Minimum Volume Commitments in the Midstream Industry

Minimum volume commitment contracts (MVCs), often referred to as throughput agreements, are agreements under which a shipper or producer—a counterparty—undertakes to transport an agreed minimum volume of a commodity such as natural gas, NGL or crude oil through a third-party operator's assets, such as pipelines or processing plants, over a specified period, explains **a post** on the website of Opportune.

"In the midstream industry, these contracts are typically utilized to enable the operator to recoup the costs of constructing infrastructure, such as a processing plant or pipeline lateral, for the benefit of the counterparty. Under these agreements a counterparty pays a shortfall or deficiency fee if the MVC is not met for a specified period—monthly, quarterly or annually," the authors write.

Read the article.