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ICELAND – UK INTERCONNECTOR: IS PROPER POLITICAL RISK MITIGATION POSSIBLE?

Andri Dan Traustason, University of Akureyri, School of Business and Science Faculty of Business Administration, Akureyri, Iceland, ha130041@unak.is
Hilmar Þór Hilmarsson, University of Akureyri, School of Business and Science | Faculty of Business Administration, Akureyri, Iceland, hilmar@unak.is

Abstract

The proposed interconnector between Iceland and the United Kingdom carries numerous different types of risk for Iceland. Ownership of the interconnector and the infrastructure related to it needs to be settled in a way that minimizes political risk for the Icelandic nation without sacrificing national sovereignty over its renewable energy sources. A public-private partnership project could use various methods to mitigate risk, many of which are related to ownership and financing. Guarantees and loans provided by IFIs, such as the European Investment Bank and the Nordic Investment Bank, might play a key role in the mobilisation of capital. Export credit agencies might also support trade finance. Other solutions, such as a bilateral legal agreement and contracts for difference, will also be assessed with regard to the interconnector. In the event of disputes occurring, the Energy Charter Organization and ICSID, of the World Bank, might be key players among other institutions. This would require serious arbitration provisions in those agreements and awards would be subject to the New York Convention.

Keywords: *Political risk, risk mitigation, cross-border investments, international business, dispute settlement.*
JEL Code: *P48, F50, G28, G32, F23.*

Introduction

The proposed interconnector is by no means a new idea (Thoroddsen, 1954; Gíslason, 1955). It has been contemplated for decades but due to various issues, including technical and financial concerns, it has not been seriously considered until in recent years. Landsvirkjun, Iceland's National Power Company, has compiled a list of reports, news and other literature related to the proposed interconnector on their website (Landsvirkjun, n.d.a; Landsvirkjun, n.d.b). A literature review, carried out by the authors, included this list among other relevant literature. According to this review, the vast majority of articles on the subject cover the economic and financial aspects of the interconnector as well as environmental and technical factors. Current research on the subject therefore apparently fails to address political risks properly, even though serious incidents have occurred in the history of the two nations. Political and commercial relations between Iceland and the UK are normally good, as is usually the case between two western nations, but there have certainly been some major exceptions. Serious disputes have erupted in the past, for instance the Cod Wars, when Iceland expanded its fishery territory, (Hellmann & Herborth, 2008) and more recently, the Icesave dispute when the UK activated the Anti-terrorism, Crime and Security Act of 2001 against Iceland (Méndez-Pinedo, 2011). During the Icesave dispute, Iceland was largely isolated and without friends. Major central banks such as the European Central Bank, the Bank of England and the Federal Reserve refused to assist. The limited support provided by Nordic Central Banks proved inadequate. This shows that Iceland cannot rely on allies during times of crisis and political disputes with a

larger nation such as the UK (Hilmarsson, 2015; Goncharuk, 2016). Both disputes had serious economic and political consequences for Iceland.

Furthermore, numerous disputes have arisen due to shifts in government policies within the energy sector in Europe in recent years, some of which had serious consequences for the parties involved. It is therefore clearly important to assess the political risks involved and contemplate possible solutions. Because of the large scale and long operating lifetime of the interconnector, incidents such as those mentioned above cannot be overlooked, and studies that do not take political risk properly into account are insufficient to make a final decision about the feasibility of Iceland's participation in this project.

An electricity interconnector, such as the one in question here can be defined as "*... a cable* […] *connecting two separate market or pricing areas*" (Turvey, 2006, p. 1457). This kind of energy projects tend to be very large and with long repayment periods. As a result, they face political risks that may adversely affect their viability (Bankes, 2012). The investment needed for this particular project can be roughly divided into three different phases. Those phases differ considerably in terms of required funding and scale but all must be taken care of to get the 1000km long 800-1200MWh DC interconnector operational (Landsvirkjun, n.d.a). The phases are as follows:

- Investment needed to upgrade and increase the supply of electricity in Iceland, including the construction of geothermal and hydro-electric plants.
- Investment related to the strengthening of the national grid and the construction of launching and landing stations.
- Investment to construct the interconnector.

