

# Gas & LNG Contracts

## INTRODUCTION

- The financial benefits of natural gas – whether to gas producer countries or to those economies that consume gas – are well-established. Gas is, for example, the main source of domestic heating and electrical power generation in many western countries and is recognized as a cleaner or cheaper fossil fuel for these purposes than traditional sources such as coal or oil. And natural gas has many other uses across sectors such as petrochemicals, agriculture and food production.
- But unless the necessary infrastructure is in place to capture, transport, store and process natural gas – either in its natural state, or after being turned into a liquid - it can be undervalued by the organisations that produce it as a bi-product to their petroleum exploration and production activities. In some countries, (even including the USA) ‘associated’ gas is still illegally wasted through flaring rather than being captured and used for economic purposes.
- The political, logistical and financial challenges of moving gas from its production location to where it can be commercially consumed are very large. Huge investment in constructing trans-national gas pipelines or in developing expensive LNG liquefaction and re-gasification facilities and building specialist LNG container ships will be needed.
- This training course looks at the practical challenges and their commercial / contractual implications in developing a gas industry – with a particular focus on Liquid Natural Gas production, storage, transportation and use.

Participants on Gas & LNG Contracts training course will develop the following competencies:

- Build an essential knowledge of how the Gas, and in particular the LNG, industry functions
- Understand the business drivers behind the Gas and LNG sector
- Acquire knowledge about the different types of contracts that may be used in Gas and LNG operations
- Assess the contractual risks that may appear in Gas and LNG contracts, and learn how to manage those risks
- Develop skills in LNG and Gas contract negotiation
- Recognise the scope for disputes within the Gas and LNG sectors, and the ways they may be resolved

## PROGRAMME OBJECTIVES

- This Gas & LNG Contracts training course aims to help professional delegates from the oil and gas industry achieve the following objectives:
- Understand the dynamics of the Gas & LNG sector
- Appreciate the theoretical and practical underpinnings of upstream and midstream gas contracts
- Develop the ability to critically examine existing contracts about Gas & LNG, to assist them in negotiating in the future
- Learn to think analytically and strategically about the negotiation process
- Develop a range of negotiation strategies, and learn when to use them to maximise outcomes
- Learn to negotiate in a way that adds value, contributes to the achievement of the organisation's goals and increases revenues

## WHO SHOULD ATTEND?

- This Gas & LNG Contracts training course addresses the needs of staff from key stakeholders involved in the oil and gas industries, likely to be involved in any of the following functions or activities:
- Policy Makers and Policy implementors involved in petroleum revenue management
- Officers involved in creating or negotiating petroleum or gas contracts
- Procurement managers and executives involved in purchasing decisions
- Contract Managers and Administrators
- Contract engineers and other Contract Professionals
- Anyone who uses negotiation in the petroleum industry when dealing with commercial partners, contractors, external suppliers, host communities and customers

## TRAINING METHODOLOGY

- The training consultant will deploy a full range of dynamic and interactive training methods, including practical negotiation exercises, role plays, case studies, question and answer sessions and discussion groups. Each topic will be underpinned by a presentation that highlights key issues to focus on. The learning experience will be supported by training materials containing reference examples. Participants must be prepared to participate in the exercises and receive personal feedback on their performance. Discussions will cover current negotiation practices and how these can be applied 'on the job'. After the event, the training consultant will prepare a report to evaluate the training.

## PROGRAMME SUMMARY

This training course will:

- Unpick the threads of the Gas & LNG industry as a potential contributor to economic development
- Inform delegates about the contractual relationships that support the Gas & LNG industry
- Identify where the risks lie within those relationships and
- Facilitate the creation of value through the use of negotiation skills to plan and manage gas-related contracts
- The training course will make extensive use of exercises, role play and other participative techniques, so that delegates get the chance to practice the tips and avoid the traps that can arise in the negotiation process. At the end of the training participants will have an insight into:
  - The Gas & LNG value chain
  - The Nature and types of contracts in the sector
  - Evaluation of contracts relating to the sales and purchase, transportation, processing and storage of Gas & LNG
  - Identification of risk areas
  - Common Issues in Gas Contracts
  - Dispute Management in the Gas & LNG Industry
  - Planning and application of negotiation skills

## PROGRAM OUTLINE

### LNG Fundamentals

- Introduction to Liquid Natural Gas
- What is LNG?
- How is it produced, transported and delivered?
- Where is it produced and consumed?
- Who are the major players?
- Why do buyers use LNG?
- Role of LNG in the global energy market?
- What is the current global situation with regard to?
- Group exercise:
- What are the big Opportunities and Issues for LNG in my country?

### LNG Contract Relationships

- Business Models in use in the LNG industry
- Using Public Private Partnerships to build, operate, finance and maintain LNG infrastructure
- Alternative funding structures
- Onshore LNG Infrastructure development options
- Offshore LNG Infrastructure
- Group Exercise:



## Key Elements in a typical LNG Sale & Purchase Agreement

- General Principles
- Seller's and Buyer's Obligation to Sell and Purchase
- Obligations relating to Quantities
- Obligations relating to LNG Specifications / Quality
- Transportation and Unloading obligations
- How is LNG Priced?
- Examples of LNG contractual agreements
- Group exercise:
- Negotiating an LNG Sale & Purchase agreement

## Common Issues in LNG Contracts

- Where do things go wrong in LNG relationships?
- Performance, Liabilities and Indemnities
- Force Majeure
- Contract Termination
- Liquidated and unliquidated damages
- Bonds and other forms of contract security
- Group exercise:
- Contract risk analysis and negotiation

## Negotiation and Dispute Management in the LNG Industry

- Negotiation principles refresher
- Using Negotiation to resolve oil and gas disputes
- Dispute Resolution methods: Litigation, arbitration, mediation and other techniques
- LNG dispute scenario and role play.
- Summary of the training and final review