

# Appendix A: Risk Allocation Example

The following table provides example risk allocations between the procuring entity (Crown risk) and the contractor.

Risk	Crown Risk	Contractor Risk
<b>General Risks</b>		
Specific change in law	Yes	No
General change in law	Shared	Shared
<i>Force majeure</i> events	Shared	Shared
Uninsurable risks	Shared	Shared
Insurance costs: construction operation	No Shared	Yes Shared
<b>Financial Risks</b>		
Base interest rate movements	Yes	No
Credit margin and fee increases	No	Yes
Exchange rate movements	No	Yes
<b>Site Risks</b>		
Unforeseeable contamination	Shared	Shared
Ground conditions	No	Yes
Archaeological artefacts	Yes	No
Obtaining a planning designation (under the Resource Management Act 1991)	Yes	No
Compliance with designation and obtaining all other regulatory approvals	No	Yes
Treaty of Waitangi risks (risk that the land becomes the subject of a claim under the Treaty)	Yes	No
<b>Design Risks</b>		
Inappropriate specification of requirements	Yes	No
Design Delayed	No	Yes
Fitness for purpose	No	Yes
<b>Construction Risks</b>		
Inaccurate cost estimates	No	Yes
Interruption and delay	No	Yes
Prime contractor financial distress	No	Yes
Industrial action	No	Yes
Commissioning (Operational Readiness)	No	Yes
<b>Operational Risks</b>		
Cost escalation above CPI/LCI	No	Yes
Costs or capability inadequate to achieve contracted performance levels	No	Yes

<b>Risk</b>	<b>Crown Risk</b>	<b>Contractor Risk</b>
Change in specific operating standards, legislation, regulations or specification	Yes	No
Failure of electricity, water or other utility service:		
Upstream	Yes	No
Downstream	No	Yes
Utilities costs and volumes	Yes	No
<b>Lifecycle Risks</b>		
Availability of asset	No	Yes
Asset management / facilities maintenance provider financial distress	No	Yes
Significant and deliberate user damage to facility	Yes	No