The total amount of investment needed for the interconnector is not certain but for the last few years, numerous different parties have come up with estimates. For instance, The Institute of Economic Studies at the University of Iceland stated that the total investment needed ranged from 288 to 553 billion ISK (Hagfræðistofnun Háskóla Íslands, 2013). Bloomberg New Energy Finance suggested a considerably higher estimate of up to 813 billion ISK or 4.327 bnGBP (as cited in Gíslason, 2014 [using current exchange rates]). It seems likely that the total investment will be in excess of 4 bnGBP, of which a significant portion will be allocated to grid connections and upgrades, power plants and related infrastructure. Björgvin Skúli Sigurðsson (2014, p. 26), executive vice president for the Marketing and Business Development division at Landsvirkjun, notes that although the investment is huge compared to the Icelandic economy (the average estimate of 553 bnISK is roughly 30% of gross domestic product) this certainly is not the case for the UK, a much larger player in the global economy.

The main subject of this article is to analyse the important role of political risks in this particular energy project and consequently look at available risk mitigation instruments and venues for dispute settlement. Moreover, the article will seek ways to answer the following research questions: Is proper risk mitigation possible for the Iceland – UK electricity interconnector? What would be possible venues for dispute settlement? While this article focuses on political risks, numerous other types of risks are apparent, such as technical, financial, economic and environmental, which is not the subject of this article.

In an attempt to answer these research questions, information was collected from many different sources including – but not limited to – international financial institutions (IFIs), government institutions and state-owned-enterprises (SOEs). In addition, leading experts within the field at Harvard Business School, John F. Kennedy School of Government, Fletcher School of Law and Diplomacy, Landsvirkjun and University of Iceland were consulted.

Numerous relevant cases for clean energy investments were studied to provide some insight into the problem at hand. The methodology used is the case study method. Compared to other research methods, a case study enables the researcher to examine the issues involved in greater depth. According to Yin (2014), six sources of evidence are most commonly used in case studies. These are documentation, archival records, interviews, direct observations, participant-observation and physical artefacts. Each of these sources has advantages and disadvantages and according to Yin (2014, p. 105), one should *"…note that no single source has a complete advantage over all the others. In fact, the various sources are highly complementary, and a good case study will therefore want to rely on as many sources as possible*".

Possible solutions

A wide variety of factors affect the risk profile of this project. Ownership and financing of the interconnector and related infrastructure play a key role in that regard. This needs to be settled in such a way as to minimize political risks without compromising an acceptable return for the investment. Besides solutions related to ownership and financing, preliminary results suggest a few possible options available for the Iceland – UK interconnector which also include ways to settle disputes, should they occur:

- A well-established power purchase agreement and/or Contracts for Difference, possibly offered by the UK government, could mitigate some risks.
- Other risk mitigation solutions could include serious arbitration provisions in the agreement that both parties find appropriate. This could be included in a bilateral investment treaty between Iceland and the United Kingdom. Currently, there is no bilateral investment treaty between the countries (Kluwer Law International, 2016)
- Dispute settlement under the Energy Charter Treaty, which Iceland and the United Kingdom have both ratified (Energy Charter, n.d.a). Dispute settlement via the International Centre for Settlements of Investment Disputes (ICSID) of the World Bank, of which Iceland and the United Kingdom are both members (International Centre for Settlement of Investment Disputes, n.d.a). Other forums of international arbitration might also be beneficial. Awards would be subject to the New York Convention.
- Other options that deal with financing, as well as risk mitigation, might include export credit agencies and investment banks, such as the European Investment Bank and the Nordic Investment Bank. By providing loans and guarantees, they might assist in the financing of the project and lower risk premiums.

