

INFRA-FISCAL RADAR · WEEKLY

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Every PPA has a walk-away. Lenders price it. Finance ministries rarely do.

A power purchase agreement — and every water or transmission PPP built like one — has two signatures, and either can fail. The seller stops building. The buyer stops paying. What stands between that failure and the lenders — a guarantee, a pledge of receivables, a backup supplier — **decides what the project costs.** And the last layer is almost always the State.

This week: an auction whose winners all walked away. A Treasury that delayed its own tender to build the guarantee first. A water utility that shows bidders what it has already pledged. A State lender stacking loss layers. And thirty years of data on who gets paid back.

Austral Fiscal & Infrastructure Intelligence · drawn from public reporting, with the Austral research series referenced throughout.

CHILE · WHEN THE SELLER WALKS AWAY

Five winners. 2,310 GWh a year. Today none of it counts.

Chile's 2021 auction for regulated power supply awarded PPAs for 2,310 GWh a year from 2026, at an average **USD 23.78/MWh** — bids started at 13.32. On 1 October the energy commission's final report took all of it out of contracted supply: every winner has terminated or is in default. Across the 2015–2022 rounds, twelve suppliers are out.

15% of 2026 regulated demand — **4,707 GWh a year** of signed supply no longer counted

Part of the gap was bought again last year, in four-year gas-indexed contracts at USD 64.5/MWh. The new rules, final on 2 October, price the exit: a guarantee of up to **UF 1,500 per GWh** — 7.5 times the 2022 bid bond — cashed after one missed month, for regulated customers. And a backup generator that takes over at the original price.

A low bid with a cheap exit is an option, not a contract. Size the guarantee to the cost of replacing the energy, and send the proceeds to whoever pays for the replacement — as Chile now does.

[Austral papers](#) → *The Intelligent Gate* · *The Renegotiation Triangle*

SOUTH AFRICA · BUILD THE SECURITY BEFORE THE BID

South Africa delayed its first transmission PPP. On purpose.

Seven pre-qualified bidders. About **1,164 km** of new lines. The final request for proposals was due by the third quarter of 2026. On 1 October the Treasury and the energy department moved it to the second quarter of 2027 — so that bidders see the terms of the credit guarantee vehicle before they price.

Q2 2027

for the final RFP. First the guarantee vehicle — incorporated in August, binding term sheet by March. Then the bids.

The reason given is the right one: so that “bidders and lenders have sufficient clarity to assess and price the transaction” — and to avoid “conditional bids and protracted negotiations later”.

The payment-security package is part of the price, not an annex. Fix it before the bid, publish its terms, and count what it commits the State to on the day it is signed.

[Austral papers](#) → *The Third-Party Guarantee Decision · PPP Feasibility Framework*

BRAZIL · CEARÁ · SHOW WHAT IS ALREADY PLEDGED

A water utility that tells bidders how much of its cash is already promised.

On 9 October Cagece, Ceará's state water company, launched a sewage PPP for **104 municipalities** in four blocks: R\$6.3 billion over 28 years, for 1.2 million people. Cagece keeps billing and collecting the tariff, and the partners are paid from it. So the tender pack carries a one-page table: how much of Cagece's monthly collections already stands pledged as guarantees.

26.66% of August's collections — **R\$69 million a month** — already pledged to public and development lenders and to two existing PPPs

A further PPP's share starts when it begins operating. **Every bidder can see the queue before joining it.**

Publishing the pledge stack is the cheapest payment security there is. Cap the share of tariff receivables a utility may pledge, report it with every new contract — and the next partner prices less fear.

[Austral papers](#) → *Stress-Testing PPP Portfolios · The Pipeline Under the Ceiling*

INDIA · WRITE DOWN THE WATERFALL

Who pays first, second and third when an infrastructure bond falls short?

NaBFID, the government-owned infrastructure lender, is setting up a facility to cover shortfalls in debt service on infrastructure bonds. India's central bank has raised the cover such a facility may give from **20% to 50%** of the bond. A World Bank proposal dated 6 October stacks the layers behind it.

US\$470m World Bank guarantee on the **third-loss layer** — matched by **US\$470m** from ADB, plus a **US\$30m** World Bank loan into the second

MIGA is weighing a further guarantee of about US\$1bn. The stated goal: crowd in private capital “without proportionately expanding public-sector balance-sheet exposure”. NaBFID is wholly State-owned, so **every loss the outside layers do not absorb stays with the State.**

Layered guarantees are good design — when the layers are published. Report the waterfall: who takes the first loss, the cap on each layer, and the State's share as a contingent liability.

Austral papers → *The Third-Party Guarantee Decision · The Recognition Rule*

GLOBAL · WHAT COMES BACK

Same lenders. Same countries. What stands behind the borrower decides what comes back.

The GEMs consortium pools the loan records of 28 development lenders. Its 2026 statistics, released on 6 October: private borrowers default at **3.29%** a year and lenders recover **69.8%**. State-owned borrowers: 1.92% and 80.4%. Sovereign and sovereign-guaranteed loans: **0.79% and 95%**.

70¢ → 95¢ recovered per dollar in default — from a private borrower, and from one with the **sovereign** behind it

GEMs credits much of that 95 to its members' preferred-creditor status: a commercial bank holding a guarantee should not expect the same. The direction is the point. **The more credible the support behind the borrower, the more comes back when it fails.**

The security package is where the cost of capital is decided. A published, funded and capped package is cheaper than the risk premium charged for not knowing who pays.

[Austral papers](#) → *The Third-Party Guarantee Decision · The Viability Gap Is an Output*

THE THROUGH-LINE

Someone always pays when a party walks away. Decide who before you sign.

Chile priced the seller's exit too cheaply, and is repricing it. South Africa is building the buyer's guarantee before the bids. Ceará shows bidders what is already pledged. India is writing the layers down. **The cheap version of a walk-away is the one written into the contract — and into the fiscal-risk statement.**

VfM value for money	Price the walk-away: a guarantee sized to replacement cost, set against the risk premium it removes.
FARO PPP fiscal risk	Register every backstop, pledge and loss layer the State stands behind, with its cap, before signature.
GFS accrual accounting	Book the State's layer as a contingent liability, and pledged receivables as what they are: committed cash.

Thursday: what investors charge to finance Latin American power and gas — energy betas against the global benchmark, from the Austral platform.

PAPERS, MODELS & FARO

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