

At A Glance

European LNG Expertise

Overview

Liquid Natural Gas (LNG) is growing as an important energy source globally. As the market develops there is a corresponding need for importing countries to consider the advantages of LNG in areas such as security of supply. Likewise, exporting countries face many issues including assessing the feasibility of projects in light of the regulatory framework and expected demand. NERA's European Energy Practice has the breadth of expertise in gas markets and the experience in LNG markets to provide advice to companies and institutions in these areas. Our team combines rigorous economic thinking and quantitative analysis with practical experience gained from applying these tools to real energy markets.

Based in London, Brussels, Frankfurt, Madrid, and Rome, our economists advise energy companies, merchant banks, law firms, governments, and regulators throughout the world, and regularly collaborate with engineers and lawyers. We help our clients understand strategic, regulatory, and financial aspects of developing and using international LNG markets.

Key Areas of Expertise

NERA has been at the forefront of the continuing transformation of energy industries worldwide for many years and has more recently developed strong expertise in the international LNG sector. NERA's key areas of expertise reflect our deep understanding of the functioning of energy markets and our growing experience in all areas of the LNG value chain.

Economic Feasibility Studies

NERA economists have worked with companies to determine the economic feasibility of gas infrastructure investments such as LNG import terminals including regasification terminals and gas liquefaction plants. Our economists work independently and in consortium with engineers and lawyers to address the full range of issues involved in a feasibility study. As part of feasibility studies NERA has created demand forecasts, analysed supply alternatives, calculated the profitability of aspects of the LNG value chain, and examined the significance of contractual conditions.

Regulatory Analysis

We help our clients create regulatory strategies and calculate the regulatory risks and costs associated with the development of new LNG facilities. We have a comprehensive understanding and a deep knowledge of the regulatory issues associated with the development, operation, and regulated pricing of regasification terminals. Our economists have worked with companies to identify the risks of non-cost recovery associated with regulatory mechanisms.

Strategic and Commercial Issues

The LNG industry is going through a unique period of growth and development. NERA experts have a comprehensive knowledge of issues related to security of supply, the impact of new regasification plant onto an interconnected system and its gas flows, system reliability, diversification of gas supply, and increased

competition among suppliers. We use this expertise to help companies develop strategies and tackle commercial issues.

Valuation and Transaction Support

NERA's energy experts have an in-depth understanding of and expertise in the economic and regulatory issues surrounding major transactions in the energy industry, including privatisations, mergers and acquisitions and divestments. With our knowledge of the costs and demand considerations associated with LNG production, including regasification terminals, we offer clients a unique level of expertise in this area.

Client Experience

Economic Feasibility Studies

NERA has conducted a number of feasibility studies for companies considering investments in LNG projects in Spain, one of the largest markets for LNG in the world. NERA has worked for a Spanish LNG terminal company developing a feasibility study of natural gas projects in eastern Spain including analysis of the profitability of a regasification plant. Our experts have also carried out a feasibility study for Atlantic LNG on proposals to build a liquefaction plant in Trinidad & Tobago. NERA analysed price and contractual conditions for exporting LNG to Europe and the US.

Regulatory Analysis

NERA has advised clients on all aspects of gas market regulatory analysis. Our experts advised an LNG terminal company in Spain on the design of a regulated remuneration mechanism for a proposed regasification facility. NERA developed a common carriage model to calculate regasification tariffs that provided full recovery of investment and operating costs. For another LNG terminal company, NERA assessed the risks of non-cost recovery within a regulatory remuneration mechanism.

Strategic And Commercial Issues

NERA advised one of Spain's leading electricity generation and distribution firms on strategic and commercial gas issues including evaluation of LNG supplies, costs, tariffs, and contractual offers. Our experts have also advised COM Energy Enterprises on the demand for natural gas peaking services in New England.

Valuation and Transaction Support

NERA advised Ente Vasco de la Energia on the financial valuation of gas assets prior to its privatisation. As part of the exercise NERA valued a regasification terminal under construction taking into account the option value of potential capacity enhancements, fixed and variable costs, and projected demand.

About NERA

NERA Economic Consulting (www.nera.com) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

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