

# Operational Checks in Asset Selection

## Full Description

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The Relevant Authority should check the following from an operational perspective:

The asset should meet the following criteria:

- Historical operations - the asset should already be operational to enable an assessment of its operational and financial track record.
- Remaining life - the asset should have an adequate remaining life to ensure that the private sector can generate sufficient return on its investment. In addition, the remaining life of the asset may also be impacted by climate related risks that may shorten its effective life.
- Scope for operational efficiencies - scope for improvement or innovation by the private sector partner in terms of operational efficiency or effectiveness (including those related to energy consumption).
- Climate risks - The Relevant Authority should assess how climate risks may affect the potential asset recycling transaction. If left unmitigated, the adverse effects of climate change may impact the operational, financial, environmental, and social performance of large, fixed infrastructure assets. The climate risk assessment at this stage can be considered on the basis of a high-level assessment, or 'screening' of the risks compared to the preliminary technical, economic, and financial assessments conducted. An asset recycling transaction with high climate risk might be determined as too risky. The following high-level assessments are recommended as an initial assessment of an asset recycling transaction, prior to making further investment in acquiring permits or conducting more in-depth assessments:
  - Screening-level assessment of climate-related risk exposure;
  - Screening-level assessment of project vulnerability; and
  - Screening-level assessment of the overall climate risk profile: assessment of GHG emissions baseline of the asset.

## Useful Links

[PPP Reference Guide 3.0 \(Full version\)](#)

[PPP Risk Allocation Tool \(2019\)](#)

[Preparing, Procuring and Implementing Climate-Smart PPPs](#)

## Related Content

[Guidelines for Implementing Asset Recycling Transactions \(Download PDF version\) - Now Available!](#)

## Page Specific Disclaimer

*The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific*

transactions To find more, visit the *Guidelines to Implementing Asset Recycling Transactions* [Section Overview](#) and [Content Outline](#), or [Download the Full Report](#).

