

# Identifying risks and how to minimise them

It is important to recognise that there are many potential risks involved with setting up and/or running a community energy project. Risks are unknown events that have not yet occurred but that could cause problems with, or potentially even put a complete stop to, the running of your project.

Of course no-one has the ability to foresee the future, but if you identify potential risks early on then you will have a better chance of running a successful project from start to completion. Good risk management is about being proactive, identifying and preparing for potential concerns before they turn into major problems.

The benefits of identifying the risks that could affect your project in the future are twofold.

Firstly, identifying the likelihood of different risks and having a good plan of how you will deal with these problems if they arise will make your project more resilient to unanticipated events and therefore more likely to succeed.

Secondly, clearly outlining risks makes your organisation look well informed and will help to prove that you have a thorough understanding of what's involved in the project. This is particularly important for projects that seek external investment, or groups that work in partnership with other professional organisations or public authorities. Informing potential investors about what you are doing to address risks will help engender a sense of trust in the way that you are managing the project. Representing risks clearly to your investors up front can also help to avoid dispute later on if something goes wrong. And, if you plan on issuing shares to fund your project, you'll need to outlay the risks in your project to your future investors in your share issue document.

## **The risk register**

One of the easiest ways to take stock of the risks that are related to your project is to fill out a risk register. This is a simple matrix that lists potential risks, the probability of the risks occurring, the impact on the project, and the actions that will be taken to reduce the chance of the risk happening or to lessen the impact if the risk happens (also known as risk mitigation).

An example of how to represent potential risks and their mitigating factors in a risk register is shown in the matrix below:

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**Example risk register for a scheme installing home energy efficiency improvements:**

Risk	How we will mitigate the risk	Probability (high, medium, low)	Impact (severe, serious, moderate, negligible, none)
There is not enough local demand for running the project	<p>The group will attempt to create demand in the area by:</p> <p>Running events such as open homes days to showcase energy efficiency options.</p> <p>Running a media campaign to promote the benefits of the Green Deal.</p> <p>Targeting specific homes in the area with information to try to improve local demand.</p> <p>Providing incentives for householders to sign up to the scheme.</p>	Low	Severe
Key core group members leave the project	<p>Make sure there are incentives in place to retain the core members of the team.</p> <p>Keep an updated list of keen and active members associated with the project to contact if a replacement needs to be found.</p>	Low	Moderate
Local contractors fail to install Green Deal measures to specified performance standards	<p>Installation contracts will be put out to tender and installers and contractors will be chosen based on experience and track record.</p> <p>Contracts will include provisions for guarantees against non-performance.</p> <p>Contracted partners will be monitored to ensure compliance.</p> <p>In individual cases this would be followed up with the contractor to reach a resolution that is acceptable to the customer. If quality of work repeatedly fails to meet standards, contracts would be terminated and retendered.</p>	Medium	Negligible

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Filling out a risk register allows a group to pinpoint the risks that could be most damaging to the project early on. So, if you know that a risk that has a high probability and a severe impact, it should be a high priority to have a plan ready to put in to action should the event occur.

It is important to maintain and update a risk register as a project progresses to take account of changing circumstances and the unanticipated problems that could arise as things change. A monthly risk review with the core group could be a good way to make sure that risk management remains a priority throughout the duration of the project.

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## **Exercise: Understanding the risks involved with setting up an energy project**

This exercise aims to assess some of the risks that might be involved with a community energy project. You will complete a risk register and use this to plot out a 'risk map' which will allow the most likely risks to the project to be identified based on their impact and probability.

If you are planning an energy efficiency or a Green Deal project but you are still deciding on how exactly to engage with the Green Deal, it might be worth completing this exercise for several different types of projects. This will allow you to see which projects are the riskiest. Your group will need to sit down and discuss the level of risk that you are willing to manage based on the outcome of the exercise.

**Allow up to 60 minutes for this exercise**

### **Number of people or groups**

We recommend that you run the exercise with at least two people. Working in a group allows you to identify more potential risks to the project than one person could come up with alone. If you are running this exercise at an event, groups should be small enough to share handouts – probably no more than 6 people per group.

### **Materials Needed**

Copies of handouts 1 and 2

Pens/markers

Sticky dots (optional)

### **Stage 1: Setting up**

Divide into groups if necessary and make sure that each group has a copy of the risk register and an outline risk map.

For anyone not already familiar with the project, spend a few minutes outlining the basic idea, or provide a written summary or project proposal.

### **Stage 2: Filling in the risk register.**

(i) As a group, brainstorm the potential risks associated with your project. Note each risk that you identify down in the 'Risk' column of the risk register template.

