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<th>Risk category</th>
<th>Specific issues</th>
<th>Mitigant</th>
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| **Currency risk** | - Devaluation of local currency  
- Convertibility risk—inability to convert local currency to foreign currency  
- Transfer risk—inability to transfer foreign currency out of local jurisdiction | - Inclusion of a “tariff adjustment” mechanic in the PPA with the result that currency fluctuations are passed to the offtaker  
- Government support by way of comfort letter, guarantee, concession agreement or other arrangements to support payments  
- Stabilization clauses whereby the government concerned accepts that it will not exercise its legislative and administrative powers in such a way as to adversely affect the project and its investors  
- Hedging arrangements/currency swaps  
- Offshore collateral account structures  
- Insurance  
- Bilateral investment treaties |
| **Revenue risk** | - Revenues generated by the project are reduced where demand is no longer as high as anticipated, resulting in a decrease in revenues or price payable for power reduced as a result of decreased subsidies | - A long-term contract for sale of project output at an agreed price with an offtaker with “availability”-based tariff structure  
- Limited offtaker termination provisions with termination payments structured to repay senior debt and equity plus an agreed return on equity in particular termination scenarios  
- Government support arrangements to cover backstop offtaker payments  
- Energy policy that clearly details future proposals for additional generation and dispatch arrangements |
| **Permitting risk** | - Permits, licenses, consents or authorizations are not granted in time, or not at all  
- Permits, licences, consents or authorizations are withdrawn or not renewed | - Inclusion of consents and authorizations as conditions precedent to the effectiveness of the PPA  
- Local partner involvement in the project  
- Stabilization clauses  
- Change in law protection included in PPA to cover failure-to-renew permits etc. for no good reason. Change in Law protections typically require the continuation of capacity payments |
| **Participant risk** | - Offtaker not creditworthy  
- Nature of offtaker changes, e.g., government reduces interest in entity or entity’s asset base is compromised, impacting the credit rating of the offtaker entity | - Provision of appropriate security from all project participants to support ongoing payment and termination payment obligations. This could include “asset-level” support by the offtaker, e.g., a letter of credit or account pledge arrangements  
- Provision of government support  
- Due diligence on all parties—to ascertain the creditworthiness of a party  
- Right to terminate PPA for non-payment with appropriate termination payment provisions to ensure debt and equity repayment (including possibly a return on equity component) appropriately supported by government  
- Stabilization clauses  
- Choice of international arbitration for dispute resolution  
- Waiver of sovereign immunity |
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| Infrastructure risk   | □ Inadequate or non-existent infrastructure requires construction of new or enhanced infrastructure  
                        □ Delay in/non-availability of the site and delays in the completion of the purchase or lease arrangements | □ Inclusion of “executed project documents” as conditions precedent to the effectiveness of the PPA  
                        □ Structure such that responsibility for building accompanying infrastructure falls on the project company with a subsequent transfer to a government entity’s pre-commissioning of the plant. This will depend on the nature of the infrastructure required and the skill set and resources of the project company and sponsors  
                        □ Liquidated damages and/or compensation for any delay to plant commissioning as a result of inadequate or incomplete infrastructure, where responsibility for infrastructure lies outside of the project company  
                        □ Host government to provide guarantees and support to ensure that infrastructure is built on time and according to the required specifications |
| Change in law risk    | □ Government enactment of new legislation that adversely affects investment returns or the viability of the project, or the equity investors’ participation in the project | □ Any change in law should result in appropriate tariff adjustment to reflect any consequential cost increases arising directly as a result of a change in law  
                        □ Stabilization clause  
                        □ Political risk insurance  
                        □ Bilateral investment treaty protection  
                        □ Waiver of sovereign immunity  
                        □ Involvement of IFIs may reduce risk of changes in law designed to adversely affect foreign investors  
                        □ Host government to provide guarantees and support to ensure that infrastructure is built on time and according to the required specifications |
| Country/political risk| □ High crime rate  
                        □ Future country development that may lead to aggressive policies or expropriation  
                        □ Arbitrary cancellation of government licenses and concessions | □ Bilateral investment treaty protection  
                        □ Political risk insurance  
                        □ Stabilization clause  
                        □ International arbitration  
                        □ Government support  
                        □ Involvement of IFIs |
| Corruption risk       | □ Bribery or corruption risk with respect to project | □ Transparency  
                        □ Involvement of IFIs  
                        □ Investor to have in place robust internal systems |