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Structuring a Data-Centre Joint Venture

Aligning the Operator, Landowner and Capital Provider from Site Control to Stabilisation

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ABSTRACT

Background. Data-centre development combines land, power, technology, construction, operations and long-duration capital. These inputs frequently sit with different organisations. A joint venture can assemble them within one project company, provided that its contracts allocate control, risk and economic reward coherently. **Objective.** This paper develops a practitioner framework for structuring a Gulf data-centre joint venture among an operator, a landowner and a capital provider. It addresses ownership, reserved matters, contribution valuation, development funding, operating incentives, distributions, deadlock, transfer rights and the interface with project finance. **Approach.** The analysis combines incomplete-contract and transaction-cost theory, the joint-venture and real-options literature, project-finance risk-allocation principles, IFRS 11 and current official UAE sources. It applies a decision-rights matrix to a clearly labelled author scenario and tests the structure against construction delay, power delay, customer under-conversion and capital overrun. **Findings.** Bankability depends on alignment between four layers: each party's contribution, the risks that party controls, the decisions it may make, and the returns it receives. Misalignment appears when nominal equity percentages carry rights unrelated to funded capital or operational exposure. The most durable structure separates land economics, development compensation, operating compensation and residual equity return; gives veto rights only over risks a party bears; and places lender consent above venture consent where project debt is exposed. **Implications.** Sponsors can reduce renegotiation and financing friction by agreeing the operating model, grid and land conditions, funding cascade, evidence standards and default remedies before incorporating the project company.

Highlights

- The venture should allocate each material risk to the party able to control it
- Reserved matters should follow risk ownership and committed capital
- Land rights, grid capacity and customer contracts are financing conditions
- Operator incentives should reward delivery, uptime and commercial conversion
- A lender interface should be designed before external debt is requested

JEL Classification: G32, G34, L14, L22, L94

Keywords: data centres, joint ventures, project finance, governance, land rights, operators, infrastructure, Gulf Cooperation Council

This paper is an educational and structural analysis prepared for research purposes. It is not investment advice, an offer, or a solicitation. It contains no client information.

1. INTRODUCTION

A utility-scale data centre is a coordination problem expressed through a building. The landowner controls the site and frequently the local development route. The operator controls the technical design, operating platform, customer proposition and service-level capability. The capital provider supplies the equity, underwriting discipline and often the relationships required for external debt. The electricity utility controls connection capacity and energisation. Customers determine contracted revenue. Contractors and equipment suppliers determine delivery. No single participant ordinarily controls every condition on which the asset depends.

The joint venture is therefore a contractual operating system. It determines who contributes each essential input, when the contribution becomes unconditional, who controls the decisions attached to it, how failure is remedied, and how value is divided after the project has paid its obligations. A percentage ownership table captures only one element of this system. Bankability requires the remaining elements to work together.

The International Energy Agency reports that data centres consumed about 415 TWh globally in 2024 and projects consumption of about 945 TWh in 2030 in its base case (IEA, 2025a). The IEA also emphasises that grid connections, generation and other energy-system bottlenecks can constrain the pace of development (IEA, 2025b). UAE policy creates a supportive demand setting: the national artificial-intelligence strategy seeks a leading AI position by 2031, while the updated Energy Strategy 2050 combines rising electricity demand with investment in generation, networks and clean energy (UAE Government, 2024; UAE Ministry of Energy and Infrastructure, 2023). These policy signals support investment. They do not replace project-level evidence of land rights, grid capacity, permits, funding and revenue.

This paper focuses on the project-level contract. It is written for a data-centre operator, a landowner or development sponsor, and an institutional or private-capital investor forming a venture in the Gulf. External lenders, technical advisers and counsel are a secondary audience because their requirements shape the venture agreement before a financing is launched.

1.1 Research questions

The paper addresses three questions.

- **RQ1.** How should a data-centre venture allocate ownership, decision rights and economic returns among the operator, landowner and capital provider?
- **RQ2.** Which land, power, development, operating and customer obligations should sit inside the project company, and which should remain with a shareholder under a separate enforceable contract?
- **RQ3.** How should the venture be designed so that external debt can be raised without rewriting its governance and economics?

1.2 Contributions

The paper makes four contributions. First, it translates incomplete-contract and property-rights theory into a data-centre decision-rights map. Second, it separates four economic accounts that are often blended: payment for land, payment for development work, payment for operations and residual return on capital. Third, it connects venture governance to project-finance bankability by placing lender conditions, security and cure rights directly into the structural framework. Fourth, it supplies a negotiation sequence and term-sheet checklist for practitioners.

1.3 Roadmap

Section 2 reviews the relevant literature and develops five propositions. Section 3 describes the UAE and Gulf institutional setting. Section 4 defines the analytical method and a labelled author scenario. Section 5 maps

contributions, rights, economics and financing. Section 6 provides a structuring sequence. Section 7 tests the framework under adverse events. Section 8 discusses implications for each participant and international investors. Section 9 states limitations and future research. Section 10 concludes.

2. LITERATURE REVIEW AND PROPOSITIONS

2.1 Incomplete contracts and residual control

Grossman and Hart (1986) and Hart and Moore (1990) treat ownership as the allocation of residual control rights over assets where contracts cannot specify every future action. The owner matters most when the contract is silent, circumstances have changed and a decision remains necessary. Data-centre ventures contain many such circumstances. Equipment specifications evolve. Customer requirements change during construction. Grid dates move. Cooling and redundancy designs are revised. Additional phases may become valuable. A venture agreement cannot describe every possible response.

