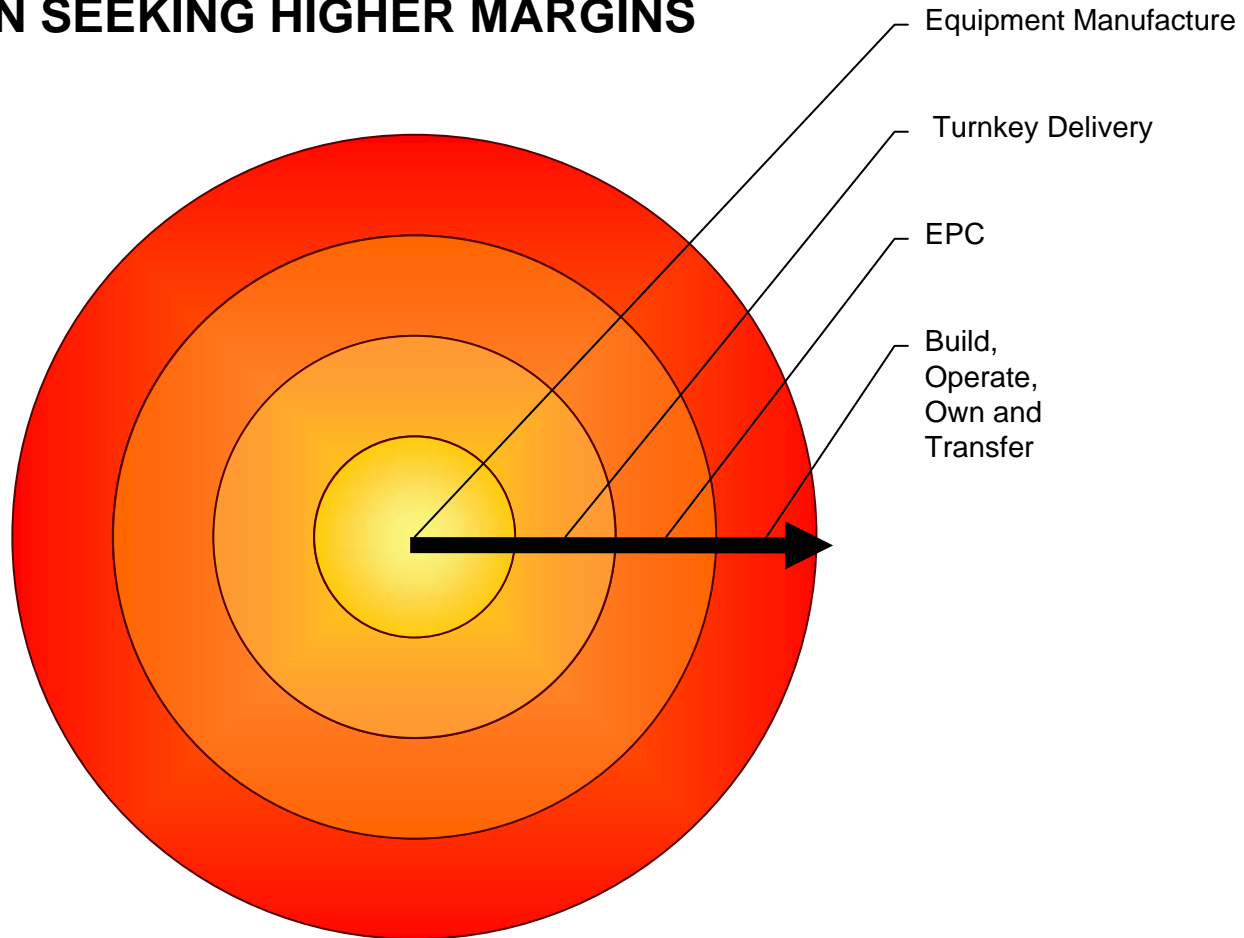


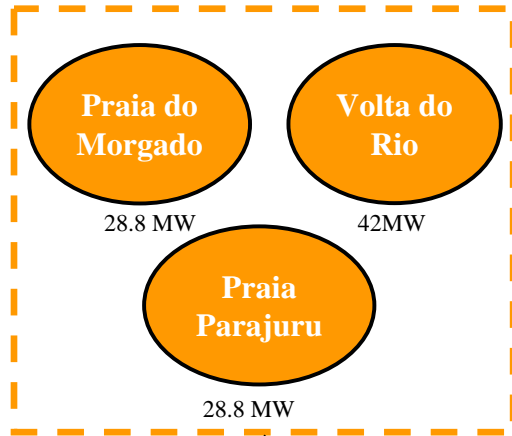


IMPESA

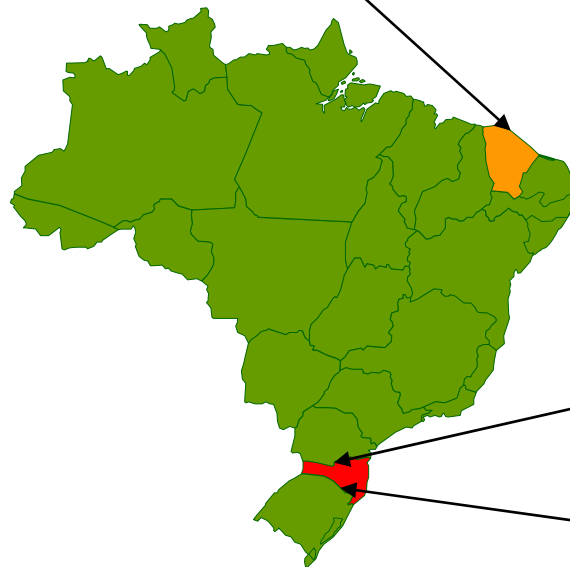
ECRI: Risk Issues

EVOLUTION SEEKING HIGHER MARGINS





- BUILD, OPERATE, OWN AND TRANSFER:
SOME OF THE RISKS BEING FACED IN THE DEVELOPMENT OF WIND FARMS



Água Doce
125.8 MW

Bom Jardim da Serra
90 MW

- DEED TO SITES
 - Due diligence identifies owner from whom the site is leased
 - As field work starts, additional interested parties appear out of nowhere, claiming rights to site being developed
 - Legal action taken amongst the parties to preserve rights
 - Risk:
Field work stopped due to injunctions filed by third parties until problems are resolved

- RIGHT OF WAY
 - No planning by local institutions as to where a transmission line may go through
 - Interferences are found as topographic survey and owners registry is performed
 - Uncertainty as to whether compensation for the right of way will be accepted
 - “Eminent domain” provides certainty but does not guarantee a timely resolution
 - Risks:
 - No timely resolution for work to proceed
 - Reassessment of routing of lines

- ENVIRONMENTAL REGULATORY INSTITUTIONS
 - Environmental law defines purpose and authority
 - IBAMA (federal environmental authority) establishes a process to obtain project license, delegates authority for implementation of process to states' environmental authorities
 - IPHAN (federal historical preservation authority) based on dated laws on preservation, considers the licensing process part of its domain
 - Conflict between federal institutions: whose directives is the contractor supposed to follow?
 - Risks:
 - No timely resolution
 - Burden is on contractor (supposed to comply with laws)
 - Potential for popular discontent

- COMMENTARY
 - In developing a project the increased number of issues beyond project execution creates a lot of uncertainty and risks
 - The developing team should be adequately staffed, and if it is to hand over to operations, it should address all issues (even those that will remain in developing team's hands)
 - When developing projects within the company, there is no recourse but to try to pull it together