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Contents

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Casting a critical eye on a pipeline pet project

Weighing commercial relevance and risk

If your company spends 10 years planning a large energy project to transform its role in the regional gas industry, you are likely to become attached to that project. But what if it is no longer guaranteed to be the sure-fire success it once appeared?

That's the situation our client was in as it progressed with a proposed multi-billion dollar pipeline project in which it would be developer, investor, capacity holder and gas offtaker. The pipeline had been 10 years in design and development and was expected to dramatically improve our client's standing in the regional energy sector.

But the gas industry can change significantly over that period of time, with the rapid pace of change in today's market outstripping the speed of capital-intensive, traditional engineering projects.

Bringing clarity to the decision

Our client's chief financial officer and chief risk officer became concerned that the commercial risks of the project were not clearly understood or were not being given adequate consideration. A deep corporate commitment to this 'must-do' flagship project seemed to be clouding the decision-making process.

We were brought in initially to address concerns about the financial viability of the project, but our initial findings saw our remit widened to acting in a board advisory role, providing oversight for three years.

A better approach to risk management

Our up-to-date knowledge of the energy and gas markets in the region, and our experience of the challenges of bringing complex gas infrastructure projects into fruition made Gas Strategies perfectly placed to inject some critical thinking into a project that had moved beyond commercial considerations. We delivered this in the form of in-depth analysis that explored the many and diverse commercial risks attached to each of our client's proposed roles in the project.

We presented our client with an analytical model that weighed those risks against the commercial benefits of the project in the contemporary energy landscape. We were also able to make a lasting improvement to the company by intervening to improve its risk management processes and encourage a more integrated approach to future projects between different parts of the business.

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