



APSE Renewables and Climate Change Advisory Group

Risk Management and Renewables Projects

11 October 2017

Why is the risk level important?

The Level of Risk

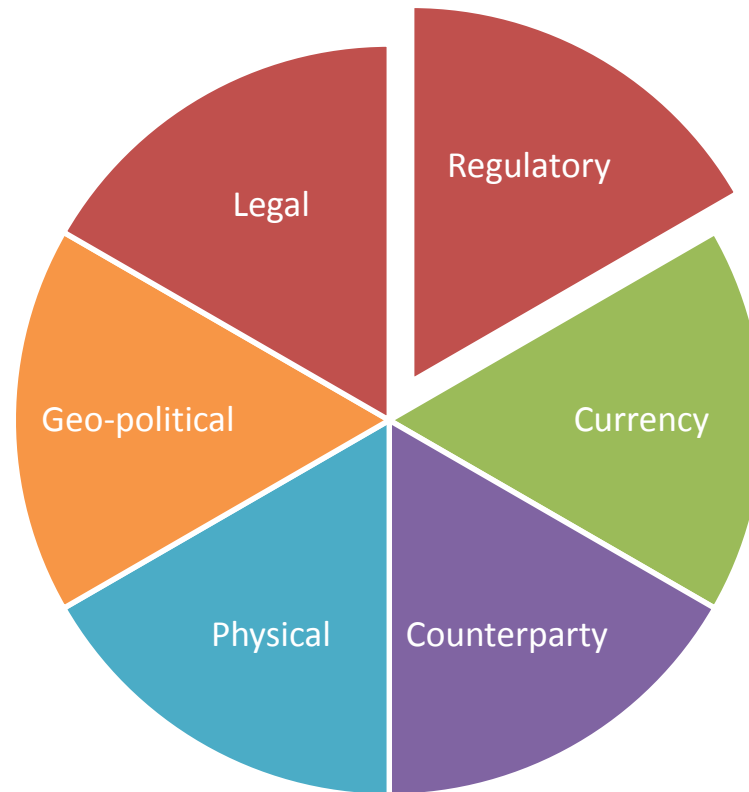
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graph TD; A[The Level of Risk] --> B[The Cost of Capital (Debt and Equity)]; B --> C[Rate of Return Required]; C --> D[Financeability and the Business Case];
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The Cost of Capital (Debt and Equity)

Rate of Return Required

Financeability and the Business Case

Types of Risk (1)



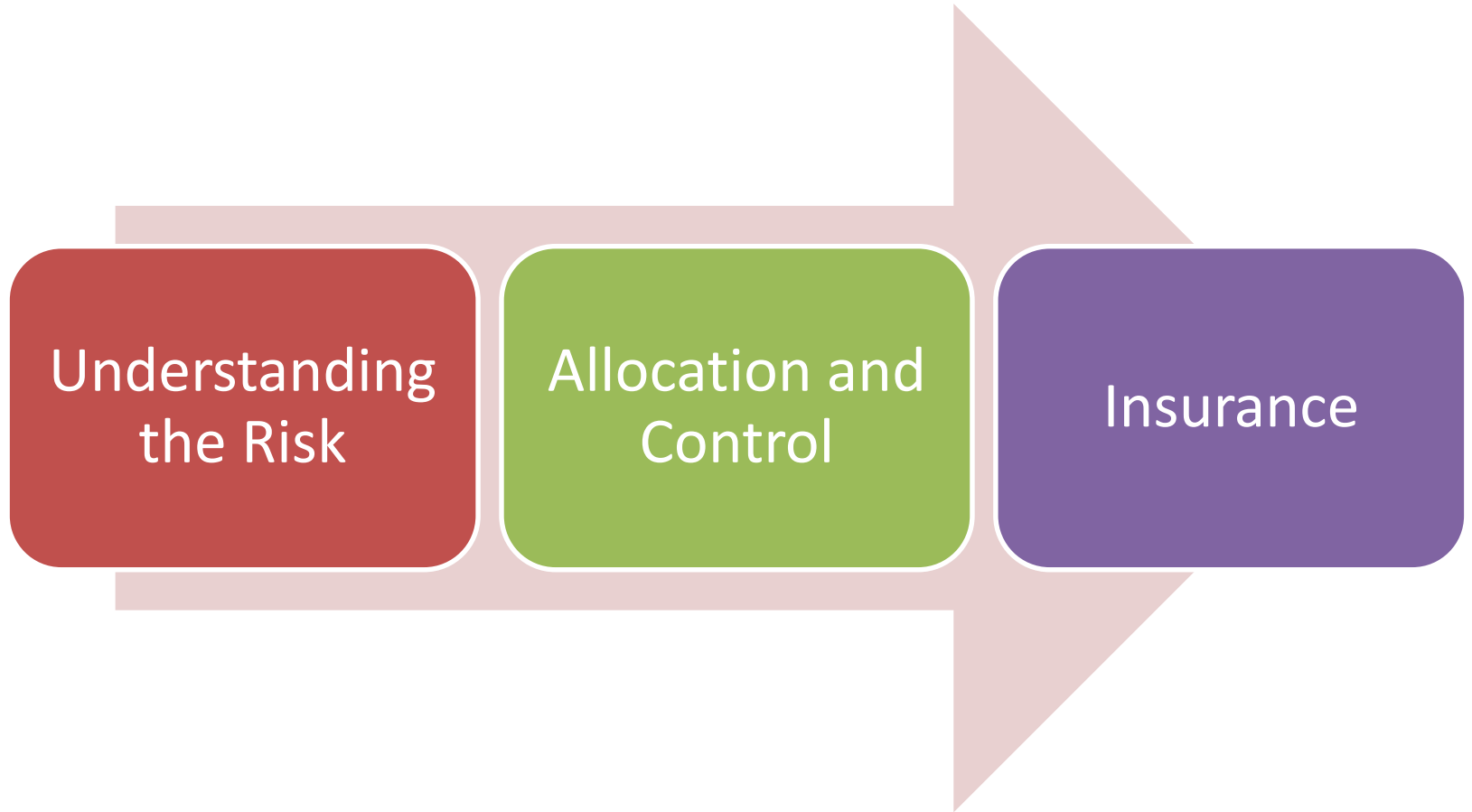
Types of Risk (2)

- **Regulatory Risk:** changes to the regulations or incentives affecting the scheme.
- **Currency Risk:** supply chain impact of exchange rate changes.
- **Geo-political Risk:** country specific uncertainty.
- **Physical Risk:** Adverse weather, ground or other conditions.

Types of Risk (3)

- **Legal Risk:** Integrity of the judiciary.
- **Counterparty Risk:** Covenant strength of the off-taker? Covenant strength/contract performance of contractor/operator?

Risk Management Overview



Risk Allocation Consideration



Risk Management Tools

Counterparty Risk

- Qualification Stage – Financial and technical checks
- Performance security- guarantees and bonds
- Damages and Liquidated Damages

Physical & Geo-Political Risk

- Extensions of Time
- Additional Costs
- Force Majeure

Regulatory and Currency Risk

- Change of law provisions
- Price adjustment provisions

Contacts



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