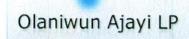


Gas Supply Agreements

ESQ LEGAL - POWER / PROJECT FINANCE WORKSHOP





Gas Supply Agreement - Types of Gas Supply Agreements

"Requirements" Contracts

Obliged 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
- Final and groung unit (s.

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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