



CGA P-90—2021
GUIDELINE ON DUE DILIGENCE
CONSIDERATIONS FOR THE
COMPRESSED GAS INDUSTRY

FIRST EDITION

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1 Introduction

Environmental due diligence (EDD) is a process used by buyers, sellers, lessees, and lessors to evaluate environmental risks and liabilities for various types of real estate property transactions including acquisitions, divestitures, corporate realignment/restructuring, financing/refinancing of property, and property leasing agreements.

EDD involves performing an investigation of past ownership and property uses to properly identify any known or suspected contaminations or environmental liabilities. The completed report then serves as a “bright line” between existing conditions and the new property owner’s activities.

Additionally, the process typically has other indirect benefits, including understanding the activities on neighboring properties and the actual or potential impacts of those activities on fair market value determinations. EDD can include an environmental regulatory compliance evaluation of the site and its operations, so the buyer/lessee understands the compliance status, scope, and complexity in the event some or all of the existing operations are to be continued.

The EDD site assessments and regulatory review also provide key information for use in developing and negotiating purchase, sale, and lease agreements. That can include:

- terms defining buyer’s and seller’s roles in addressing site contamination;
- setting time frames for identification of any further site contamination;
- seller’s liability for addressing site contamination;
- setting any conditions for use or further sale of the property;
- defining the party responsible for regulatory authority notification and ongoing compliance;
- establishing remediation criteria; or
- identifying environmental shared services in sales of parcel sites (e.g., wastewater treatment, water supply).

It should be noted that materiality is a critical concept within the EDD process. Materiality recognizes that while some matters are financially important to the transaction, others might not be. Therefore, environmental conditions identified during the EDD could fall below a buyer’s financial materiality threshold for the transaction and, thus, might not impact the outcome of the transaction.

2 Scope

This publication was developed to impart a high-level understanding of EDD including what it is, why it is important, and when it should be conducted.

Although this publication focuses on United States and Canadian regulations, the general concepts, approaches, and information contained within can also be used, as applicable, with other international regulations or in jurisdictions where specific regulations may not exist.

3 Definitions

For the purpose of this publication, the following definitions apply.

3.1 Publication terminology

3.1.1 Shall

Indicates that the procedure is mandatory. It is used wherever the criterion for conformance to specific recommendations allows no deviation.

3.1.2 Should

Indicates that a procedure is recommended.