Ownership and financing of the proposed interconnector, as well as related infrastructure, has yet to be determined. After these factors are settled and the terms of the project are agreed, it is crucial that all commitments and agreements will be honoured by both parties throughout the contract period. Any large and unexpected changes in the policy, including laws or regulations of the participating countries, might be detrimental. Such changes are a principle form of political risk according to Salacuse (2010) and may even be the essence of it. In more general terms, political risk can be defined as *"…the probability of disruptions in company operations by political forces and events*" (The World Bank Group [International Finance Corporation & Multilateral Investment Guarantee Agency], 2012).

Ownership & Financing

As stated before, ownership can have a significant impact on the project's political risk profile. Due to the enormous scale of the project, it seems clear that the Icelandic government and its institutions or SOEs have neither the capabilities nor the will to invest in the project directly and consequently take on the risks that follow. In light of these circumstances the authors believe that a likely outcome is that the project will be a public-private partnership of some kind. A public-private partnership can be defined as an "*…arrangement between public and private entities for the delivery of infrastructure services and are seen as a way of raising additional funds for infrastructure investments but more importantly as a means to extend or leverage better budget funding through efficiency gains* (Delmon, 2009, p. 7)**.** In fact, numerous private investors – mainly, Atlantic Superconnection Corporation, Powerbridge LLC and Starwood Energy Group – have been named as companies showing interest in taking some part in the project (Eysteinsson, 2015). A possible ownership scenario, incorporating the private sector, can be seen in figure 1, below.

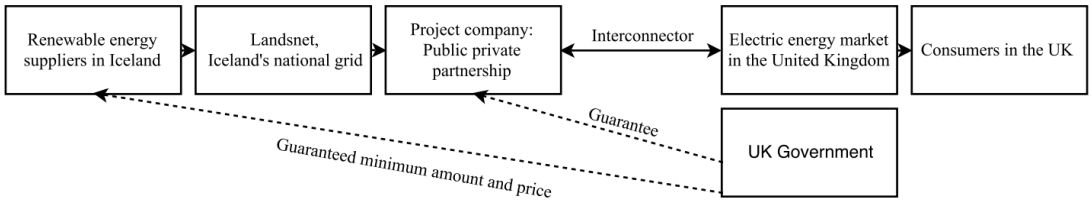

Figure 1. **A possible ownership scenario, incorporating the private sector**

Source: Authors' construction

According to this scenario (figure 1), the interconnector would be operated, owned and financed by a project company which would be some sort of a public-private partnership without the direct involvement of the Icelandic government or its SOEs. The PPP would serve as a project company for the interconnector and have a state-guarantee from the UK government that could be critical for its capital mobilization efforts. Investment-guarantees for necessary infrastructure in Iceland might also be provided by the UK government, as was done in a recent project in the UK[45]. These infrastructure investments could include the construction of new hydro and geothermal power stations in Iceland in addition to the upgrade of current utilities. In order to enable private investors to take part in these investments, a Build-Operate-Transfer (BOT)[46] arrangement might be feasible. To be able to secure a steady supply of electricity to the UK, the project company would arrange take-or-pay[47] contracts with renewable energy

[45] The UK government recently provided a 2 billion GBP guarantee for a large nuclear energy project (EDF Energy, 2015).
[46] A BOT is a form of investment where "*…the project is transferred back to the party granting the concession* [in this case the Icelandic government or its SOEs]" (Delmon, 2009, p. 552).
[47] According to Holland and Ashley "*…take-or-pay clauses require a purchaser to pay for a minimum quantity of goods or services* [i.e. electricity], *whether or not those goods or services are taken.*" (2013, p. 205).

suppliers in Iceland and therefore assume the demand risk. These take-or-pay arrangements would have a UK government guarantee.

