



Deal Structuring in Natural Gas Markets

The Need

Post-deregulation natural gas markets have evolved rapidly. The emergence of financial products and concepts create new approaches to managing risk. The great liquidity and depth of financial products available in natural gas necessitate a thorough understanding of these financial technologies and how they allow for more sophisticated management of physical assets such as gas storage and pipelines.

The Program

Participants in this seminar need to have a firm working understanding of both exchange-traded and OTC energy derivatives. The program builds on this knowledge, exploring how these financial concepts can be applied to physical and market structures specific to the gas industry. Alone or in combination, futures, swaps, basis spreads, EFPs, triggers, time spreads, and numerous other tailored OTC structures provide unique solutions to common and less common industry problems. Such structures decompose risks into more efficiently manageable components. Possibilities are further extended through multiple-fuel structures: e.g. selling "gas by wire"; tolling by leasing generating capacity or synthetically using financial methods. Also emphasized is the value of optionality embedded in the ownership and operation of energy assets—pipeline, storage, or generation.

The Practical

The teaching method emphasizes applications and not abstract theory. The focus is on devising the best possible solution for addressing a customer's needs. In this regard, the emphasis is on the pragmatic, drawing on an optimal mix of physical and financial methodologies.

Summary and Objectives

At the conclusion of this program participants will be able to:

- ✓ *Identify and value optionality in storage and pipeline capacity*
- ✓ *Structure a Trigger to separate price risk from location risk*
- ✓ *Arbitrage transport costs and create synthetic transport with basis spreads*
- ✓ *Profit from aberrations in the price curve using Time Spreads*
- ✓ *Use 'Stack & Roll' hedging to manage stored gas*
- ✓ *Arbitrage storage costs and create synthetic storage*
- ✓ *Properly price inter-period natural gas exchanges*
- ✓ *Use swing swaps/options to manage short term storage and transport risks*
- ✓ *Evaluate opportunities in Park-and-Loan programs*
- ✓ *Evaluate differences between Standard NYMEX Delivery of futures versus paper hedging*
- ✓ *Manage location risk with EFPs*
- ✓ *Sell gas by wire through tolling*
- ✓ *Use a generator's Heat Rate to sell gas quoted as a Spark Spread*
- ✓ *Use multi-fuel swaps to guarantee competitive pricing*
- ✓ *Offer dispatch/tolling options to gas-fired generators*

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