to its comprehensive market intelligence and operational and technical sophistication gained from over 40 years of providing shipping services to energy customers, including 12 years in LNG shipping;

access to Teekay Corporation s general commercial and financial core competencies, practices and systems, which we believe enhances the efficiency and quality of operations;

enhanced growth opportunities and added competitiveness in bidding for transportation requirements for LNG and LPG projects and in attracting and retaining long-term contracts throughout the world; and

improved leverage with leading shipyards during periods of vessel production constraints due to Teekay Corporation s established relationships with these shipyards and the high number of newbuilding orders it places.

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Recent Developments

Secured Charter Contract for Previously Uncommitted Newbuilding

On September 22, 2016, we entered into a 15-year time-charter contract with the Yamal LNG project, sponsored by Novatek OAO, Total SA, China National Petroleum Corporation and Silk Road Fund (or the *Yamal LNG Project*), to provide the Yamal LNG Project with conventional LNG transportation services. The Yamal LNG Project, which is now fully-financed, is currently scheduled to start production in 2017. The fixed-rate time-charter contract will be serviced by one of our previously unchartered 174,000 cubic meter LNG carrier newbuildings that is scheduled for delivery in early 2019. We have granted China LNG Shipping (Holdings) Limited (or *CLNG*) an option to purchase 50% of the vessel for 50% of the fully built-up cost of the newbuilding. The option must be declared on or before October 31, 2016. If CLNG exercises the option, the vessel will become subject to the Yamal LNG Joint Venture arrangements.

Charter Contracts for Two Suezmax Tankers

During February and March 2016, Centrofin Management Inc. (or *Centrofin*), the charterer for both the *Bermuda Spirit* and *Hamilton Spirit* Suezmax tankers, exercised its option under the charter contracts to purchase both vessels. As a result of Centrofin s acquisition of the *Bermuda Spirit* and *Hamilton Spirit*, we recorded a $27.4 million accounting loss on the sale of these vessels and associated charter contracts in the first quarter of 2016. The *Bermuda Spirit* was sold on April 15, 2016 and the *Hamilton Spirit* was sold on May 17, 2016. The total proceeds of $94.3 million from the sales were primarily used to repay existing term loans associated with these vessels.

LNG Carrier Newbuildings

On February 18, 2016 and July 19, 2016, we took delivery of the first two of our 11 MEGI LNG carrier newbuildings on order, which commenced their five-year charter contracts with a subsidiary of Cheniere Energy, Inc. on February 29, 2016 and August 1, 2016, respectively. As at September 1, 2016, we had nine wholly-owned LNG carrier newbuildings on order, which are scheduled for delivery between 2017 and early 2019. We have entered into time-charter contracts for all but one of the nine remaining newbuildings. We anticipate that we will secure $1.54 billion in debt financing ($1.36 billion excluding the MEGI LNG carrier newbuilding for the Bahrain LNG Joint Venture) for the remaining MEGI LNG carrier newbuildings. In addition to our wholly-owned LNG carrier newbuildings, we have a 20% interest in two LNG carrier newbuildings and a 30% interest in another two LNG carrier newbuildings scheduled for delivery between 2017 and 2019, for which we have already secured long-term debt financing, and a 50% interest in six LNG carrier newbuildings relating to the Yamal LNG Joint Venture scheduled for delivery between 2018 and 2020, for which we anticipate we will secure $800 million in debt financing.

LPG Carrier Newbuildings

On February 17, 2016 and June 30, 2016, Exmar LPG BVBA, of which we have a 50% ownership interest, took delivery of the sixth and seventh of 12 LPG carrier newbuildings on order. The two newbuilding vessels commenced five-year charter contracts with an international energy company based in Norway on February 23, 2016 and August 21, 2016, respectively.