The theory gives a direct structuring rule. A party should hold control over a decision where its relationship-specific investment and exposure would otherwise be vulnerable. The operator needs authority over technical standards that determine service quality and operating reputation. The capital provider needs authority over budget increases, additional borrowing and distributions that determine capital at risk. The landowner needs protection against uses, encumbrances or transfers that affect retained land or adjacent development.

The theory also identifies an excess-control problem. A veto unrelated to the holder's exposure can create hold-up. A shareholder may block a necessary decision to extract an unrelated concession. The appropriate response is a defined reserved-matter list, materiality thresholds, objective evidence requirements and a deadlock process that distinguishes commercial disagreement from default.

Implication for a Gulf data-centre venture. Share percentages should not mechanically determine every veto. Decision rights should follow the specific assets, obligations and downside each party contributes.

2.2 Transaction costs and asset specificity

Williamson (1985) explains why specialised investments are organised through governance structures that protect parties from opportunism. Data-centre assets are highly specific. A powered site, a custom electrical design, a customer-specific hall, specialised operations and a local utility relationship have greater value together than in separate markets. This specificity supports a project company with long-duration contracts among the participants.

Asset specificity also raises exit risk. A landowner may struggle to replace an operator after the building is designed around that operator's platform. An operator may struggle to replace a site after committing design and customer work. Capital may struggle to replace either party during construction. The venture should therefore contain substitution rights, transition services, intellectual-property licences, access to data, step-in procedures and a valuation method for default transfers.

The relevant contract horizon extends beyond construction. A data centre's operating period includes capacity expansion, customer renewals, equipment replacement, energy procurement and refinancing. Governance designed only for the build leaves the most valuable phase under-specified.

Implication for a Gulf data-centre venture. The project company should own or control the contracts, licences, information and transition rights required to keep the asset operating when a shareholder is replaced.

2.3 Joint ventures as capability combinations and real options

Kogut (1988) identifies transaction-cost, strategic-behaviour and organisational-learning explanations for joint ventures. Kogut (1991) also frames a venture as an option to expand or acquire after uncertainty resolves. Both ideas apply to phased data-centre campuses. The first phase tests the site, grid process, operator, customer conversion and construction platform. Later phases can then be developed with more information.

The real-options framing supports staged capital and conditional expansion rights. A landowner can contribute a first parcel and reserve adjacent land. The operator can commit a defined mobilisation package and scale the operating platform as contracted load grows. Capital can fund to measurable milestones and retain the right to approve later phases. The venture preserves expansion value while avoiding an unconditional commitment to every phase on day one.

Capability combinations require evidence. A brand name, local relationship or asserted customer pipeline has limited financing value until it is expressed through a contract, a deliverable and a remedy. The venture term sheet should convert each claimed capability into an obligation with an acceptance test.

Implication for a Gulf data-centre venture. Each contribution should be specified as cash, property, a contract, a licence, a service or a measurable milestone. Expansion should remain conditional on evidence from the preceding phase.

2.4 Project finance and risk allocation

Project finance concentrates project contracts and financing in a legally separate vehicle (Brealey, Cooper and Habib, 1996; Esty, 2004). The structure allocates construction, operating, market and political risks to counterparties able to manage them. World Bank guidance expresses the same principle: a risk should sit with the party able to control its probability, control its impact or absorb it at the lowest cost (World Bank, 2024a).

This principle clarifies the data-centre venture. Construction price and schedule risk should sit with the party procuring and managing the contractor, supported by a fixed or controlled contract, contingency and performance security. Operating performance risk should sit with the operator through measurable service obligations. Land title and access should sit with the land contributor. Funding risk should sit with the party making a committed equity obligation. Power-interface responsibilities should be divided between the party managing the application and the project company that bears the connection contract.

Efficient risk allocation needs matching authority. A shareholder cannot manage a risk while another shareholder controls the relevant decision. It also needs matching reward. A party bearing a defined risk should receive a fee, priority return or equity upside that reflects that exposure.

Implication for a Gulf data-centre venture. Every material risk row should identify an owner, a controlling decision, a contractual mitigation, evidence and a remedy.

2.5 Accounting classification and joint control

IFRS 11 defines a joint arrangement through contractually agreed sharing of control. Joint control exists when decisions about relevant activities require unanimous consent of the parties sharing control (IFRS Foundation, 2026). The standard distinguishes joint operations, where parties have rights to assets and obligations for liabilities, from joint ventures, where parties have rights to net assets.

Accounting classification follows substantive rights and obligations. Legal form alone does not settle the result. Venture designers should therefore involve accounting advisers while the contracts are being designed. A reserved-matter list, off-take arrangement, land lease, funding guarantee or operator obligation may affect the analysis.

This paper does not provide an accounting opinion. It uses IFRS 11 to make a governance point: unanimous consent should attach to decisions that truly define joint control. A long list of minor unanimous decisions can impair operation without improving accountability.

Implication for a Gulf data-centre venture. The parties should identify the relevant activities, then specify which require unanimous consent and which sit with the board, operator or delegated committee.

2.6 Propositions

The literature supports five propositions.

1. **Proposition 1, contribution-right alignment.** A venture is more stable when each party's decision rights correspond to the assets, services and funded exposure it contributes. 2. **Proposition 2, risk-control alignment.** A risk allocation is credible only where the risk bearer controls the decision that mitigates the risk or holds an enforceable remedy against the controlling party. 3. **Proposition 3, economic separation.** Land compensation, development compensation, operating compensation and equity return should be measured separately before they are combined in the distribution waterfall. 4. **Proposition 4, evidence conversion.** A claimed capability affects bankability only after it becomes an executed right, funded obligation, accepted deliverable or independently verifiable milestone. 5. **Proposition 5, lender hierarchy.** Venture governance should recognise that lender consent and security enforcement take priority over shareholder discretion while secured project debt remains outstanding.

