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Tackling disjointed commercial agreements for a Pacific Rim LNG liquefaction project  
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# Tackling disjointed commercial agreements for a Pacific Rim LNG liquefaction project

## Realigning inconsistent commercial agreements

Considering that, by its molecular nature, gas wants to move freely, it is remarkable how easily that tendency can be obstructed by a lack of forward planning in gas and LNG contracts.

Our client, a joint-venture LNG liquefaction project operating on the Pacific Rim, had a series of commercial agreements that did not fully correspond with each other and the project's existing processes and procedures were not working efficiently across the contract chain.

We were asked to develop commercial processes and procedures that would help our client to achieve effective management and operational alignment of its range of project contracts, including gas sales agreements (GSAs), LNG sale and purchase agreements (SPAs) and gas transportation agreements (GTAs).

An efficient flow from upstream to sales

After conducting a thorough review of the commercial agreements, we worked alongside our client's project team to develop and implement commercial processes that would ensure all contractual rights and obligations were met. The new processes brought all commercial agreements into line with each other to ensure a smooth flow of gas across the contract chain, from upstream until sale as LNG.

While the processes we developed allowed for efficient and successful operations, it became clear that some aspects of the contracts would need to be renegotiated to ensure they aligned correctly with others, distributed value appropriately and clarified some ambiguity.

## Securing better terms

We presented our client with a series of suggested improvements that could be made to its commercial agreements. These changes - particularly those related to the LNG SPA - became even more pressing as market conditions changed over time. We supported our client through an 18-month renegotiation process to help secure more favourable terms in the changing LNG landscape, as well as supporting our client in amending other agreements along the commercial chain.

Having become an important part of the project team, we continue to support our client's commercial department in various roles. This has included negotiating with counterparties; staff training and development; supporting budget and financial processes; and providing market data and information.



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