

RAMP: Introducing the Risk Assessment and Mitigation Platform for renewable energy development.

An initiative of the International Renewable Energy Agency (IRENA)

If you have been underwriting power projects, you may be familiar with the following (simplified) scenario:

- An investor / developer identifies an opportunity for an independent power generation project and he makes a first rough assessment of the risks and how to approach them.
- He negotiates terms and conditions with the offtaker and the Government that mitigate some of these risks in an “acceptable” way and the PPA is initiated.
- He then starts the search for additional capital and for loans. New potential shareholders and lenders do their due-diligence independently and set a list of new conditions to their participation in the project.
- The investor will then go back to the offtaker and the Government to adjust the initial contractual documents to make them “bankable”; and at the same time negotiate with potential stakeholders on the conditions that keep his project afloat. When he finds out that the investors and banks don’t accept certain risks or over-price them he will scramble for insurance or guarantees that bridge the gap.
- This can involve armies of in-house analysts and external consultants, each one working for one specific party. The longer the consultations take the more chances there are that the host government goes through new elections; elsewhere organizational changes and staff turnover make it difficult to have consistency in the negotiation position. Changes at the national and macro-economic level affect the risk perception and change the interest of the private sector, as well as the willingness of the public sector to make certain commitments.
- The iteration can delay financial close by several years compared to the initial timing and many projects collapse because the investor runs out of funds or because the requirements of the potential partners cannot be met.
- For successful projects, the cost of the delays and the imperfection of the solutions increases the cost of the project and thus the tariff that the investor has to ask to attract his funding. Institutional investors who could bring cheaper funding, but are traditionally risk averse, walk away.

The reality is that few developers, investors and even lenders know and understand all the products available to mitigate credit, political and other risks. As a result, projects stall, and time and money are lost.

A deep and fragmented market

Every energy project faces a range of risks that must be understood, assessed and, as far as possible, mitigated. Banks, development finance institutions, insurers, export credit agencies and guarantors have developed products to do this. But for investors and developers outside the financial industry, such products can be hard to identify, understand, compare or combine.

Yet just as the world needs rapid uptake of sustainable energy options, such projects will require massive inflows of secure finance.

Recognising both sides of this challenge, IRENA has set out to ease risk mitigation for renewable energy projects. The resulting platform aims to:

- Facilitate access to risk mitigation instruments
- Increase the available capacity for risk mitigation
- Reduce project costs and development time

It offers a unique opportunity for providers of risk mitigation – insurers, export credit agencies, intermediaries, guarantors and banks – to present their companies and products to players in the renewable energy sector worldwide.

Positioned to strengthen risk mitigation

The platform is an initiative of the **International Renewable Energy Agency (IRENA)**, an intergovernmental organisation that supports countries in their transition to a sustainable energy future. As countries around the world grapple with decarbonising energy use to reduce climate impact, IRENA fosters international co-operation, technology, resource and financial knowledge on renewables, helps countries build their capacities in renewables and facilitates renewable energy projects throughout their life cycle. For more information please visit us at:

www.irena.org

The RAMP project is at the heart of IRENA's mandate to promote the widespread adoption and sustainable use of all forms of renewable energy worldwide.

As a global organisation, IRENA offers:

- A broad combination of perspectives and insights on renewable energy development
- The ability to bring together the private and public sectors
- Worldwide scope
- The capacity to kick-start the initiative
- A neutral perspective with no stake in any given transaction and thus no potential conflict of interest

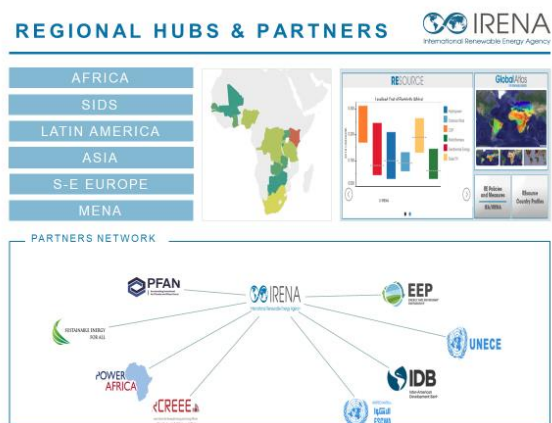
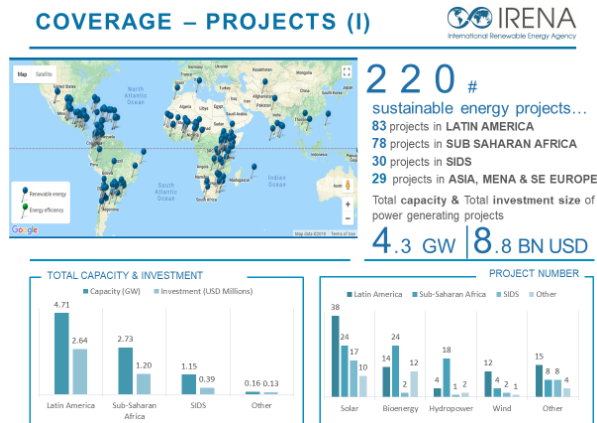
IRENA is not a lender, a guarantor or an insurer. It can therefore connect investors and developers, in a pragmatic manner, with the widest possible range of risk-mitigation providers.