A guaranteed minimum amount of electricity would, in turn, be transferred via the interconnector to consumers in the UK at an agreed minimum price. This revenue guarantee could be provided with a power purchase agreement, Contracts for Difference or perhaps some other means. In addition, the project company would pay a fee to Landsnet, Iceland's national grid. These fees need to cover the cost of investment with acceptable returns and be guaranteed by the UK government. Under the current law, it seems unlikely that the necessary upgrade of Iceland's national grid could be financed with foreign investment (Raforkulög nr. 65 , 27. mars 2003). The scenario in figure 1 could enable the private sector to take part in the project and thus shift risks from the Icelandic government, its SOEs and the Icelandic nation to the UK government and the consumers in the UK. Efficient allocation of risks is key to the success of the project and the UK government is in the best position to prevent such political risk events from occurring. Those events could include energy policy changes in the UK that might negatively affect the feasibility of the interconnector. Therefore, it should be willing to assume most of the political risks involved.

Power purchase agreements (PPAs) are frequently used when participating parties face considerable uncertainty. In some cases, it is unclear whether supply will meet demand or if the spot prices are high enough to secure the necessary minimum revenue. These are some of the main reasons for the use of PPAs in energy projects according to the Public Private Partnership in Infrastructure Resource Center (n.d.). One might assume this to be the case with regard to the proposed interconnector. As a very large and expensive long term project, it might be very sensitive to price changes whether they stem from increased competition or other risk factors.

In addition to PPAs, it is worth mentioning that the United Kingdom's Department of Energy and Climate Change offers Contracts for Difference (CfDs) as part of the Electricity Market Reform programme which is meant to make investments in renewable energy more attractive. The CfDs are at the core of the programme and ensure that the generation of energy from renewable resources is economically feasible by paying the variable difference between the market price and a fixed price, i.e. the strike price. Consequently, investor uncertainty is lowered and financing 'green' projects becomes cheaper (Department of Energy and Climate Change, 2013).These contracts were introduced as part of the Energy Act in 2013 which is "*An Act to make provision for the setting of a decarbonisation target range and duties in relation to it*"(*Energy Act 2013*, p. 1).

The importance of CfDs for the project seems to be considerable. Landsvirkjun has shown interest in studying these contracts further (Landsvirkjun, 2013). Although it is not the only supplier of electricity in Iceland, Landsvirkjun – an SOE – is by far the largest (Orkustofnun, n.d.). Consequently, any decisions on this project in Iceland are likely to be influenced by Landsvirkjun in some way, not only because of its importance as an electricity supplier, but also due to its expertise and research within the renewable energy sector. Furthermore, other potential investors, such as the Atlantic Superconnection Corporation, have stated that CfDs play a key role in the project's revenue stream (Atlantic Superconnection Corporation, 2014).

One might argue that it is essential for the feasibility of the interconnector to secure such a contract and the revenue guarantees that follow. While that may be true, they might also increase the effect of political risks on the project. The consequences of government action, such as policy changes, could seriously undermine the feasibility of the interconnector. The

likelihood of these events occurring might be high. In fact, the UK government recently made changes to its renewables subsidies in order to cut costs (Department of Energy & Climate Change and The Rt Hon Amer Rudd MP, 2015). It is essential that any contracts about the project include provisions that cover this possibility. Despite this, CfDs remain a possibility and might play an integral role in the first stages of negotiation about the project.

Securing a revenue stream is not the only aspect of getting the project operational. It must be financed as well. How this will be done is unclear but preliminary results suggest a few possible options in addition to equity funding and loans from private investment banks. Some IFIs, such as the European Investment Bank (EIB) and the Nordic Investment Bank (NIB) provide financing as well as risk mitigation instruments, i.e. guarantees. The EIB, which is entirely owned by member states of the European Union, mainly provides loans but may also provide guarantees. According to Matsukawa & Habeck (2007, p. 45), the EIB provides the following instruments: "*Inside EU: EIF loan guarantees, microcredit guarantees, equity guarantees, and loan guarantee. Outside EU: political risk carve-out on guarantees to EIB* […]*; credit enhancement guarantees by EIB to assist local borrowers to raise funds; portfolio credit risk sharing with local banks*". These instruments are available to large as well as small projects for private and public beneficiaries. Guarantees such as those mentioned can be beneficial for projects in addition to possible loans from the EIB. The benefits mainly stem from lower capital charges and greater value added (European Investment Bank, n.d.a.). Whether or not these solutions from the EIB would be available for the interconnector remains to be seen. Furthermore, it is unclear if the parties involved would choose to approach the EIB at all. However, it is clear that the EIB has already financed numerous projects in Iceland for around EUR 780 million, most of which (EUR 650 million) were associated with renewable energy production (European Investment Bank, n.d.). The EIB has attached high priority to clean energy projects in recent years.

