

WHO'S GOT THE POWER?

ENERGY COMMODITY LINKED STRUCTURES AND ENERGY TRANSACTIONS

IN THE FILM *Chariots of Fire*, Eric Liddell looks to the heavens and exclaims, "From where does this power derive?" With commodity-linked structures and energy transactions, we look at our screens and ask: "What structure can we derive from this power?" From our perspective, the presence of energy-linked transactions is not new to the structured products world, though interest in these products has intensified as volatile energy markets pique investor interest. As a result, we have had the opportunity, particularly in the structured notes area, to assist our clients in documenting an increasing volume of deals with returns linked to energy commodities, baskets of energy commodities or energy stocks, and energy commodity indices. This market segment witnessed innovations to existing products as issuers and distributors worked to vary transaction structures in ways that matched the evolving investor appetite for exposure to, or hedges against, energy commodity prices.

Our involvement with derivatives and structured products linked to energy commodities extends beyond structured notes. We are involved in all aspects of the energy industry. Our clients include project developers, power and gas marketers, utilities, holding companies and financial institutions. We have been deeply involved with our investment bank clients as their commodity merchant and trading groups have pursued large scale hedging and supply transactions with producers, processors and consumers of energy commodities. The derivatives and structured transactions in these cases often serve as an element of a larger arrangement, such as an acquisition, a long-term supply arrangement or a debt restructuring. For example, we frequently serve as counsel in connection with long-term energy supply transactions that incorporate complex derivatives for hedging or other strategic purposes.

Our clients are uniquely equipped to bring their trading and hedging skills to bear as integral elements of large-scale transactions that benefit from predictable commodity price exposures. Our involvement in these transactions not only calls upon our deep knowledge of the energy derivatives and trading market, but also requires that we integrate that knowledge with other skill sets, such as our lending and secured finance practice, energy regulatory expertise, environmental and land-use practice and

project finance practice. We also apply our knowledge and experience in physical commodities transactions to these deals. More so than other segments of the derivatives and structured products world, these transactions demand that advisers be conversant with both financial derivatives and physical commercial transactions. So, just as the structure derives from the power, the power to structure derives from a very broadly gauged derivatives and commodities team with decades of experience in areas where sector specific experience is not easy to find.