

Mai in Thomson Reuters: Understanding the NAESB Base Contract for Sale and Purchase of Natural Gas

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In a recent article for *Thomson Reuters Practical Law*, Haynes Boone Partner [Kim Mai](#) analyzes the North American Energy Standards Board (NAESB) Base Contract for Sale and Purchase of Natural Gas, explaining how the contract works, why it is widely adopted and how parties commonly modify it to address commercial, credit and operations risks.

Read an excerpt below.

The Base Contract is a form used for buying and selling natural gas in the physical market where the transactions involve the actual physical delivery of the agreed commodity (see Practice Note, Hedging Oil and Gas Production: Issues and Considerations: Physically Settled OTC Oil and Gas Transactions). Most purchases and sales of natural gas in the US physical market are transacted under NAESB contracts. The current and most widely used version of the Base Contract is the 2006 version, adopted by NAESB on September 5, 2006. The other version commonly used is the 2002 version. NAESB has also published a Model Credit Support Addendum and a Canadian Addendum.

The NAESB Base Contract and its addenda, including the Credit Support Addendum and the Canadian Addendum, provide a comprehensive and standardized framework for transactions involving the purchase and sale of natural gas. By promoting efficiency, consistency, and risk management, the NAESB documents streamline the contracting process, make transactions more accessible, reduce disputes, and promote market stability. The ability to tailor agreements through special provisions ensures the flexibility needed to meet unique deal circumstances while still maintaining industry wide standards. Whether in the US or Canada, the NAESB Base Contract is an essential tool for advancing an efficient, reliable, and transparent natural gas purchase and sale transaction. ...

Section 1: Purpose and Procedures

This section establishes the intent of the GTC to facilitate the purchase and sale of natural gas on either a firm or interruptible basis. Because the Base Contract is intended to be a flexible document that can govern multiple Confirmations, this section defines the roles of buyer and seller, allowing a party to be a buyer under one Confirmation but a seller under a separate Confirmation. Neither party is obligated to buy or sell gas until a Confirmation is effective.

[Read the full article on Thomson Reuters here.](#)