

Example: complete contract reprofiled

In the following pages a step-by-step example is given for a re-profiled contract. In this example a fictional contract is used, which shows the effects on the NPV and the tariffs if re-profiling takes place.

Step 1

- The current contracted capacity for the shipper is shown in the following table:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current contracted capacity	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000

Step 2

- The shipper can re-profile the contracted capacity. For 2019 till 2023, the maximum capacity which could be re-profiled is 2 times the contracted capacity for a specific year. After 2023, the maximum multiplier is 3 for the contracted capacity per year.
- Re-profiling must cause no additional or fewer sales. The total contracted capacity in both situations are equal.
- The maximum capacity which could be re-profiled for shipper is shown in the following table:

Step 4

- Next, the revenues from the above are discounted at an assumed WACC of 4% (this WACC figure is randomly chosen).
- Due to the discount factor the NPV for the current contract will be lower than the NPV for the re-profiled contract.

		NPV	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
@ 4% WACC	Current revenues discounted	38.386	3.393	3.279	3.168	3.062	2.959	2.859	2.763	2.670	2.580	2.493	2.409	2.328	2.250	2.174
	Re-profiled revenues discounted	40.297	6.786	6.557	6.337	6.123	5.917	8.577	-	-	-	-	-	-	-	-

Step 5

- The next table gives an overview of NPV's for the current contract and the re-profiled contract. The re-profiled contract will create a higher NPV, so reprofiling will create a value of 2 mln. euro for BBLC.

	Current value	Re-profiled value
Contract value @ WACC 4,0%	€ 38.386	€ 40.297

Step 6

- Re-profiling will create a higher NPV for BBLC. BBLC will share this profit equally with the shipper. This will lower the NPV between the current NPV value and the re-profiled NPV value (which is **€39.341**).
- Option 1:** In the table below the tariff in the first year is changed, whereby the NPV is exactly between the current- and the re-profiled value.

		NPV	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Discounted revenues @ 4% WACC	New tariff		5,95	6,95	6,99	7,02	7,06	7,09	-	-	-	-	-	-	-
	Re-profiled revenues discounted	39.341	5.830	6.557	6.337	6.123	5.917	8.577	-	-	-	-	-	-	-

- Option 2:** In the following table not only the tariff is changed in the first year, but the tariff over all the years are changed equally. The NPV is also tuned to € 39.341.

		NPV	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Discounted revenues @ 4% WACC	New tariff		6,76	6,79	6,82	6,86	6,89	6,93	-	-	-	-	-	-	-
	Re-profiled revenues discounted	39.341	6.625	6.402	6.186	5.978	5.777	8.374	-	-	-	-	-	-	-

