Overview

The NERA gas practice combines regulatory expertise and restructuring and privatization experience with extensive experience in financing issues for oil and gas companies. In our work around the world, our economists promote the development of oil and gas markets and attempt to minimize the role of regulation by structuring markets that will inherently require less regulation. On the financial side, NERA has wide experience in issues of financing and the determination of the appropriate cost of capital for regulated utilities. These issues are fundamental in determining the market value of a firm and represent the first step in privatizing a company in a deregulated market. In addition to our regulatory work on industry reform, we have produced many cost-of-capital, market valuation, and financing studies for oil and gas companies. These studies are used for prospective development by both regulated and unregulated companies in the oil and gas industry and the governmental agencies responsible for overseeing and approving these undertakings.

In Europe, NERA is closely and continuously involved in the innovative developments in the gas industry, and we have worked on a wide variety of regulatory and structural issues arising from market liberalization. In the US, our economists regularly testify on gas pipeline tariff regulation and market issues before the Federal Energy Regulatory Commission and State regulatory bodies.

NERA works with pipelines, energy producers, exploration companies, and marketers on issues of corporate planning, restructuring, competition and new pipeline entry, contractual issues, and market analysis. We have unparalleled expertise in modeling and implementing gas service tariffs that are practical, efficient, meet the financial needs of gas industries, and satisfy the requirements of governments and regulators. We have advised clients on many gas strategic and commercial issues, including upstream gas contracting and supply, the allocation of risks along the gas value chain for natural gas projects, and identifying investment opportunities in downstream activities (distribution and marketing).

Profiles

The World Bank
Our economists have assisted the World Bank to further develop or restructure the natural gas industry in a number of countries, including Argentina, Bolivia, and Poland. These countries are seeking (or have sought) to privatize and restructure vertically-integrated state-owned monopoly enterprises into separate production, transportation, and distribution companies. NERA has helped the World Bank address the issues of industry structure, economic regulation and gas well-head, transport and distribution pricing. NERA has also conducted long-term studies for the state-owned oil and gas companies of Bulgaria, China, Ghana, Peru, Russia, and Tanzania. For the Asian Development Bank, NERA has designed and/or implemented regulatory arrangements for the gas industries in India, Indonesia and Bangladesh.

Gasunie
NERA advised Gasunie throughout the difficult period
of transition brought about by the EU gas directive and its translation into Dutch law. We provided information about open access systems in other regimes, to compare with Gasunie’s own system and the proposals of the Dutch energy regulator, DTe. NERA also reviewed the “Guidelines” for tariff setting, which DTe issued during 2001; Gasunie submitted this report to an administrative court in the course of an appeal against DTe. In addition, for their finance department, our economists wrote a report on techniques for setting the cost of capital and provided an estimate of Gasunie’s own cost of capital. We also provided information and advice about regulatory regimes in other countries, and their approaches to asset valuation, the cost of capital and credit policies.

Electric Utility
NERA is advising the management of one of the leading electricity generation and distribution companies in Spain on a wide variety of issues regarding the Spanish gas sector’s structure and regulation. NERA is also advising on gas strategic and commercial issues, including upstream gas contracting and marketing. In particular, we have recently analyzed the allocation of contractual arrangements and risk sharing for an integrated regasification-power generation project in Spain. Our economists assessed possible future models of the Spanish gas sector and has defined the essential elements of the gas industry structure preferred by the company and clarified its objectives and strategies in view of the new risks and opportunities involved in gas fired generation. More recently, we have advised on the design of a new tariff system for access charges to the Spanish pipeline network, though the development of a natural gas tariff model.

LNG Import Terminal
NERA advised on the appropriate regulatory arrangements for an LNG import terminal. The assignment involved the design of a regulated remuneration mechanism for a proposed regasification facility in Spain.

BG Transco/United Kingdom
Since 1986, the business of storage, transportation and distribution of natural gas has changed fundamentally in the UK as a result of a series of legislative and regulatory acts which have been targeted primarily at increasing the level of competition in virtually all sectors of the natural gas business. In order to facilitate competition in gas supply, the regulator directed British Gas Transco to design and implement a temporary “network code” for use of its system, which was modeled on the UK electricity regime. Transco hired NERA to design a permanent transportation regime for the UK gas industry. We provided an economic study of natural gas transportation and distribution for Transco, and then conducted a series of workshops for regulators and Transco customers and competitors to present our analysis and conclusions. Our results form the basis of Transco’s reform proposals (including the creation of zones on the Transco system), which are the subject of an on-going consultation with the regulator.

COM Energy Enterprises/United States
NERA provided an economic study of the market for natural gas peaking services in the six New England States. COM Energy’s primary natural gas distribution operations are in the state of Massachusetts, where regulators are in the process of requiring distribution companies to provide third-party access to their networks. COM Energy is undergoing a restructuring process, including consideration of whether certain assets should be retained for regulated treatment or whether they should be unbundled and offered for sale in the competitive market. NERA defined demand and supply under several possible scenarios and interpreted the results of our analysis in the context of our client’s corporate and regulatory strategy.

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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