3. INSTITUTIONAL AND MARKET CONTEXT

3.1 UAE corporate forms and contractual freedom

Federal Decree Law No. 32 of 2021 defines a company as a contract through which persons participate in an economic project by contributing money or work and share the resulting profit or loss (UAE Government, 2026a). The law provides the national corporate framework and recognises limited-liability and joint-stock forms. Free-zone regimes may apply within their respective jurisdictions.

DIFC and ADGM offer common-law corporate and commercial frameworks. DFSA materials identify the DIFC Companies Law 2018 among the laws relevant to registered companies in the centre (DFSA, 2026). ADGM's Registration Authority provides an incorporation route for a private company limited by shares, including an SPV route subject to the applicable requirements (ADGM Registration Authority, 2023).

Entity choice should follow the project. Land location, operating licences, utility contracts, customer requirements, financing security, tax, substance, foreign ownership and dispute resolution all matter. A holding company in a financial free zone may own an onshore project company where advisers confirm the arrangement is lawful and operationally workable. A project can also use a directly held onshore company. The venture term sheet should record the selected structure only after legal, tax, licensing and accounting review.

3.2 The power and digital-policy setting

The UAE Artificial Intelligence Strategy 2031 seeks national leadership in AI and wider adoption across government and strategic sectors (UAE Government, 2024). Data-centre capacity forms part of the supporting digital infrastructure. Electricity remains a separate condition. The Ministry of Energy and Infrastructure states that the updated UAE Energy Strategy 2050 seeks substantial investment by 2030 to meet demand while expanding clean-energy capacity (UAE Ministry of Energy and Infrastructure, 2023).

Connection evidence is location-specific. DEWA's 2025 major-project power-supply guidelines require information including total connected load and separately identify data-centre load within the submission (DEWA, 2025). Abu Dhabi's Department of Energy regulates electricity activities and technical requirements in the emirate (Abu Dhabi Department of Energy, 2026). A venture should treat these official processes as development workstreams with named owners, document lists and decision dates.

The IEA's global analysis reinforces the local point. Data centres create concentrated electricity demand, and grid bottlenecks can delay projects even where aggregate generation is adequate (IEA, 2025a). The relevant project evidence is an approved route to capacity and energisation; broad statements about national generation do not establish it.

3.3 The operator-land-capital triangle

The three participants contribute different assets.

- The **landowner** contributes title, leasehold rights or a development right; it may also contribute permitting access, local interfaces and adjacent land for expansion.
- The **operator** contributes design standards, operating systems, customer credibility, technical staff, operating procedures and a service platform.
- The **capital provider** contributes committed equity, underwriting, financial governance, reserve funding and access to lenders or co-investors.

These contributions mature at different times. Land can be transferred or leased at closing. Capital is drawn across development. Operator value grows from design through commissioning and operations. A durable contract values contributions when they become usable by the project company and applies remedies when they do not.

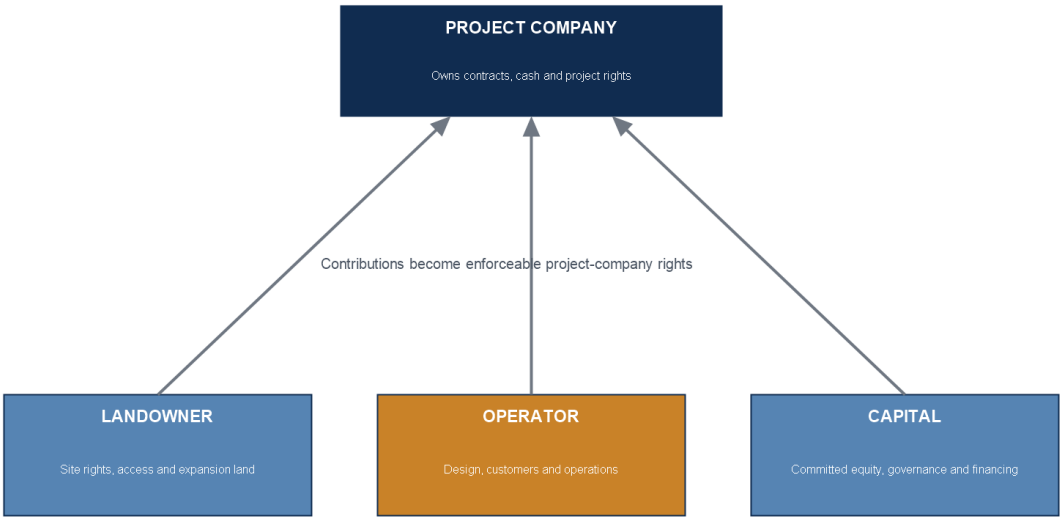

Figure 1. The operator-land-capital contribution triangle

Source: author's framework derived from the risk-allocation principles in World Bank (2024a).

4. DATA AND METHODOLOGY

4.1 Decision-rights method

The paper uses a five-column decision-rights matrix.

1. **Contribution.** What asset, cash, service, licence or relationship is promised? 2. **Risk.** What can fail, and who bears the direct economic consequence? 3. **Control.** Which decision reduces the likelihood or impact of failure? 4. **Evidence.** What document, funded amount, certificate or accepted deliverable proves performance? 5. **Remedy.** What happens after delay, non-performance or default?

