

WITHDRAWAL / SALES CARRIES **MAJOR RISKS** FOR SOA

Economics	Buying 75% of AK LNG gas could cost \$1.4–\$7.4 bn/yr (1995-2014 Henry Hub prices)
Liability	Right to purchase could mean obligation to buy; major contingent liability; options costly
Pricing	Does SOA have a thorough and detailed understand of pricing / volume risk?
Asymmetry	If producers are willing to commit to a set price, does SOA really want to buy?
Title	If gas has an “option” attached to it, legal title become less clear
Transfer	Where is gas transferred? In what condition (e.g. what happens to CO ₂)?
Activation	Is this SPA triggered by a specified date or other conditions?
Fiscals	What kind of fiscal certainty would producers want to offer binding agreement?
Focus	Overly focused on failure; lower commitment; opt out rather than work issues
Now vs. later	SOA can pursue this path later; doing so today could expose SOA to major risks

WHAT'S IN A SALES AND PURCHASE AGREEMENT (SPA)?

Most SPAs are over **100 pages** and are customarily **confidential** (with limited details released)

Pricing	Formula (e.g. oil, Henry Hub, netback); fixed and variable parameters; inflation
Term	Usually 20-year for new projects; date of first delivery; treatment of delays
Volume	Average contract quantity plus any flexibility ($\pm 10\text{-}20\%$); make-up gas
Title transfer	Delivery point; destination restrictions; profit-sharing for diverted gas
Logistics	Delivery schedule; facility specs and approvals; measurement
Gas quality	Gas specs (molecular breakdown / heating value); provisions for off-spec gas
Financial	Invoicing process; payment terms; guarantees; currency; taxes; insurance; indices
Precedents	Precedent conditions; regulatory approvals; activation window
Legal	Jurisdiction; dispute resolution; renegotiation; force majeure; liabilities; termination