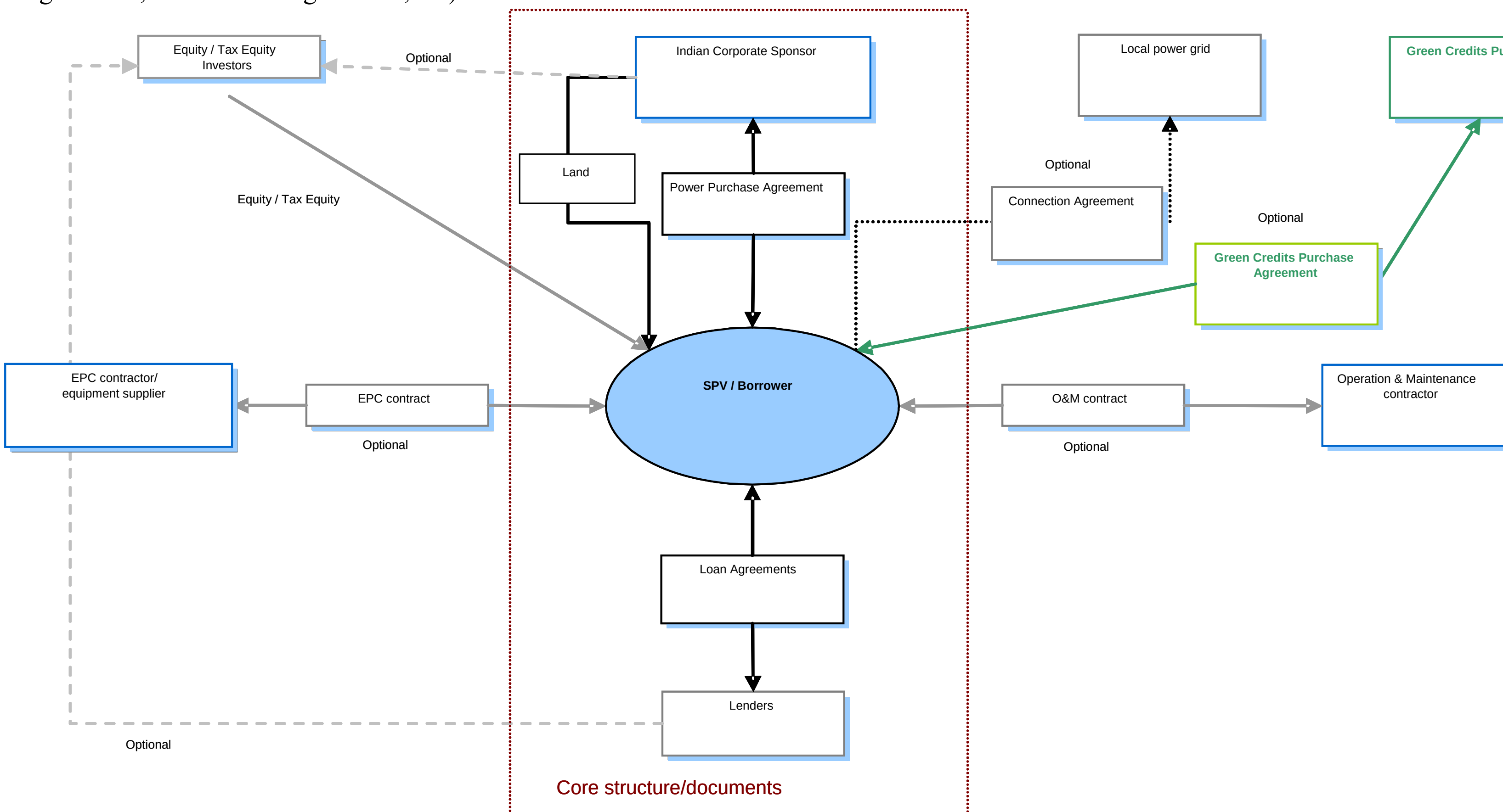
Clean Energy Investment US-India Partnership
Center for Climate Change Law

Prepared by Columbia Law School & Weil, Gotshal & Manges LLP

Proposed Investment Structure

- A special purpose entity (the "***Project SPV***") is formed for the purpose of developing, implementing and operating the Project
- The Project SPV is expected to be owned by Equity Investors to be determined, but may include the Lenders providing the financing, the Indian corporate sponsor of the Project (the "***Corporate Sponsor***") and/or private investors in renewable energy projects
- Project SPV will enter into a Loan Agreement setting out the terms of the loan
- The Corporate Sponsor transfers land to the Project SPV on which the Project will be built
- The Power Purchase Agreement (the "***Power Purchase Agreement***") sets out the terms under which the Project SPV will sell, and the Corporate Sponsor (and/or affiliates of the Corporate Sponsor) will buy, the power produced by the Project
- Other documents may be required (Engineering, Procurement & Construction Agreement, Operation & Maintenance Agreement, Green Credits Purchase Agreement, Connection Agreement, etc).



