

# Asia Clean Energy Forum

Session 11 - PANEL DISCUSSION

## ALLOCATING RISK ASSOCIATED WITH CLEAN ENERGY PROJECTS

### Highlights of Discussion

1:30 – 3:00 pm, Wednesday, 27 June 2007

Asian Development Bank Headquarters Manila, Philippines

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This Session looked at how project, technology, host country, off-take, carbon market and other risks associated clean energy projects in Asia can be either mitigated by or best allocated between project sponsors, lenders, insurers, export credit agencies and others. It surveyed existing and new products being developed by banks, insurers and other specialist risk takers that are targeted at the clean energy market. The Session also looked at new legal issues which lenders and insurers would need to consider when allocating such risks.<sup>1</sup>

CHAIR: Martin Endelman, Principal Guarantees and Syndications Specialist, Office of Co-financing, Asian Development Bank

#### PANELISTS:

*Tjeerd Buurma*, Vice President, Export Project and Commodity Finance Structured Lending Asia, ABN Amro Bank – commented on:

- how international and local banks finance clean energy projects as compared to traditional energy projects,
- what new or unique risks need to be considered,
- can and should local currency debt be used for clean energy projects

*Lindene Patton*, Senior Vice President and Counsel, Commercial Market, Zurich – commented on:

- various insurance products that can or might be able to cover new or unique risks associated with clean energy projects in developing countries, including new technology performance cover and carbon delivery guarantees and insurance cover,
- can and should MDBs and ECAs offer such products in cooperation with private insurers and or in competition to private insurers,
- can host governments help to mitigate certain risks and would this help lower the cost of insurance cover and ultimately the cost of finance

*Warren Diogo*, Climate Risk Specialist, Marsh, London – commenting on:

- how are risks associated with clean energy projects best allocated between sponsors, lenders and insurers,
- what is the role of a broker in this process,
- are there new players or 'markets' interested in taking these risks and at what price

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<sup>1</sup> Most but not all of the discussion points were covered due to time constraints.

*Ting Ting Tan*, Clifford Chance Wong Pte Ltd – commented on new legal issues related to clean energy projects in developing countries, including:

- ownership and control of wind, solar, and geothermal ‘resources,’
- enforcement of energy service contracts,
- conflicts between project financiers and ‘carbon financiers,’
- legal rights against host governments should regulators fail to perform

*Josh Carmody*, ADB, Fund Manager, Asia Pacific Carbon Fund – commented on:

- what risks are carbon credit funds willing and not willing to take when buying carbon credits from clean energy projects that benefit from the Clean Development Mechanism (CDM);
- how do these risks change when prepayments are made;
- can post 2012 mechanisms be better designed to mitigate risk and increase availability of ‘carbon finance’