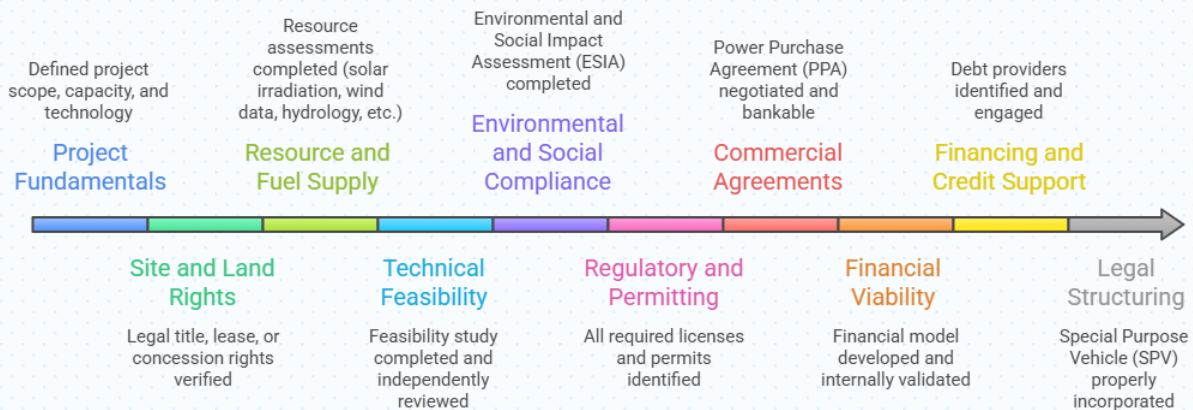


PIIL

Power Investment Incubation Limited

Strategic Energy Guidance.
Legal Precision. Market Insights.

Due Diligence Checklist for Independent Power Projects (IPPs)



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Due Diligence Checklist for Independent Power Projects (IPPs)

Ensuring a smooth path to Commercial Operations Date (COD)

1. Project Fundamentals

- Defined project scope, capacity, and technology
 - Clear demand case supported by market analysis
 - Identified site with confirmed technical suitability
 - Alignment with national energy strategy and planning frameworks
 - Preliminary project schedule and development roadmap
-

2. Site and Land Rights

- Legal title, lease, or concession rights verified
 - Land acquisition agreements executed
 - Title free of encumbrances, disputes, or competing claims
 - Rights of way secured (access roads, transmission corridors)
 - Resettlement or compensation requirements identified and addressed
-

3. Resource and Fuel Supply

- Resource assessments completed (solar irradiation, wind data, hydrology, etc.)
 - Independent verification of resource data (where required)
 - Fuel supply agreements negotiated (for thermal projects)
 - Long-term availability and pricing validated
 - Transportation and logistics arrangements confirmed
-

4. Technical Feasibility

- Feasibility study completed and independently reviewed
- Proven and bankable technology selected

- Grid interconnection studies completed
 - Plant design meets applicable standards and performance requirements
 - EPC strategy defined (turnkey, multi-contract, hybrid)
-

5. Environmental and Social Compliance

- Environmental and Social Impact Assessment (ESIA) completed
 - Environmental permits and approvals obtained
 - Stakeholder engagement and consultation conducted
 - Environmental and social management plans in place
 - Compliance with applicable international standards (e.g., IFC, Equator Principles)
-

6. Regulatory and Permitting

- All required licenses and permits identified
 - Generation license obtained or in process
 - Construction and environmental permits secured
 - Grid connection approvals obtained
 - Compliance with all regulatory requirements confirmed
-

7. Commercial Agreements

- Power Purchase Agreement (PPA) negotiated and bankable
 - Fuel Supply Agreement finalized (if applicable)
 - EPC contract aligned with risk allocation and performance guarantees
 - Operations and Maintenance (O&M) agreement executed
 - Transmission and connection agreements finalized
-

8. Financial Viability

- Financial model developed and internally validated
 - Key assumptions verified and documented
 - Sensitivity analysis completed (tariff, cost, delays, resource variability)
 - Debt service coverage ratios meet lender requirements
 - Currency, inflation, and interest rate risks assessed
-

9. Financing and Credit Support

- Debt providers identified and engaged
 - Term sheets negotiated
 - Equity commitments secured
 - Credit support mechanisms defined (guarantees, letters of credit, etc.)
 - Lender due diligence requirements addressed
-

10. Legal Structuring

- Special Purpose Vehicle (SPV) properly incorporated
 - Shareholders agreement executed
 - Contractual risk allocation consistent across project documents
 - Security package defined (pledges, assignments, charges)
 - Dispute resolution mechanisms clearly defined
-

11. Construction Readiness

- Conditions for Notice to Proceed (NTP) clearly defined
- EPC contractor capability and track record verified
- Detailed construction schedule aligned with financing timeline
- Procurement and supply chain risks assessed

- Insurance coverage in place (construction all-risk, delay in start-up, etc.)
-

12. Operational Readiness

- O&M contractor mobilized and resourced
 - Maintenance systems and procedures established
 - Spare parts and inventory strategy defined
 - Testing and commissioning protocols agreed
 - Grid synchronization and dispatch readiness confirmed
-

13. Risk Management

- Comprehensive risk register developed
 - Allocation of risks across contracts clearly defined
 - Political, regulatory, and market risks assessed
 - Force majeure provisions aligned across agreements
 - Mitigation and contingency plans established
-

14. Conditions Precedent to COD

- All contractual conditions precedent satisfied
 - Regulatory approvals finalized
 - Construction completed and certified
 - Performance and reliability tests successfully passed
 - Final lender and investor approvals obtained
-

Closing Note

A well-developed IPP does not reach Commercial Operations by chance. It reaches it through disciplined verification of every assumption, alignment of every contract, and deliberate management of every risk.

Due diligence is not a procedural exercise. It is the mechanism that ensures the project you finance, build, and operate performs exactly as intended.

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