



CASE STUDY

Review of upstream gas price indexation

FTI Consulting was able to support an African energy firm in negotiating a price review for their long-term gas supply agreement. FTI Consulting's experts provided a review of existing price arrangements, benchmarking them with international practice, to eventually suggest a new pricing model which was used to underpin a successful review.

SITUATION

A West African state-owned energy company had a long-term gas supply agreement with an international E&P operator. The parties were engaging in a price review for this contract following a new discovery.

OUR ROLE

FTI Consulting provided assistance to the West African state-owned company in analysing the relevance of the price indexation formula that applied. FTI Consulting reviewed the indexation formula proposals and recommended an alternative indexation formula, based on historical audited costs and international benchmarking. Finally, FTI Consulting built a model to simulate the price differential between the 3 proposed price formulas over the most recent contractual period 2012-2019. This analysis based on historical data supported the relevance of the new indexation formula proposed by FTI Consulting.

OUR IMPACT



FTI Consulting presented the results of the review to the client, and transferred know-how in terms of analysing risks in price indexation to the West African company. FTI Consulting's recommendations were used by the client in the negotiation phase, which concluded positively in 2020.

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