Risks can occur in all stages and with regards to all aspects of a project. Some people find categorising different types of risk together is useful to make sure that nothing is overlooked. If you get stuck, try to think of risks that come under the following headings:

Financial

Operational

Managerial

Legal

Technological

Environmental

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(ii) For each risk, fill in the probability of the risk occurring (high, medium, low), as well as the severity of the impact (none, negligible, moderate, serious, severe) based on the categories outlined in table below:

Severity	Definition
Severe	An event whose occurrence will impact the project's cost, quality and/or delivery schedule so severely that the project will likely be terminated; or an event that cannot be mitigated or resolved, resulting in the termination of the project.
Serious	An event that, if it occurs, will cause significant cost, quality and/or schedule increases on the project.
Moderate	An event that, if it occurs, will cause noticeable cost, quality and/or schedule increases on the project.
Negligible	An event that, if it occurs, will cause small cost, quality and/or schedule increases on the project.
None	An event that, if it occurs, will cause no impact to the cost, quality or schedule of the project.

(iii) For each listed risk, then discuss the possible actions that could be taken to lower the probability and lessen the impact of the risk. Note these actions down in the 'mitigation column' of the risk register.

Some risks may be outside of your control and there might be little you can do in terms of prevention. In some cases it might be worth having a plan B or contingency plan in place as part of your mitigation approach.

### Stage 3: Completing the risk map

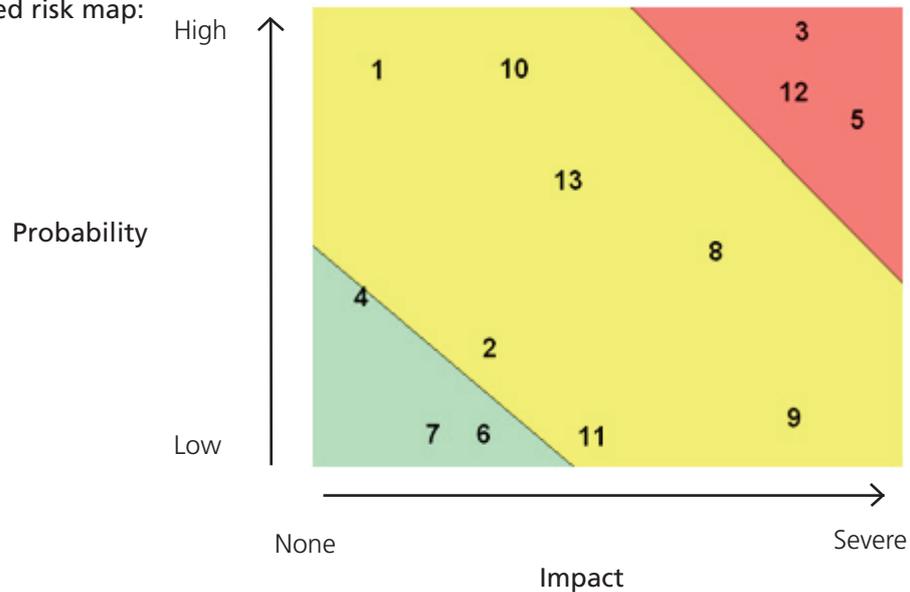
Plotting a risk map will help you to identify the areas of highest priority to focus on for risk management. The map will enable you to see the spread of likelihood and severity of the potential risks to your project

Mark each risk that you identified in the risk register onto the template risk map by plotting the number of the risk in the appropriate place on the map. You can mark the risk with a sticky dot (with the number of the risk noted on it), or simply with the number of the risk itself.

Don't worry about being too exact, as opinions in the group will probably differ on where the dots would be best placed. Try to reach consensus if you can!

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An example of a completed risk map:



Once you have plotted all of the risks that you have identified onto the risk map, you will be able to see the spread of the probability and impacts of the risks in the project.

**Stage 4: Discussion**

Discuss the following questions within your group:

Are the risks evenly spread over the map, or do the majority of risks lie in a certain area?

What does this tell you about the project? Would you say that it was generally high-risk or low-risk?

What risk(s) would have the most severe impact on the project? How probable is it that this risk would occur?

What risk(s) have the highest probability of occurring? Would it have a severe impact on the project?

Focus on the risks with the highest probability and highest impact. What are the best mitigation strategies for addressing each risk? Are there any actions that can be taken immediately?

If you have split into several groups, get each group to briefly feedback the key risks that they have identified for their project. Would the group pursue this project based upon their risk map?

Note how different groups or individuals will have represented the risks – and their mitigation strategies- differently, and make sure that groups note down any risks that they missed themselves.

**Stage 5: Using the risk register**

Now that you have mapped and analysed the different risks for your project (or potential project) you can collate the results of this exercise and agree a formal risk register. It should be seen as a working document, so once your project starts you may need to update it in case any details have changed. You could also set regular review dates for updating the document, adding new risks that have been identified and re-assessing the probability, impact, and potential actions to mitigate against each one.

### Risk Register Template

Risk	How we will mitigate the risk	Probability (high, medium, low)	Impact (severe, serious, moderate, negligible, none)
1.			
2.			
3.			
4.			
5.			
6.			
7.			

### Risk map template