Another IFI worth noting is the Nordic Investment Bank. Just as the EIB, it offers long-term loans and guarantees that can support capital mobilization. Its main area of operation is the Nordic and Baltic region. The NIB attaches special emphasis on the development of clean energy projects and environmentally friendly solutions in general (Nordic Investment Bank, 2015). One might assume that the export of energy from renewable resources fits the emphasis well.

In addition to this, national export credit agencies could also take part in the project and provide guarantees for related trade finance (Dinh & Hilmarsson, 2014). A recent example of this occurred when Japan Bank for International Cooperation took part in the financing of a renewable energy project in Iceland in cooperation with other financial institutions (Landsvirkjun, 2015).

Dispute Settlement

Where and how disputes can be settled is likely to be included in the agreements related to the project. This might be a bilateral investment treaty between Iceland and the UK, which – as noted before – is non-existent at the moment, or a contract made on an ad hoc basis for the interconnector project. Numerous forums of international arbitration are available but preliminary results suggest a few in particular. The Energy Charter Treaty is important in that regard because the dispute settlement venue depends, to a degree, on provisions in the treaty. Iceland and the UK have both ratified the treaty so it will likely affect the project in some ways.

The roots of the Energy Charter Treaty lie in the problem that many countries faced at

the turn of the last century when they themselves lacked energy resources but other, more politically unstable, countries had an abundance of resources but needed foreign investment. Consequently, steps were taken to amend this problem and in 1998, the ECT came into power. The treaty mainly aims to minimize non-commercial risks and promote investment within the energy sector (Hobér, 2010; Energy Charter , n.d.b). According to Hobér (2010, p. 155), the ECT is *"...the only binding multilateral instrument dealing with inter-governmental cooperation in the energy sector, and contains far-reaching undertakings for the contracting parties. The ECT includes provisions regarding investment protection, provisions on trade, transit of energy, energy efficiency and environmental protection and dispute resolution*". It seems clear that these provisions could be very beneficial in reducing political risk for the interconnector project.

Dispute settlement under the ECT has taken place numerous times and the frequency is rising along with increased renown of the treaty and, in turn, more awareness by investors. The Energy Charter Website mentions three ways for investors to bring a dispute to arbitration under the treaty.

> "*the International Centre for the Settlement of Investment Disputes (ICSID - an autonomous international institution with close links to the World Bank); a sole arbitrator or an ad hoc arbitration tribunal established under the rules of the United Nations Commission on International Trade Law (UNCITRAL); or an application to the Arbitration Institute of the Stockholm Chamber of Commerce.*" (Energy Charter, n.d.c).

According to these options, dispute settlement under the treaty can work in close relation with ICSID, among other institutions. Hobér (2010) names numerous cases which have been settled by ICSID under the Energy Charter Treaty. Arbitral awards set under the treaty are binding and final so each contracting party has to act accordingly (Energy Charter, n.d.c).