Each material workstream is passed through the matrix. A coherent row places contribution, risk, control and reward with the same participant or creates an enforceable contract between the participant controlling the risk and the participant bearing it.

4.2 Author scenario

[Unverified] The scenario used in this paper is an author-created analytical case and is not a real project or market forecast. It is called Project Meridian. The project company plans a phased Gulf data-centre campus. A landowner grants long-duration site rights and reserves adjacent land for later phases. An operator delivers the design basis, customer and operating platform. A capital provider funds development equity and arranges the external financing process. The first phase proceeds only after site, power, budget and customer conditions reach thresholds agreed by the parties.

[Unverified] The scenario uses qualitative decision gates instead of market pricing assumptions. No party receives credit for a pipeline, relationship or intention. Credit is recognised when the project company receives an enforceable right, accepted work product, funded commitment or executed contract.

Table 1. Decision-rights matrix for Project Meridian

Workstream	Primary contributor	Principal risk	Control and evidence	Core remedy
Site	Landowner	Defective or insufficient land rights	Title or long lease; surveys; access rights	Cure period; replacement site; default transfer
Grid	Landowner and project company	Capacity or energisation delay	Submitted application; utility evidence; approved programme	Phase deferral; funding stop; long-stop right
Design	Operator	Unbankable or customer-incompatible design	Approved basis of design; independent review	Re-performance; operator replacement
Construction	Project company through contractor	Cost, delay and interface failure	Executed contract; budget; programme; security	Contingency draw; contractor remedies; sponsor support
Customers	Operator and project company	Insufficient contracted demand	Executed customer contracts and credit evidence	Phase reduction; funding stop; revised business plan
Equity	Capital provider and other shareholders	Funding shortfall	Committed funding agreement and funded accounts	Dilution; default loan; forced transfer
Operations	Operator	Availability, service and compliance failure	Operating agreement; KPIs; reporting and audit	Fee reduction; cure; step-in; termination
Debt	Project company	Breach or failed financing	Approved financing plan and lender	Equity bridge; alternative financing;

			documents	phase deferral

[Unverified] Author-created scenario; source: author's framework.

4.3 Bankability test

The structure is tested against five questions.

- Does the project company control the site for the whole financing and operating horizon?
- Does it hold credible evidence of electricity capacity, connection route and energisation programme?
- Does it own the design, construction, customer and operating contracts required to generate cash?
- Are all committed funding obligations enforceable and supported by defined remedies?
- Can a lender take security, control cash, receive information and cure or replace critical counterparties?

A venture that fails one question may remain commercially attractive. It is not ready for a project-finance process until the failure has a funded and documented solution.

5. STRUCTURING THE JOINT VENTURE

5.1 Start with contributions, then determine ownership

Negotiations often begin with a proposed equity split. The sounder sequence begins with a contribution schedule. Each participant lists what it will deliver, the date or condition for delivery, the acceptance test, its direct cost and the consequence of failure. Ownership follows the value and risk of accepted contributions.

Cash is the simplest contribution because it can be measured and funded. Land needs a valuation method and legal diligence. Services need scope, budget and an acceptance process. Relationships and pipelines need conversion milestones. Intellectual property needs a licence with duration, transfer and termination provisions. Guarantees need an identifiable guarantor, scope, cap and evidence of capacity.

The contribution schedule should also state whether the project company purchases the item, receives it as equity, pays a fee, or receives a conditional right. Blending these forms creates later disputes. A landowner can receive rent, an equity interest, a development fee or a combination. The operator can receive mobilisation fees, recurring management fees, performance fees and equity. The capital provider can receive preferred return, ordinary equity, arrangement compensation or several of these. Each component should stand on its own before the waterfall combines them.

5.2 Land rights and land economics

Site control is the foundation of the venture. The project company needs rights covering construction, operation, access, utilities, fibre, security, expansion and lender enforcement. The land document should address permitted use, change of use, easements, access routes, rights over common infrastructure, environmental matters, casualty, insurance, mortgage or assignment, cure rights and termination.

The landowner's economics can take several forms.

- **Sale.** The project company acquires the site. This gives clear control and requires significant upfront funding.
- **Long lease.** The project company pays rent and retains capital for development. The lease must survive shareholder disputes and support lender security.
- **Land contribution.** The land is transferred or leased in return for equity. An independent valuation and tax review are essential.
- **Phased option.** The first phase is controlled at closing; adjacent land is subject to options triggered by milestones.

The venture should separate land value from development value. A party should not receive equity for both the site and expected future assistance unless each is separately specified. Ground rent should also be tested against the project's cash flow and lender coverage.

The landowner's reserved matters should protect retained property and land obligations. They can include changes to site use, material alterations affecting adjacent land, new encumbrances over retained property and transfers to prohibited parties. Routine technical and operating decisions should remain delegated.

5.3 Operator role, service contract and intellectual property

The operator may act as design authority, development manager, customer originator and long-term facilities or service operator. These roles need separate scopes. A single "operator services" label obscures deliverables and remedies.

The development role should specify the basis of design, procurement support, construction oversight, commissioning support and customer technical interface. The operating role should specify staffing, maintenance, security, compliance, incident response, capacity management, customer reporting, energy management and business continuity. The customer role should specify permitted representations, pricing authority, contract approval and pipeline reporting.

Operator compensation should match these roles.

