LIVE WEBINAR
CHEMICAL LEASING:
CONTRACT REQUIREMENTS

7 May 2020

Reinhard Joas, Chemical Leasing Expert
The 3 Essential Elements of a Successful Chemical Leasing

1) Potential to use chemicals in more efficient way.
2) Trustful collaboration between the partners.
3) Fair contract to balance interests.

Please keep in mind: Even the best contract can just accompany the trustful collaboration between the partners.

In the following slides you learn about the elements and requirements for a fair contract.
Core Elements of a Contract

• Definition and description of services:

*What is the contract about?*

**Recommendation:** Describe common targets and nature of the contract - performance based business model

*Who will carry out which tasks?*

**Recommendation:** Define phases for the contract, e.g. identification of potential, process optimization and testing, implementation.

*Distribution of Responsibilities.*

• Unit of payment, Terms of payment:

**Recommendation:** The unit of payment needs to be clearly defined and as simple as possible; both partners should have the option to monitor the unit of payment.
Core Elements of a Contract

- Place of jurisdiction
- Duration of the agreement:
  **Recommendation**: Don’t make it too short, at least 1 year.
- Right of withdrawal and contract termination
- Terms of delivery of chemicals
- Sharing of potential investments and contributions:
  **Recommendation**: Include planned values but also the option for modification to the “real” situation.
Core Elements of a Contract

- **Allocation of benefits generated:**
  **Recommendation:** Include planned values but also the option for modification to the “real” situation.

- **Rules of co-operation:**
  **Recommendation:** Define rules for unplanned overconsumption of chemicals by the user, this might include penalties for the user. A provision for expected consumption might be useful.

- **Liability and warranty:**
  **Recommendation:** Define liability and warranty separately for each partner.

- **Confidentiality:**
  **Recommendation:** Be as precise as possible!

- **Conflict resolution**
Additional and Critical Aspects of the Contract

• **Calculating the price:**
  
  **Recommendation:** Include price fluctuation of raw materials (index based).

• **Liability risks**
  
  - Damages to the site
  - Quality problems regarding the manufactured products
  - Health / Environmental impacts

• **Know-How Leakage**
  
  - How to protect know-how of the user?
  - How to protect know how of the supplier?
  - What about common know how?

• **Flexibility**
  
  **Recommendation:** Include flexible mechanisms for modifying and amending technical and economic parameters
Thank you!

REINHARD JOAS

International Expert for UNIDO’s Chemical Leasing Programme

Email: chemicalleasing@unido.org