

Table of Contents

If we are unable to replace an expiring PPA with an acceptable new PPA, the affected site may temporarily or permanently cease operations. In the case of a distributed generation project that ceases operations, the PPA terms generally require that we remove the assets, including fixing or reimbursing the site owner for any damages caused by the assets or the removal of such assets. The cost of removing a significant number of distributed generation projects could be material. Alternatively, we may agree to sell the assets to the site owner, but we can offer no assurances as to the terms and conditions, including price, that we would receive in any sale, and the sale price may not be sufficient to replace the revenue previously generated by the project.

Certain of our PPAs do not include inflation-based price increases.

Certain of the PPAs that have been entered into for the projects in our initial portfolio and the call right projects do not contain inflation-based price increase provisions. Certain of the countries in which we have operations, or that we may expand into in the future, have in the past experienced high inflation. To the extent that the countries in which we conduct our business experience high rates of inflation, thereby increasing our operating costs in those countries, we may not be able to generate sufficient revenues to offset the effects of inflation, which could materially and adversely affect our business, financial condition, results of operations and cash flows.

Certain of our PPAs contain joint and several liability between holding companies and operational companies.

In Brazil, certain of our PPAs in the government regulated market have counterparties that are special purpose entities under the control of the legal entities that participate in the government auctions. If a special purpose entity fails to deliver the commitments under the government auction rules, the controlling entity that participated in the auction is jointly and severally liable for all obligations and liabilities arising from the government auction and the applicable PPA. Therefore, liability is not isolated to a specific project simply by operating the project under a separate legal entity. Significant potential liabilities could arise from: (i) the delay in any of the milestones for the implementation of the projects; (ii) subject to certain related obligations, the delay in recovering the value or delivery of the performance bond; and (iii) the failure to satisfy all the qualification requirements under the applicable government auction rules and the applicable PPA. The failure to comply with government auction milestones may also trigger enforcement of bonds (participation and performance), payment of fines and suspension from participating in any public auction for up to two years. There is no limit on the amount and kind of losses and damages covered under the government auction rules and the applicable PPA. Therefore, damages could potentially include the loss of profits and consequential damages.

A material increase in the availability of utility-generated electricity or electricity from other sources could increase competition for new PPAs.

Generally, to the extent offtakers are not required to acquire the output from our projects under feed-in tariff regulations or renewable portfolio standards, the decision by an end user to buy energy from projects in our initial portfolio is primarily driven by a deficit of available energy in such markets and the availability of domestic resources to meet those needs in a timely fashion. The end user's decision may also be affected by the cost of other conventional and clean energy sources. Decreases in the retail prices of electricity supplied by utilities or other clean energy sources could harm our ability to offer competitive pricing and to sign new customers. The availability of electricity could increase and the price of electricity could decrease in our target markets for a number of reasons, including:

- the construction of a significant number of new power generation plants, including nuclear, coal, natural gas or renewable energy facilities;
- the construction of additional electric transmission and distribution lines;