- Mobilisation fees pay for defined pre-opening work.
- Development-management fees pay for accepted construction-phase services.
- Operating fees pay for recurring service delivery.
- Performance fees can reward availability, energy efficiency, customer retention or commercial conversion where metrics are objective.
- Equity return rewards residual project value after contractual obligations.

The operator should licence essential systems, manuals, software interfaces, trade names and operating information to the project company for the required period. The licence should continue during cure and transition. The project company should own project-specific records and customer data to the extent permitted by law and contract. A replacement operator needs access to the information required to maintain service.

5.4 Capital commitments and the funding cascade

The equity funding agreement should state each commitment, draw process, notice period, permitted use, funding condition and default remedy. A general promise to "support the project" is insufficient. Commitments can be funded at closing, drawn against approved budgets or placed in an escrow or reserve arrangement.

The funding cascade usually follows an agreed order.

1. Base equity funds development and required reserves. 2. Construction debt funds eligible costs after its conditions are satisfied. 3. Contingency absorbs budget variance within its approved scope. 4. Contract claims, insurance and performance security recover costs from responsible counterparties. 5. Cost-overrun support funds residual eligible overruns. 6. Additional equity is raised under a defined process where the business plan remains viable.

Default remedies should be strong enough to make commitments credible. They can include default interest, suspension of voting rights, dilution based on a pre-agreed formula, funding by a non-defaulting shareholder as a priority loan, or a compulsory transfer after a material uncured default. The formula should avoid an unenforceable penalty and should be reviewed by counsel.

Capital-provider reserved matters commonly include the annual budget, capital expenditure above threshold, external borrowing, security, material contracts, acquisitions, disposals, distributions, related-party transactions and insolvency actions. Delegated authority should cover expenditure within the approved budget.

5.5 Governance and reserved matters

A functioning board distinguishes ownership oversight from daily management. The board approves strategy, budget, financing and material contracts. The operator runs delegated operations. Shareholders decide fundamental matters. Committees can handle technical, audit, commercial or financing work.

Reserved matters should be divided into three levels.

- **Unanimous shareholder matters:** changes to constitutional rights, new equity classes, sale of the whole project, voluntary liquidation and changes that alter the agreed purpose.
- **Enhanced-majority board matters:** budget, material capex, financing, large contracts, material variations and phase approvals.
- **Delegated matters:** actions within the approved budget, operating agreement and authority matrix.

This hierarchy reduces two risks. The first is unilateral value transfer. The second is operational paralysis. Materiality thresholds should be expressed through money, time, service impact or legal consequence. A general phrase such as "material to the business" leaves too much room for strategic disagreement.

Board composition should reflect responsibility. The operator needs a voice on technical and customer matters. Capital needs representation proportionate to funded exposure. The landowner needs protection for land-linked rights. An independent director can help with audit, conflicts and deadlock, provided that the appointment process and authority are clear.

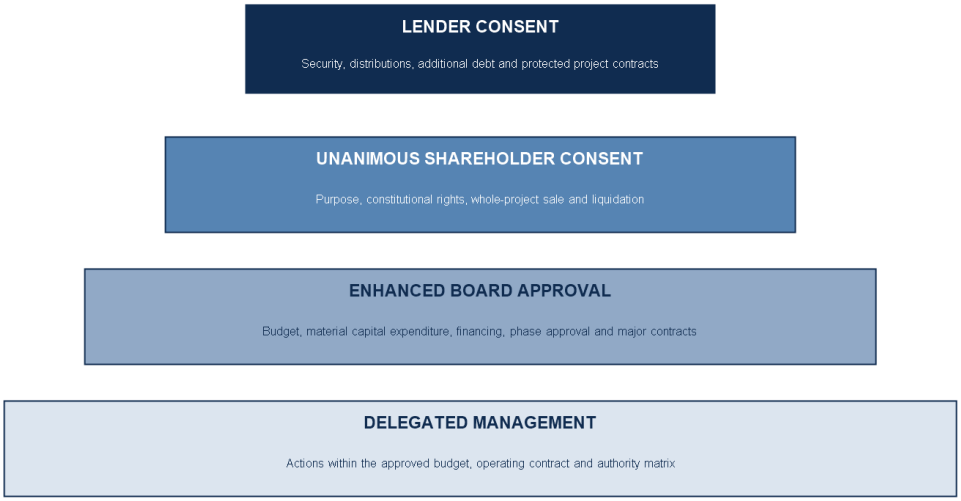

Figure 2. Governance ladder from delegated action to unanimous consent

Source: author's framework; categories require project-specific legal drafting.

5.6 Deadlock, default and exit

Deadlock should be defined narrowly. Failure to reach agreement on a reserved matter after required meetings can trigger escalation. A shareholder's failure to fund, deliver land rights, provide operator services or comply with law is a default and should follow the default-remedy process.

A practical escalation sequence can include management negotiation, board escalation, shareholder-principal negotiation, expert determination for technical or valuation disputes, and a final commercial remedy. Expert determination works well for accounting, engineering, valuation and milestone disputes. It is less suited to a fundamental disagreement over strategy.

Final remedies can include a sale process, a buy-sell mechanism, put or call rights, or wind-down. Each has risks. A shotgun clause may favour the party with greater liquidity. A put can become an unfinanceable contingent liability. A forced sale can destroy phase option value. The chosen remedy should reflect the likely source of deadlock and the parties' financial capacity.

Default transfer pricing should distinguish cause. Fraud, wilful misconduct, abandonment and material funding default can justify a different process from an ordinary strategic exit. The venture should require transition assistance and preserve licences, customer contracts and operating information during a transfer.

