

# [Risk factors of energy industry](https://assignbuster.com/risk-factors-of-energy-industry/)

[Business](https://assignbuster.com/essay-subjects/business/), [Industries](https://assignbuster.com/essay-subjects/business/industries/)

Existing electric utility industry regulations, and changes to regulations, may present technical, regulatory and economic barriers to the purchase and use of solar energy systems that may significantly reduce demand for your solar energy systems.  The expiration, elimination or reduction of these rebates, credits and incentives would adversely impact your business.

If the Internal Revenue Service or the Treasury Department makes additional determinations that the fair market value of your solar energy systems is materially low your than what you have claimed, you may have to pay significant amounts to your investment funds or to your fund investors and such determinations could have a material adverse effect on your business, financial condition and prospects.

Your ability to provide solar energy systems to customers on an economically viable basis depends on your ability tofinancethese systems with fund investors who require particular tax and other benefits. You need to enter into additional substantial financing arrangements to facilitate your customers’ access to your solar energy systems, and if this financing is not available to you on acceptable terms, if and when needed, your ability to continue to grow your business would be materially adversely impacted.

A material drop in the retail price of utility-generated electricity or electricity from other sources would harm your business, financial condition and results of operations.  A material drop in the retail price of utility-generated electricity would particularly adversely impact your ability to attract commercial customers.

Rising interest rates could adversely impact your business. You must have guaranteed a minimum return to be received by an investor in certain of your investment funds and could be adversely affected if you are required to make any payments under those guarantees. In your lease pass-through investment funds, there is a one-time reset of the lease payments, and you may be obligated, in connection with the resetting of the lease payments at true up, to refund lease prepayments or to contribute additional assets to the extent the system sizes, costs, and timing are not consistent with the initial lease payment model.

You are not currently regulated as a utility under applicable law, but you may be subject to regulation as a utility in the future. Afailureto hire and retain a sufficient number of employees in key functions would constrain your growth and your ability to timely complete your customers’ projects. It is difficult to evaluate your business and prospects due to your limited operating history.

If you incur losses then it will be difficult for you to achieve or sustain profitability in the future. You face competition from both traditional energy companies and renewable energy companies. If you fail to remediate deficiencies in your controlenvironmentor are unable to implement and maintain effective internal control over financial reporting in the future, the accuracy and timeliness of your financial reporting may be adversely affected.

Projects for your significant commercial or government customers involve concentrated project risks that may cause significant changes in your financial results. You depend on a limited number of suppliers of solar panels and other system components to adequately meet anticipated demand for your solar energy systems. Any shortage, delay or component price change from these suppliers could result in sales and installation delays, cancellations and loss of market share.

Your business benefits from the declining cost of solar panels, and your financial results would be harmed if this trend reversed or did not continue. You act as the licensed general contractor for your customers and are subject to risks associated with construction, cost overruns, delays, regulatory compliance and other contingencies, any of which could have a material adverse effect on your business and results of operations.

Compliance with occupational safety andhealthrequirements and best practices can be costly, and noncompliance with such requirements may result in potentially significant monetary penalties, operational delays and adverse publicity. Problems with product quality or performance may cause you to incur warranty expenses and performance guarantee expenses, may lower the residual value of your solar energy systems and may damage your market reputation and cause your financial results to decline.

Product liability claims against you could result in adverse publicity and potentially significant monetary damages. Damage to your brand and reputation would harm your business and results of operations. If you fail to manage your recent and future growth effectively, you may be unable to execute your business plan, aintain high levels of customer service or adequately address competitive challenges.

You may not be successful in leveraging your customer base to grow your business through sales of other energy products and services. Your growth depends in part on the success of your strategic relationships with third parties. The loss of one or more members of your senior management or key employees may adversely affect your ability to implement your strategy.

Your business may be harmed if you fail to properly protect your intellectual property. The production and installation of solar energy systems depends heavily on suitable meteorological conditions. If meteorological conditions are unexpectedly unfavorable, the electricity production from your solar energy systems may be substantially below your expectations and your ability to timely deploy new systems may be adversely impacted.

You typically bear the risk of loss and the cost of maintenance and repair on solar systems that are owned or leased by your fund investors. Any unauthorized disclosure or theft of personal information you gather, store and use could harm your reputation and subject you to claims or litigation. In the long term if you intend to expand your international activities, which will subject you to a number of risks. Your long-term strategic plans include international expansion, and you intend to sell your solar energy products and services in international markets.

Risks inherent to international operations include the following:

* nability to work successfully with third parties with local expertise to co-develop international projects;
* multiple, conflicting and changing laws and regulations, including export and import restrictions, tax laws and regulations, environmental regulations, labor laws and other government requirements, approvals, permits and licenses;
* changes in general economic and political conditions in the countries where you operate, including changes in government incentives relating to power generation and solar electricity;
* political and economic instability, including wars, acts ofterrorism, political unrest, boycotts, curtailments of trade and other business restrictions;
* difficulties and costs in recruiting and retaining individuals skilled in international business operations;
* international business practices that may conflict with Indian customs or legal requirements;
* financial risks, such as longer sales and payment cycles and greater difficulty collecting accounts receivable;
* luctuations in currency exchange rates relative to the Indian Rupee; and
* inability to obtain, maintain or enforce intellectual property rights, including inability to apply for or register material trademarks in foreign countries.