

**“Mitigating Risk and Understanding EPC Contract Models”**  
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Power and energy construction projects are complex and risky. Did you know that proper management and allocation of risk among project participants is an essential part of a successful project? I’m Greg Seador, and this is a *Must Know Minute*.

The standard contract format used for power and energy construction projects is called the engineering, procurement, and construction contract (the EPC contract). Careful drafting of the EPC contract is a critical first step in managing risk in a traditional form.

The EPC contract makes the EPC contractor responsible for the entire project. This includes engineering or design of the plant, procurement, purchase, and installation of the equipment as well as performance of all the equipment and also construction of the plant itself.

It’s important to note that the EPC contract can employ different contract models and different pricing structures, and each of these carries different levels of risk for project participants. Selecting the appropriate contract model and pricing structure to meet the unique needs of the project is very important.

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