

# The Journal of Project Finance

VOLUME 4, NUMBER 3

FALL 1998

<b>EDWIN F. FEO</b>	Editor
<b>BARRY P. GOLD</b>	Editor
<b>LAURENE B. MAHON</b>	Editor
<b>JONATHAN S. SAIGER</b>	Editor
<b>HENRY A. DAVIS</b>	Managing Editor
-----	
<b>NOELLE SCHULTZ</b>	Editorial Production Director
<b>KARINA SPEKTOR</b>	Editorial Production Manager
<b>DIAHL BALLARD</b>	Editorial Production Assistant
-----	
<b>MARIA MICHALAKOPOULOS</b>	New Business Development Manager
<b>RANDI STARKMAN</b>	Senior New Business Development Associate
-----	
<b>ROSE PINTAUDI JONES</b>	Direct Marketing Manager
-----	
<b>JAMES MARINACCIO</b>	Circulation Manager
<b>YVONNE BRANDAU</b>	Fulfillment Manager
<b>KATHY COMMISSO</b>	Fulfillment Assistant
<b>BETH SILVER</b>	Fulfillment Assistant
-----	
<b>AJANI MALIK</b>	Production and Reprints
-----	
<b>RADHIKA SAMBAMURTI</b>	Business Analyst
-----	
<b>SANDRA ANDERSON</b>	Advertising Director
<b>LORI BRATTER</b>	Advertising Manager
<b>MARY BLAND</b>	Department Assistant
-----	
<b>ANTHONY DININO</b>	List/Swaps Manager
<b>ELISE ANTONELLI</b>	Agent Sales Manager
-----	
<b>GEORGE LIAO</b>	Product Manager
<b>GAURI GOYAL</b>	Vice President and Publisher
<b>CHRIS BROWN</b>	CEO

As we enter a period of greater uncertainty on the global financial stage, this issue of *The Journal of Project Finance* looks at both international and domestic risk issues. The macroeconomic environment affects project finance transactions because it molds the underlying cost of capital and availability of capital. Nonetheless, risk allocation on the project level, in the end, determines whether a project is financeable. Each article in this issue brings into greater focus different project risks and how they can or should be managed.

The Melbourne City Link (MCL) and Korean Infrastructure articles share and emphasis on political risk sharing. Where the MCL looks at a local political environment, the article on Korean infrastructure focuses on the evolving Korean political government. Perhaps as the Korean national regulatory and legal environmental matures, they may be able to take from the ideas explored in Melbourne.

The Bay Shore and Merchant Plant articles deal with the relatively stable political environment of the U.S. But once again, this macroeconomic factor only shifts the focus more quickly to the specific project risks in each case. In the Bay Shore situation, tax risk is the focal point of minimizing risk comes under new scrutiny as the competitive power market evolves in the U.S.

Finally, the potential of countertrade is explored as a mechanism to bridge an impending financing gap. The implication of this revitalized structure is that sources of capital for project financing will shrink in the future as hard commodities substitute for what had been hard (or at least relatively firm) currencies.

I would like to thank the authors for their well thought out presentations and contributions to the project finance community. We need to explore both new and old ideas of how to deal with risk as the capital markets contract in this part of the business cycle. As the ground of the capital markets shift with greater violence, I hope these ideas will assist you in making a path to your project's funding.

**Jonathan S. Saiger**  
Editor