Transfer restrictions usually include a lock-up through construction and stabilisation, rights of first offer or refusal, tag rights, drag rights, permitted transfers within a controlled group and restrictions on competitors or sanctioned persons. Change-of-control provisions should apply where an indirect transfer changes the shareholder's capability or risk profile.

5.7 Distribution waterfall

The waterfall should pay project obligations before shareholder return. The order commonly includes operating costs, taxes, senior debt service, reserve replenishment, approved capital expenditure and permitted distributions. Shareholder-level economics then determine how distributions are divided.

The venture should model four separate economic claims.

1. **Land claim:** sale price, rent or a defined land contribution value. 2. **Development claim:** fees for accepted development work. 3. **Operating claim:** base and performance fees under the operating contract. 4. **Capital claim:** preferred and ordinary equity distributions.

Separating the claims allows the board and lender to test related-party terms. It also prevents a participant from receiving a full service fee while failing the service obligation and retaining the same equity upside. Fees should be suspendible, reducible or offset where performance is deficient.

[Unverified] Project Meridian uses an author-created waterfall architecture. Operating and debt obligations rank first. Approved land rent and operator fees rank as project costs only to the extent accepted under the relevant contracts and financing documents. Capital distributions occur after reserves and lender tests. A preferred return can compensate committed capital before residual distributions, subject to tax, accounting and legal advice.

5.8 Customer contracts and commercial authority

The operator often leads customer discussions because its brand and technical platform support credibility. The project company should execute or directly benefit from the customer contracts that support financing. Commercial authority needs defined limits covering price, term, capacity, service levels, termination rights, credit support, liability and customer-specific capital expenditure.

A non-binding pipeline is useful for planning and has no contractual cash value. Board reporting should distinguish leads, qualified opportunities, proposals, reservations, conditional contracts and unconditional contracts. Each stage should have a defined evidence standard.

Customer contracts should align with the project's power, construction and financing commitments. A service start date ahead of energisation creates liquidated-damages exposure. A customer termination right triggered by financing delay can undermine lender reliance. A capacity reservation without credit support may provide weak protection. These issues require joint legal, technical and commercial review.

5.9 Lender interface

The lender should find a coherent project company with clear authority. The financing package may include security over shares, accounts, receivables, material contracts and project assets where legally available. Direct agreements can give notice, cure and step-in rights under the land, construction, operator, utility and customer arrangements.

The venture agreement should anticipate these rights. Shareholders may need to subordinate their claims, restrict distributions, preserve the project company's separateness, provide information and accept lender cure or enforcement. A shareholder consent process that can block routine lender requirements will delay financing.

The operator agreement needs continuity provisions. The land document needs lender cure and assignment where permitted. The equity funding agreement needs commitments that survive the debt closing. Related-party agreements need arm's-length terms and termination restrictions. A lender should be able to understand the contract hierarchy from one diagram.

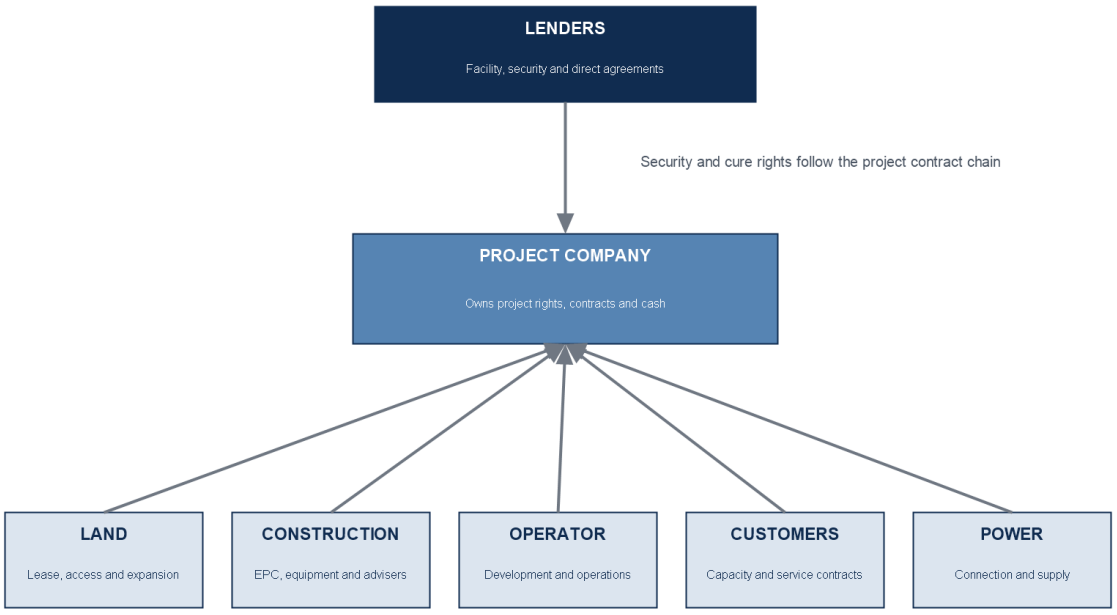

Figure 3. Project-company contract and financing architecture

Source: author's framework; enforceability is jurisdiction and document specific.

5.10 The complete alignment test

The analysis can now be condensed into one test. For each material row, ask:

- What has the party committed?
- What risk does that commitment address?
- Which decision enables the party to perform?
- What objective evidence demonstrates performance?
- What compensation is paid for performance?
- What remedy applies to non-performance?
- What lender right overrides or conditions the shareholder right?

