

Understanding the NAESB Master Agreement for Natural Gas & NGLs

An In-Depth, Practical Analysis of the NAESB Master Agreement and Special Provisions Relevant to Successfully Drafting and Negotiating NAESB Documentation. (CPE Approved Seminar)

Market participants often do not fully understand their NAESB Master Agreements until something goes wrong with a transaction and millions of dollars of company funds are at risk. By then, it is too late.

With the technological advancements in shale exploration, combined with increasing exports of natural gas, natural gas liquids (“NGL”) and liquified natural gas (“LNG”), the volumes of natural gas traded in the physical and financial markets are significantly increasing. LNG expansion is increasing the global participation in the U.S. natural gas markets, including the number of market participants with different financial and operational capabilities. This, in turn, is increasing the importance of properly identifying, quantifying, and managing the legal, regulatory, operational, and financial risk associated with natural gas marketing.

The NAESB master agreement for purchase and sale of natural gas and NGL is the most frequently used umbrella agreement in the natural gas industry. Market participants across the natural gas marketing chain such as natural gas producers, gathering and processing companies, pipelines, power and gas utilities, and various commercial and industrial end users rely on the NAESB to memorialize their purchases, sales, and exchanges of natural gas and NGLs. In order to properly manage exposures using the NAESB master agreement, market participants need to understand the relevant legal, credit, and operational aspects of the natural gas business.

This seminar will provide a detailed review of the NAESB provisions and identify the most relevant shortcomings that can be remedied in the special provisions to the master agreement. It will also provide insight into the best practices and standards for drafting effective transaction confirmations, netting agreements, and asset management agreements frequently used in the gas marketing process.

This seminar also will outline practical steps to addressing the relevant operational issues such as natural gas capacity curtailments, force majeure events, natural gas buy-backs, and bookouts.

Additionally, the seminar will outline the best practices for managing various risk aspects of the Dodd-Frank Act, FERC and CFTC anti-manipulation rules, as well as the relevant court rulings impacting natural gas trading and compliance.

What You Will Learn

1. NAESB MASTER AGREEMENT PROVISIONS:
2. Review all standard provisions and identify potential shortcomings.
3. Analyze some common NAESB special provisions and examine the best practices for ensuring legal certainty and enforceability of the NAESB documentation.
4. Identify some practical steps to ensure enterprise wide consistency and uniformity of the NAESB provisions.
5. Examine various operational factors impacting NAESB transactions including, but not limited to selling and buying natural gas at illiquid delivery points, pipeline curtailments and force majeure events, natural gas buy-backs and swing volume adjustments, asset management agreements and capacity releases, buying and selling intra-day gas, volumetric adjustments in physically settled transactions, and many more.
6. Outline the best practices for drafting and negotiating NAESB special provisions and transaction confirmations, credit support documentation, and cross-product and cross-affiliate master netting agreement in the current regulatory environment.
7. Identify enterprise-wide best practices to ensure a proper transaction execution, contract management, and regulatory compliance.
8. Review some prohibited market practices such as disruptive trading practices, uneconomic trading, wash trading, and spoofing.
9. Examine potential exposure areas caused by inadequate NAESB documentation.

You Will Also Learn

1. CREDIT RISK MANAGEMENT AND BANKRUPTCY CONSIDERATIONS:
2. Understanding the NAESB implications on credit, collateral, and margin documentation.
3. Developing and implementing consistent terms and conditions for responding to margin/collateral calls and demands for adequate assurance.
4. Examining the pros and cons of various credit terms and conditions often embedded in standardized energy contracts and definitions including material adverse change, adequate assurances, and exposure calculation.
5. The application of bankruptcy law and principles to forward contracts, physically settled commodity options, netting agreements, and exchange agreements in light of the latest regulatory changes.
6. The latest court rulings on energy trading matters, including the status of cross-affiliate setoff provisions in energy trading agreements.
7. IDENTIFYING THE BEST INDUSTRY PRACTICES FOR CREATING AND IMPLEMENTING EFFECTIVE NAESB DOCUMENTATION:
8. Perform a cross-functional review to ensure that all NAESB documents including transactions confirmations, special provisions to the NAESB master agreement, NAESB credit support annex, and corporate guarantees are consistent with the best industry practices.
9. Identify key steps required to ensure that all personnel including traders, originators, contract administrators, and credit and risk professionals are familiar, and stay compliant with the relevant NAESB provisions.

Who Should Attend?

This Seminar will benefit a wide variety of organizations and professionals in both physical and financial natural gas, NGL, and LNG markets. Natural gas producers, gatherers and processors, pipelines and storage companies, utilities, natural gas, NGL and LNG marketers, commercial and industrial energy users, merchant generators, clearing brokers, and hedge funds, will gain valuable insights. This seminar will also be highly beneficial for energy executives, traders, originators, risk and credit managers, auditors, contracts administrators, government regulators, attorneys, schedulers and asset operators. Anyone who wants a solid understanding of what can be done now to minimize the legal and financial exposure under the NAESB transactions while, at same time, ensuring their companies' compliance, will benefit.

CPE Credits in Specialized Knowledge & Applications

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