RAMP does not set out to compete with comparable, existing initiatives but rather will complement those. If other institutions can handle parts of the programme, IRENA will support them and explore the best way to co-operate.

RAMP components

RAMP will function as part of IRENA's **Sustainable Energy Marketplace**

The Sustainable Energy Marketplace (www.irena.org/marketplace) connects project owners, financiers/investors, host governments, service providers and technology suppliers to bring projects to fruition. Investment opportunities are made visible and easily identifiable for investors, while project developers can access funding sources and expertise to advance their projects.



The Sustainable Energy Marketplace has been launched without publicity a few years ago, and it has been refined gradually. Meanwhile it has achieved a critical mass and demonstrated its added value. Following the upcoming upgrade, it will be marketed in a more proactive way.

Comprehensive and reliable information

Our estimation is that between 100 and 200 companies and institutions worldwide either provide or support some form of mitigation for credit risks, political risks and offtaker risks in the renewable energy sector. Such providers will be invited to register and complete a profile with their products, eligibility criteria and application process.

Input forms will be available either online or offline. At this stage we used an Excel spreadsheet that will be uploaded once the development of the platform is completed. The input form comes with a help guide and takes on average 50 minutes to complete.

Risk types

The types of risk considered in RAMP's analysis would include:

- Credit risks
 - Offtaker risk on public buyers
 - Offtaker risk on commercial buyers
 - Liquidity risk
- Political risks
 - Expropriation, nationalization, confiscation
 - Currency inconvertibility and transfer restrictions
 - Political Violence, Terrorism and Sabotage
 - War & Civil War
 - Non-honouring of sovereign and sub sovereign obligations
- Currency exchange risk (hedging)
- Resource risk (*optional*)
- Force majeure, or Acts of God (*optional*)

RAMP at work

RAMP will help to see through the maze of eligibility criteria and facilitate direct contacts if & when there is a match between a provider and a potential user of a risk mitigation instrument.

Marketplace users will be able to identify their options by combining the platform's various filters - country, capacity, technology, type of risk and other criteria.

Participants (providers of risk mitigation, project owners and other stakeholders) will be automatically informed when information appears on the Marketplace that is potentially of interest to them. They will also be informed how often their profiles has been looked at and when their page must be updated.

Potential users of risk mitigation instruments will be able to contact providers of risk mitigation, insurance brokers and other intermediaries directly from the Marketplace. Providers of risk mitigation and intermediaries will also be able to contact project owners directly.

As a neutral facilitator, IRENA will not take the position of an insurance broker or make any representation that could induce liabilities, conflicts of interest or the suspicion of partisanship.

Toolkit

RAMP's expected users include small and medium-sized developers and their potential lenders. Over the last years a number of new products –both insurance and guarantees- have been launched. The understanding of the potential of different products and the differences between them has become more difficult.

IRENA will take initiatives to clarify the different product features so that project owners can decide which solutions can work for them. IRENA will also engage participating risk-mitigation providers to provide clear positions and documentation.

The platform will compile reference documents to guide less experienced users and to propose template documents (e.g. non-disclosure agreement, enquiry form, non-binding indication format) that over time could help to standardise the interactions between different parties.

The proposed toolkit would include

- Reference materials about risk mitigation.
- Reference documents about project assessment and due diligence
- Template documents that can be used for interactions between different parties
- Discussion papers to introduce initiatives for standardisation and aggregation of projects and risk mitigation

The standardization initiative

Most risk mitigation products have been developed independently from each other. Although they cover the same risks and with comparable conditions, they can vary greatly in their structure, their wording and the conditions that potential clients have to meet. In cooperation with international partners, IRENA will explore if and how both the products and the related processes (project assessment, commercial process...) can be harmonized so that they become more transparent and compatible.

The status today

- The IT development of the platform is well underway and should be completed in August 2019;
- The input form has been tested by 5 providers of risk mitigation and was adjusted according to their feedback;

- The form is now being sent out in successive waves to potential participants;
- We hope to upload the completed forms in August and to go live immediately after that.
- We started with the development of the toolkit and we welcome the input of all companies that want to participate in the exercise.

We hope that this is of interest.

For further information, please contact Jef Vincent, IRENA's Programme Officer for Renewable Energy Finance.

E-mail: jvincent@irena.org

Mobile: +971 562 168 256

Skype: jefvincent