An unexplained answer identifies a future renegotiation. The venture should close the gap before incorporation or record it as a condition precedent with a long-stop date.

6. THE STRUCTURING PLAYBOOK

6.1 Sequence the negotiation

The recommended sequence is as follows.

1. **Define the project and phases.** Record site, proposed capacity, technical concept, phasing and target customer model. 2. **Build the contribution schedule.** Identify cash, land, rights, services, intellectual property, guarantees and relationships. 3. **Create the risk matrix.** Allocate site, grid, design, construction, customer, funding, operating and regulatory risks. 4. **Map decision rights.** Give each risk owner the necessary authority or an enforceable remedy. 5. **Separate economics.** Price land, development, operations and capital separately. 6. **Set evidence gates.** Define documents, funding and certificates required at each phase. 7. **Design default and transition.** Cover cure, substitution, data access, licence continuity and transfer. 8. **Add the lender overlay.** Incorporate security, direct agreements, cash control and consent. 9. **Test accounting, tax and law.** Confirm entity, joint-control, transfer-pricing, substance and licensing consequences. 10. **Draft the integrated term sheet.** Ensure every commercial term maps to a definitive document.

This order reduces circular negotiation. Economics are agreed after contributions and risks are visible. Governance is agreed after risk ownership is visible. Financing is designed before contracts become difficult to amend.

6.2 Evidence gates by phase

Table 2. Evidence gates for a phased data-centre venture

Gate	Required evidence	Decision
Venture formation	Entity analysis, contribution schedule, initial budget, authority matrix	Incorporate and fund preliminary work
Site commitment	Diligenced land right, access, surveys, permitted-use route	Commit site expenditure
Power development	Application record, load study, utility process and programme	Advance design and customer work
Construction approval	Approved design, permits, contract strategy, budget, contingency and funding	Authorise construction
Customer commitment	Executed contracts or approved commercial threshold	Confirm phase scale and debt case
Debt closing	Security, direct agreements, equity funding, reserves and lender conditions	Draw project debt
Commissioning	Completion certificates, energisation,	Begin service

	testing and operating readiness	
Stabilisation	Operating performance, customer acceptance, compliance and coverage tests	Distribute or refinance
Expansion	Prior-phase evidence, land option, grid capacity, customer and capital approval	Launch next phase

Source: author's framework; requirements must be adapted to the jurisdiction, utility, customers and financing.

6.3 Draft the documents as one system

The principal documents can include:

- shareholders' or members' agreement;
- constitutional documents and authority matrix;
- equity subscription and funding agreement;
- land sale, lease, contribution or option agreement;
- development-management agreement;
- operator or management-services agreement;
- intellectual-property licence and transition arrangements;
- construction, equipment and professional appointments;
- utility connection and supply documents;
- customer capacity or service agreements;
- financing and security documents;
- direct agreements and subordination deeds.

Definitions and milestones should be consistent. "Commercial operations date", "ready for service", "energisation", "phase completion" and "stabilisation" can describe different events. Each contract should use the event relevant to its obligations and map it to the master programme.

6.4 Build the financing data room during negotiation

The data room should be an output of the venture process. It should contain entity and ownership documents, land rights, grid records, permits, design and technical reports, construction documents, customer contracts, operating arrangements, financial model, budget, funding commitments, insurance, environmental and compliance records.

Each shareholder should own defined folders and update obligations. The project company should retain access even during a dispute. Lenders should receive a document index connecting each risk to its evidence and contract.

6.5 Common failure modes

Five failure modes recur in the framework.

Nominal contributions. Equity is issued for relationships or a pipeline without acceptance milestones. The cure is staged vesting or earn-in against executed rights.

Veto inflation. Every party receives consent rights over routine decisions. The cure is a three-level governance hierarchy with thresholds.

Fee and equity duplication. A party receives full fees for a contribution and full equity credit for the same contribution. The cure is separate economic accounts and a contribution valuation.

Unfunded support. The venture relies on future shareholder funding without enforceable commitments. The cure is a funding agreement and default remedies.

Late lender overlay. Project debt is approached after the land, operator and shareholder contracts are fixed. The cure is to incorporate security, cure, assignment, cash-control and consent requirements in the initial term sheet.

7. SENSITIVITY AND ROBUSTNESS

7.1 Construction delay

A construction delay affects interest, customer dates, contractor claims, operator mobilisation and land carrying costs. The structure remains coherent where the construction contract defines schedule liability, the budget contains contingency, shareholder overrun obligations are funded, customer contracts align with the programme, and the operator's fees begin against accepted work.

[Unverified] In the Project Meridian author scenario, a construction delay automatically suspends phase-dependent operator performance fees, activates enhanced board reporting and blocks distributions. A delay caused by an operator-controlled design failure follows the operator remedy. A delay caused by contractor performance follows the project company's contractor rights. A delay caused by a late shareholder contribution follows the funding-default regime.

The test supports Proposition 2. Risk and remedy follow the controlling workstream.

7.2 Power delay

Power delay can strand a completed facility. The venture should require regular evidence from the utility process, align construction notice to proceed with the connection programme and preserve the ability to resize or defer a phase. Customer start dates should reflect the same evidence.

[Unverified] Project Meridian treats loss of the expected grid date as a phase-review trigger. The board reassesses construction sequencing, temporary solutions, customer commitments and funding. The landowner has responsibility only for obligations it expressly controls. The project company bears utility counterparty risk after compliant submission unless a shareholder has separately guaranteed an outcome.

