

WHITE & CASE



Gas Supply Agreements

ESQ LEGAL – POWER / PROJECT FINANCE WORKSHOP

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Gas Supply Agreement - Types of Gas Supply Agreements

- **“Requirements” Contracts**

- Obligated to purchase all or significant percentage of fuel requirements from Supplier

- **“Output” Contracts**

- Supplier obliged to sell entire output from particular source to Generator e.g. dedicated Gas Field or Coal Mine

- **“Take or Pay” Contracts**

- Obligation to purchase or pay for a minimum quantity of gas
- If pay for minimum quantity of gas right to take “make up quantities” in later years

Gas Supply Agreement – Key Issues (1)

- **Nature of Supplier**

- Licensing/Authorisation Requirements
- *Fuel cost arrangements.*

- **Term**

- Correlate to Power Offtake Arrangements/Term of Loan?
- Liquid Market?

- **Commencement of Term**

- COD?
- Supply of Commissioning Gas

Gas Supply Agreement – Key Issues (2)

- **Quantities**

- Anticipated Operating Profile of Plant
- Flexibility of Supply e.g. Commissioning, Outage Periods
- Storage Requirements
- Technical Restrictions e.g. Flow Rates?
- Metering Obligations – Typically Supplier Obligation

- **Take or Pay Concepts**

- Annual Contract Quantity
- Daily Contract Quantity
- Make Up Gas
- Shortfall Gas

Gas Supply Agreement – Key Issues (3)

- **Gas Specification**

- Clearly Stated
- Testing Obligations

- **Off-Specification Fuel**

- Consequences of Delivery
- Right to Reject?

- **Delivery Point**

- Transportation Obligations
- Passing of Title

Gas Supply Agreement – Key Issues (4)

- **Price**

- Formula for Calculation of Price
- “Spark Spread”
- Indexation
- FX Risk?
- Correlation with Power Price Increases

- **Force Majeure**

- Nature of Force Majeure
- Consequences
- Alternative Sources of Fuel Supply
- Long Term Force Majeure

Gas Supply Agreement – Key Issues (5)

- **Liquidated Damages?**
- **Indemnification**
 - Environmental Liability
- **Governing Law**
- **Dispute Mechanism**

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