

West Africa

CERA Consulting & Advisory

Techno-commercial due diligence for asset divestment in West Africa



Issue

An African upstream regulatory authority engaged CERA Consulting, part of S&P Global Energy, to perform an independent due diligence review of a regulatory submission from an international oil company. Our assessment scope covered both pre-transaction and potential future liabilities under the applicable regulatory framework.



Our solution

- We conducted a comprehensive financial modeling analysis, which included an independent estimate of Decommissioning and Abandonment (D&A) liabilities, host community development obligations, and environmental obligations to quantify pre-transaction and future liabilities. Additionally, financial stress modeling was performed to capture potential financial risks.
- We conducted an in-depth due diligence assessment of the divestment, examining data on technical, financial, and environmental liabilities. Access to a data room allowed for a detailed, independent analysis to identify gaps and potential risks.
- We flagged areas where the buyer may lack operational experience or infrastructure, HSE and ESG practices, which could impact financing and operational safety.
- We proposed specific regulatory and financial levers, such as performance guarantees, third-party guarantees, and letters of credit to safeguards ensure the buyer's accountability in maintaining asset integrity and funding obligations.

Impact



Our work enabled the regulator to assess the buyer's technical and financial capabilities and to support a smooth, well-governed asset transaction. Specifically:

- Drawing on leading international regulatory practices and lessons learned, we proposed actionable insights and recommended mitigants, enabling the client to further strengthen the regulatory framework and safeguards around the divestment process.
- Our assessment provided a clear understanding of long-term environmental and operational liabilities.
- The financial modelling delivered a detailed projection of required investments and annual contributions, enabling the client to anticipate and mitigate potential financial risks linked to the asset transfer.

Illustrative examples of deliverables