** The project shall draft and make templates available for download without charging potential Users (any business or persons engaged in clean energy investment in U.S. and/or India, each a "User." Such Users may be drawn from various related sectors, including but not limited to industry, financial and/or government sectors). No part of the legal templates, documents or any other communication may be interpreted as professional 'legal advice, counsel or service' or the establishment of any contractual, professional service or fiduciary or relationship of any other sort between the User and the project (including the Columbia University, Law School, Center for Climate Change Law, the Law Firm(s), Attorneys and experts associated with the project, Project Sponsor, their staff and/or related affiliate or person, and Weil, Gotshal & Manges LLP, its partners, associates and staff.) Furthermore, any potential User agrees he/she is responsible for obtaining separate legal counsel prior to signing any contract utilizing project documents in whole or in part, and that neither the Columbia University, Law School, Center for Climate Change Law, Project Sponsor, their staff and/or related affiliate or person, nor Weil, Gotshal & Manges LLP, its partners, associates and staff are in any attorney/client or other relationship with the User.*

Proposed Head of Terms for the Clean Energy Project Financings

Borrower:	"***Project SPV***", a bankruptcy remote special purpose company
Guarantors:	To be determined, but to include the Corporate Sponsor
Lenders:	Indian branches of banks and financial institutions to be determined
Loan Size and Currency:	To be determined.
Purpose:	Proceeds of the Loans will be used to finance a portion of the costs and expenses of developing, implementing and operating a power facility for the production of clean energy to be purchased by the Corporate Sponsor (and/or its affiliates) pursuant to a Power Agreement (the "***Clean Energy Project***")
Maturity:	[●] years from the initial funding of the Facility
Amortisation:	To be determined, but expected to amortise on a life to maturity to be determined from substantially all of the expected cash flow received under the terms of the Power Agreement
Mandatory Prepayments:	Loans are required to be prepaid from the proceeds of forward sale contracts of Certified Energy Reduction credits, or any other similar monetization
Financial Covenants:	To be determined
Other Covenants:	Usual and customary for a lending transaction of this type
Security:	To include first ranking security over: • all assets of Project SPV, including the Clean Energy Project • all interests in the land on which the Clean Energy Project is situated, and • Project SPV's rights in the Power Purchase Agreement and any EPC Agreement, O&M Agreement, Connection Agreement and/or Green Credits Purchase Agreements
Documentation:	To use the standard loan documentation that will have been approved by the Lenders for purposes of the Clean Energy Project, subject to modifications only to the extent required because of the nature of a specific project
Loan Pricing:	To be determined
Pricing Incentives:	Pricing to include interest rate reductions based on achieving certain milestones: • obtaining local governmental registrations • obtaining UNFCCC registrations, and • obtaining other programme registrations to be agreed
Governing Law:	Loan Agreement and Guaranty: State of New York, USA Security Agreements: Republic of India Power and O&M Agreements: To be determined Connection Agreement: [Republic of India] Green Credit Purchase Agreements: State of New York or England

Expected Income Streams

Selling Electricity to the Corporate Sponsor

- The purchase of power by the Corporate Sponsor from the Project SPV under the Power Agreement (the "***PPA***").
- The pricing must be set so it is sufficient to support the Facility without taking into account the sale of green credits and any tax credits.
- The pricing will need to take into account the eligibility requirements of the various green credit regimes.
- If the PPA income is sufficient to repay the loan, the only credit support required from the Corporate Sponsor in favour of the Lenders will be a guarantee by the Corporate Sponsor of its obligations under the PPA – that is, to buy electricity at the specified price.

Selling Electricity to the Grid

- It may be possible for some projects to sell electricity to the grid or other third parties, producing an additional income stream.
- Most projects will not produce an excess (or even 100%) of the Corporate Sponsor's power needs – so it is unlikely there will be an excess of electricity to sell to the grid under normal circumstances.
- However, if the relevant factory is not operating at all for a certain period, or during scheduled downtime, it could be possible to continue generating electricity – especially given the nature of renewable resources (for example wind and solar sources most likely will not be turned 'off' when a factory is not operating).
- Must explore (for each Project SPV and Corporate Sponsor) whether the difficulties (both technical and legal) of connecting and selling to the grid outweigh the advantages (from a credit perspective) of including this important alternative customer/revenue source.
- Must also explore whether individual projects should connect to the grid regardless of whether there is a possibility of excess capacity, because this may facilitate local utilities meeting their renewable energy targets.

Possible Green Credits

- Carbon Credits - United Nations Framework Convention on Climate Change ('UNFCCC') Certified Emission Reductions, or "***CERs***"
  - CERs are typically traded in European markets – English law governs the majority of transactions.
  - Buyers include large European banks. This program expires in 2012 and has not yet been renewed.
- Voluntary Offsets - typical buyers include American, European, Japanese and Australian corporates – it may be an option to document the sale of such offsets under US law.
- Possible Credits under Indian Regulations:
  - Renewable energy credits ("***RECs***") – may be applicable to solar, wind and other renewable power projects.
  - Perform, achieve, trade ("***PATs***") – may be applicable toward other energy efficiency improvement projects (boilers, turbines, etc).