As noted above, both Iceland and the United Kingdom are members of ICSID and as such have access to arbitration and conciliation services. It uses a number of instruments for arbitration in disputes between member states and nationals of other member states, i.e. investors. The ICSID Convention is one of those instruments and has very wide state support with 159 signatory states and 151 contracting states (International Centre for Settlement of Investment Disputes, 2015). The Convention works as a neutral and independent system that allows ICSID member states and their nationals to settle investment disputes in a fair manner using a basic arbitration and conciliation framework provided by the Convention. The ICSID website states that "*Independent conciliation commissions and arbitral tribunals constituted in each case are vested with the power to rule on procedural issues and resolve the parties' dispute"* (International Centre for Settlement of Investment Disputes, n.d.e). If the parties involved agree to the ICSID proceedings under the Convention they accept the arbitration as an exclusive, final and binding solution (International Centre for Settlement of Investment Disputes, n.d.b.).

The other arbitration venues mentioned – the Arbitration Institute of the Stockholm Chamber of Commerce and a tribunal set under the United Nations Commission on International Trade Law (UNCITRAL) – are also valid options, although they are not used as commonly as ICSID in ECT cases (Energy Charter, n.d.). UNCITRAL is the "…*core legal body of the United Nations system in the field of international trade law*" (UNCITRAL, n.d.a). It

provides arbitration rules which cover state-state as well as investor-state disputes (UNCITRAL, n.d.b). The Arbitration Institute of the Stockholm Chamber of Commerce also offers international arbitration services which the contracting parties of the project might agree to (Arbitration Institute of the Stockholm Chamber of Commerce, n.d.a; n.d.b). In addition, The Convention on the Recognition and Enforcement of Foreign Arbitral Awards, somewhat better known as The New York Convention could be useful by enforcing arbitral awards after disputes are settled, as both Iceland and the UK have ratified the Convention (New York Arbitration Convention, n.d.a; United Nations, 1958). Examples of how some of these arbitration options can be used can be seen in recent cases.

Recent experiences

Most cases related to political risk mitigation and dispute settlement are between developing and developed countries. Because of that, cases between two developed, high-income countries, are not abundant. However, the number of disputes within the energy sector in Europe, Spain in particular, has increased significantly in recent years. Many of these disputes occurred due to changes in subsidies that were meant to promote investment in renewable energy. Nathanson (2012) notes that such policy changes are one of the primary barriers of renewable energy investment.

Spain used a system of subsidies, mainly feed-in tariffs, to promote the solidification of renewable energy within the country. By implementing a series of subsidies, Spain continuously strengthened this system. For instance, renewable energy suppliers were offered a choice of either a fixed total price (fixed feed-in) or a fixed premium in addition to the market price, much like the CfDs mentioned before (Gonzáles, 2008). The system was meant to limit investor risk as well as financing costs by providing security and revenue guarantees (Río & Gual, 2007). This resulted in a significant increase in renewable energy generation. Most importantly, solar photovoltaic generation expanded from 18GWh in 2000 to c.a. 6.4 TWh in 2010 (Bridle & Beaton, 2012). Consequently, the feed-in tariffs became a huge burden on the Spanish state and the situation was made even worse by unfavourable market conditions (White, 2013). The policy changes that followed were intended to close this deficit by reducing subsidies and introducing additional limitations on renewable energy generators, therewith compromising the rationale that had attracted investors to the sector. A large number of claims followed, many of which were filed with ICSID under the ECT (Baltag, 2015; Rucinski & Rodríguez, 2013). The Energy Charter Secretariat maintains a regularly updated list of cases where the ECT is an invoked instrument and there are currently 27 listed in Spain (Energy Charter, n.d.). Many of these cases have yet to be settled and will have to be analysed further at a later point in time.

Similar situations have occurred in other European countries. One recent case, in particular, received substantial attention. It occurred in Germany following the 2011 Fukushima nuclear disaster. A shift in policy by the German government resulted in the phase-out of nuclear energy, earlier than had been announced before, and included the immediate shut-down of some old reactors. Vattenfall, owned by the Swedish government, partly owned two of these reactors and filed for arbitration before ICSID because of the losses associated. The arbitration is listed under the Energy Charter Treaty but further details are mostly confidential (*Vattenfall AB and others v. Federal Republic of Germany (ICSID Case No. ARB/12/12)*) (Bernasconi-Osterwalder & Brauch, 2014; International Centre for Settlement of Investment Disputes, n.d.a; Vattenfall AB, 2014; World Nuclear Association, 2015).