Charter Contracts for MALT LNG Carriers

Two of the six LNG carriers (or *MALT LNG Carriers*) in our 52% joint venture with Marubeni Corporation (or the *Teekay LNG-Marubeni Joint Venture*), the *Marib Spirit* and *Arwa Spirit*, are currently under long-term contracts expiring in 2029 with YLNG, a consortium led by Total SA. Due to the political situation in Yemen, YLNG decided to temporarily close down operations of its LNG plant in Yemen in 2015. As a result, in December 2015, the Teekay LNG-Marubeni Joint Venture agreed to temporarily defer a portion of the charter payments for the two LNG carriers for the period from January 1, 2016 to December 31, 2016. Once the LNG plant in Yemen resumes operations, it is intended that YLNG will repay the deferred amounts in full, plus interest thereon over a period of time to be agreed upon. However, there is no assurance if or when the LNG plant will resume operations or if YLNG will repay the deferred amounts, and the Teekay LNG-Marubeni Joint Venture may consider further deferrals. Our proportionate share of the estimated impact of the charter payment deferral for the remainder of 2016 would be a reduction to equity income of approximately $12 million, for a total of approximately $23 million for all of 2016.

In 2015, the *Magellan Spirit*, one of the LNG carriers in the Teekay LNG-Marubeni Joint Venture, had a grounding incident. The charterer during that time claimed that the vessel was off-hire for more than 30 consecutive days during the first quarter of 2015, which, in the view of the charterer, permitted the charterer to terminate the charter contract. The Teekay LNG-Marubeni Joint Venture disputed both the charterer s aggregate off-hire claims as well as the charterer s ability to terminate the charter contract, which originally would have expired in August 2016. In May 2016, the Teekay LNG-Marubeni Joint Venture reached a settlement agreement with the charterer, under which the charterer paid $39.0 million to the Teekay LNG-Marubeni Joint Venture for lost revenues, of which our proportionate share was $20.3 million, which was included in our equity income in the three and six months ended June 30, 2016.

Business Overview

Liquefied Gas Segment

LNG Carriers

The LNG carriers in our liquefied gas segment compete in the LNG market. LNG carriers are usually chartered to carry LNG pursuant to time-charter contracts, where a vessel is hired for a fixed period of time and the charter rate is payable to the owner on a monthly basis. LNG shipping historically has been transacted with long-term, fixed-rate time-charter contracts. LNG projects require significant capital expenditures and typically involve an integrated chain of dedicated facilities and cooperative activities. Accordingly, the overall success of an LNG project depends heavily on long-range planning and coordination of project activities, including marine transportation. Most shipping requirements for new LNG projects continue to be provided on a long-term basis, though the levels of spot voyages (typically consisting of a single voyage), short-term time-charters and medium-term time-charters have grown in the past few years.

In the LNG market, we compete principally with other private and state-controlled energy and utilities companies that generally operate captive fleets, and independent ship owners and operators. Many major energy companies compete directly with independent owners by transporting LNG for third parties in addition to their own LNG. Given the complex, long-term nature of LNG projects, major energy companies historically have transported LNG through their captive fleets. However, independent fleet operators have been obtaining an increasing percentage of charters for new or expanded LNG projects as some major energy companies have continued to divest non-core businesses.

LNG carriers transport LNG internationally between liquefaction facilities and import terminals. After natural gas is transported by pipeline from production fields to a liquefaction facility, it is supercooled to a temperature of approximately negative 260 degrees Fahrenheit. This process reduces its volume to approximately 1/600th of its volume in a gaseous state. The reduced volume facilitates economical storage and transportation by ship over long distances, enabling countries with limited natural gas reserves or limited access to long-distance transmission pipelines to import natural gas. LNG carriers include a sophisticated containment system that holds the LNG and provides insulation to reduce the amount of LNG that boils off naturally. The natural boil off is

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either used as fuel to power the engines on the ship or it can be reliquefied and put back into the tanks. LNG is transported overseas in specially built tanks on double-hulled ships to a receiving terminal, where it is offloaded and stored in insulated tanks. In regasification facilities at the receiving terminal, the LNG is returned to its gaseous state (or *regasified*) and then shipped by pipeline for distribution to natural gas customers.

