

Overview

Growing exposure to regulatory and legal risks has become a fact of life for firms involved in energy trading. Dramatic changes in energy markets in recent years – supply interruptions and uncertainty, unabated demand growth, price volatility, and more – have added to political pressure to address high prices and volatility by expanding regulatory scrutiny of energy trading. These same market developments also feed the growth in litigation.

While increased regulatory diligence and strong enforcement of existing statutes can be positive trends, stepped up disclosure demands and blanket subpoenas for information only add to uncertainty. The Commodity Futures Trading Commission (CFTC), the Federal Energy Regulatory Commission (FERC), and other regulatory bodies are asserting expanded – and sometimes overlapping – authority to require energy marketers, financial institutions with energy dealing and trading desks, commercial producers and processors, hedge funds, and end users to demonstrate the economic or business purpose of their energy trading activities.

The predictable result of these trends has been rising compliance and litigation costs.

NERA helps clients control those costs by managing risks. Our economists and experts have helped numerous organizations, including energy producers, utilities, financial institutions, and traders, to limit regulatory and legal risk. We understand the special factors that make energy trading different from other commodities or financial markets, and offer an unparalleled combination of backgrounds and knowledge:

- Extensive experience in the energy industry.
- Extensive experience in trading and risk management, in energy as well as other commodity and financial markets.
- Experience as regulators, both at the federal (CFTC and FERC) and state (public utility commissions) levels.

We have helped clients with the full spectrum of regulatory and legal risk: market research and strategy; specialized valuation and risk analysis; internal reviews to assess risk exposure; and consulting and testifying support in litigation cases ranging from market manipulation to breach of contract to derivatives valuation.



At A Glance Regulatory and Legal Risk in Energy Trading

NERA

Economic Consulting

About NERA

NERA Economic Consulting is an international firm of economists who understand how markets work. We provide economic analysis and advice to corporations, governments, law firms, regulatory agencies, trade associations, and international agencies. Our global team of more than 600 professionals operates in over 20 offices across North and South America, Europe, Asia, and Australia.

NERA provides practical economic advice related to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance, and litigation. Our more than 45 years of experience creating strategies, studies, reports, expert testimony, and policy recommendations reflects our specialization in industrial and financial economics. Because of our commitment to deliver unbiased findings, we are widely recognized for our independence. Our clients come to us expecting integrity and the unvarnished truth.

NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a unit of Mercer Specialty Consulting, an MMC company.

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