These cases from Spain and Germany are only examples of some of the recent disputes

that have occurred within the energy sector in Europe. Of course, other cases may be relevant, some of which may have occurred outside of Europe, but they will not be analysed in this article. As the proposed interconnector is rather unique, with regards to size and other factors, cases directly related to it are hard to come by. There are, however, other interconnectors which may provide some comparison for the project.

One energy project that is often mentioned in the discussion about the Iceland – UK interconnector, is the NorNed interconnector between Norway and the Netherlands. Commissioned in 2008, the 580km long 700 MW merchant interconnector depends on price variations between markets to secure a profit (Nooij, 2011; Parail, 2009). As such, its revenue model is likely to differ from the Iceland-UK interconnector, which is – as stated before – likely to rely on revenue guarantees. The NorNed project was a joint venture between the national electricity grids in Norway and the Netherlands, Statnett and Tennet respectively. The project was partly financed by the Nordic Investment Bank. It is therefore clear that although NIB primarily engages in the Nordic and Baltic region it also participates in projects that have connections outside this specific area of operations (Nordic Investment Bank, 2007). EIB also took part in the financing of the NorNed project and financed 50%, even more than NIB. The project matched the EUs emphasis on sustainable energy as well as the integration of energy markets throughout Europe (European Commission, 2007). NorNed is likely to be financed and operated differently from the proposed interconnector between Iceland and the UK. However, it highlights some of the financing options available for the project at hand.

Conclusion and further research

It seems clear that the proposed interconnector between Iceland and the UK could have access to a variety of risk mitigation instruments, financing options as well as forums for international arbitration. However, it is rather unclear which of them are most feasible. This is, to a large extent, due to the fact that many important decisions regarding the interconnector have yet to be made. Regardless of these decisions, it certainly seems important to study political risks and the effects they may have on the feasibility of the proposed interconnector. The state of the energy sector in Europe, in addition to historical relations between Iceland and the United Kingdom, shows that it would be ill-advised not to analyse the effect of political risk factors on this project in detail.

Ownership and the financing of necessary infrastructure, as well as the interconnector itself, may be one of the most important risk factors. There are many possible solutions that may be suitable for the project. The article showcased one ownership scenario where risk is shifted to the UK away from the Icelandic public and its government. A public-private partnership played a key role in that scenario and it is likely that it would be the case in many scenarios that allow the private sector to take part in the project, including financing. Regardless of ownership, the project – including infrastructure upgrades – must be financed. The participation of the European Investment Bank and the Nordic Investment Bank may be beneficial in that regard. Both of them offer loans and guarantees that might be available and feasible if the project company and other parties involved choose to approach them for participation.

A comprehensive power purchase agreement or Contracts for Difference, possibly offered by the UK government, might partly guarantee revenue and mitigate certain risks. These contracts might also increase the project's vulnerability to regulatory changes in the UK. Recent cases in Europe have shown that energy reforms and policy changes in general can have a

significant impact on investment feasibility within the sector.

Due to the risk of policy changes occurring, it is imperative that any agreements about the project address dispute settlement and where it may take place. If disputes occur, a few well-recognised organisations offer international arbitration which might be available. Where disputes are settled is, however, dependant on the parties involved. If the opinions put forth in the article materialise, the dispute would likely be between a PPP company and a state. The Energy Charter and ICSID are likely to play a key role in these cases. This is supported by recent cases from Europe where the ECT was used in ICSID arbitration of investor-state disputes. However, there are numerous other institutions that also offer arbitration, though they have not been as prominent in recent cases. The subjects of this article are only a few of the many factors that need to be analysed further. The article is largely based on preliminary results as the project is still in the feasibility stage and many factors remain unclear.

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