With the exception of the *Arctic Spirit* and *Polar Spirit,* which are the only two ships in the world that utilize the Ishikawajima Harima Heavy Industries Self Supporting Prismatic Tank IMO Type B (or *IHI SPB*) independent tank technology, our fleet makes use of one of the Gaz Transport and Technigaz (or *GTT*) membrane containment systems. The GTT membrane systems are used in the majority of LNG tankers now being constructed. New LNG carriers generally have an expected lifespan of approximately 35 to 40 years. Unlike the oil tanker industry, there are currently no regulations that require the phase-out from trading of LNG carriers after they reach a certain age. As at September 1, 2016, our LNG carriers had an average age of approximately nine years, compared to the global LNG carrier fleet average age of approximately 11 years. In addition, as at that date, there were approximately 459 vessels in the global LNG fleet and approximately 140 additional LNG carriers under construction or on order.

The following table provides additional information about our LNG carriers as of September 1, 2016, excluding our 19 newbuildings scheduled for delivery between 2017 and 2020 in which our ownership interest ranges from 20% to 100%

Vessel	Capacity (cubic meters)	Delivery	Our Ownership	Charterer	Expiration of Charter(1)
Operating LNG carriers:					
Consolidated					
Hispania Spirit	137,814	2002	100%	Shell Spain LNG S.A.U.	Sep. 2022(2)
Catalunya Spirit	135,423	2003	100%	Gas Natural SDG	Aug. 2023(2)
Galicia Spirit	137,814	2004	100%	Uniòn Fenosa Gas	Jun. 2029(3)
Madrid Spirit	135,423	2004	100%	Shell Spain LNG S.A.U.	Dec. 2024(2)
Al Marrouna	149,539	2006	70%	Ras Laffan Liquefied Natural Gas Company Ltd.	Oct. 2026(4)
Al Areesh	148,786	2007	70%	Ras Laffan Liquefied Natural Gas Company Ltd.	Jan. 2027(4)
Al Daayen	148,853	2007	70%	Ras Laffan Liquefied Natural Gas Company Ltd.	Apr. 2027(4)
Tangguh Hiri	151,885	2008	69%	The Tangguh Production Sharing Contractors	Jan. 2029

Tangguh Sago	155,000	2009	69%	The Tangguh Production Sharing Contractors	May 2029
Arctic Spirit	87,305	1993	99%	Teekay Corporation	Apr. 2018(4)
Polar Spirit	87,305	1993	99%	Teekay Corporation	Apr. 2018(4)
Wilforce	155,900	2013	99%	Awilco LNG ASA	Sep. 2018(5)
Wilpride	155,900	2013	99%	Awilco LNG ASA	Nov. 2017(5)
Creole Spirit	173,000	2016	100% Capital lease	Cheniere Energy	Feb. 2021
Oak Spirit	173,000	2016	100% Capital lease	Cheniere Energy	Aug. 2021
Equity Accounted					
Al Huwaila	214,176	2008	40%(7)	Ras Laffan Liquefied Natural Gas Company Ltd.	Apr. 2033(2)

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Vessel	Capacity (cubic meters)	Delivery	Our Ownership	Charterer	Expiration of Charter(1)
Al Kharsaah	214,198	2008	40%(7)	Ras Laffan Liquefied Natural Gas Company Ltd.	Apr. 2033(2)
Al Shamal	213,536	2008	40%(7)	Ras Laffan Liquefied Natural Gas Company Ltd.	May 2033(2)
Al Khuwair	213,101	2008	40%(7)	Ras Laffan Liquefied Natural Gas Company Ltd.	Jun. 2033(2)
Excelsior	138,087	2005	50%(8)	Excelerate Energy LP	Jan. 2025(2)
Excalibur	138,034	2002	49%(8)	Excelerate Energy LP	Mar. 2022
Soyo	160,400	2011	33%(9)	Angola LNG Supply Services LLC	Aug. 2031(2)
Malanje	160,400	2011	33%(9)	Angola LNG Supply Services LLC	Sep. 2031(2)
Lobito	160,400				