This distinction avoids an impossible obligation. A shareholder can be required to perform a process and provide truthful evidence. It should not guarantee a government or utility decision outside its control unless it deliberately accepts that risk and receives compensation.

7.3 Customer under-conversion

A slower customer-conversion rate changes the phase scale and financing case. The operator should report pipeline stages with consistent evidence. Phase approval should depend on contracted or board-approved commercial thresholds.

[Unverified] Project Meridian does not penalise the operator for broad market demand. It holds the operator accountable for agreed origination activity, reporting integrity, authorised pricing and execution quality. Equity vesting linked to commercial contribution occurs only when the project company receives an executed contract meeting the agreed criteria.

The structure remains bankable because uncontracted demand is excluded from committed revenue. The project may be smaller or delayed. It does not treat a pipeline as cash.

7.4 Capital overrun

An overrun tests the funding cascade. The contract should identify approved contingency, contractor recovery, insurance, sponsor support and additional-equity procedures. Shareholders should know whether additional funding dilutes non-participants, ranks as a shareholder loan or changes control.

[Unverified] Project Meridian permits non-defaulting shareholders to fund an uncured shortfall through a priority instrument under a pre-agreed formula, subject to legal and tax review. The defaulting shareholder receives notice and cure rights. The mechanism addresses funding without giving the funding party unrelated permanent control over operator or land matters.

7.5 Operator replacement

Replacement tests asset specificity. The project company needs access to manuals, systems, project records, customer information, staff-transfer support and licences. Service continuity should survive the shareholder dispute.

The operator agreement should distinguish termination of services from ownership of equity. A service default can support step-in or termination under the service contract. A severe and uncured default may also trigger shareholder remedies where the operator's capability was a fundamental contribution. The thresholds should be explicit.

7.6 Landowner change of control

A landowner transfer can affect site access, reputation, adjacent development and lender risk. Transfer restrictions and change-of-control provisions should protect the project. The land right itself should remain binding and enforceable after a permitted transfer.

The landowner should retain ordinary financing and corporate flexibility subject to project protections. An absolute restriction may be commercially excessive. The contract should focus on transfers that affect the project company's rights or introduce a prohibited, incapable or competing party.

7.7 What would falsify the propositions

The framework is open to testing. Proposition 1 would fail if ventures with persistent contribution-right mismatch showed equal stability and financing outcomes. Proposition 2 would fail if risk-bearing parties could lack control and remedies without increasing renegotiation or cost. Proposition 3 would fail if blended economics produced equal transparency and fewer conflicts. Proposition 4 would fail if lenders and boards gave equal weight to unenforceable pipelines and executed contracts. Proposition 5 would fail if lender rights could be added after debt underwriting without material contract changes.

Public data sufficient to test these propositions across Gulf data-centre ventures is not currently identified in this research. Future work should assemble contract, delay, funding and refinancing outcomes.

8. DISCUSSION

8.1 Implications for the operator

The operator should define its contribution in deliverables. Design authority, customer access and operating capability are valuable where the project company can verify and use them. The operator should protect technical standards and reputation through delegated authority and reserved matters tied to service risk.

The operator should also preserve a fair transition process. Lender step-in and replacement rights support bankability. They should be limited to defined events, preserve accrued compensation and protect reusable

background intellectual property. Project-specific information and service continuity should remain available to the asset.

Equity linked to operator contribution can vest by phase or milestone. The criteria should reward accepted design, operating readiness, customer conversion or sustained service performance. They should avoid subjective board discretion after the work is performed.

8.2 Implications for the landowner

The landowner should secure payment and protect retained land without controlling daily operations. A clear land valuation, rent formula or contribution account reduces conflict. Rights over access, utilities, expansion and lender cure should be negotiated in the land document.

The landowner's local relationships can support permitting and utility processes. Obligations should focus on actions and evidence within the landowner's control. A guarantee of an external authority's decision creates risk that the party cannot manage.

Phased options can preserve the value of adjacent land. The trigger, price, term, infrastructure sharing and expiry should be defined. A venture should not assume unlimited expansion rights.

8.3 Implications for the capital provider

Capital should insist on enforceable commitments, budgets, evidence gates and default remedies. It should also respect delegated technical authority. Financial control over every operating detail can weaken accountability because the operator no longer controls the outcomes it is asked to deliver.

Preferred economics can compensate committed capital and timing. They should be modelled with land and service payments to expose the whole distribution. Related-party fees should be approved through a conflicts process and remain subordinate to the financing documents where required.

The capital provider can create value by designing the lender interface early. Security, direct agreements, cash control, reporting and cure rights should appear in the venture term sheet before definitive contracts are signed.

8.4 Implications for lenders

The lender should test the contract chain rather than rely on shareholder names. The central questions are whether the project company controls the site, power route, design, construction, customer cash flow, operating capability and committed equity.

The governance documents should allow required lender actions. The lender needs clear authority to receive information, enforce cash controls and cure or replace critical counterparties. Intercreditor and shareholder subordination should address shareholder claims.

The lender should also test conflicts. Land, operator and development agreements may be related-party contracts. Pricing, termination and assignment should be transparent and commercially supportable.

8.5 International comparison

The framework applies across jurisdictions. Local law changes entity choice, security, land tenure, utility process, insolvency, tax and licensing. The economic principles remain stable: allocate risk to the party able to manage it; align authority with risk; convert capabilities into contracts; separate fees from equity return; and preserve project continuity.

The Gulf setting places particular weight on local land and utility interfaces, new sponsor platforms and cross-border capital. DIFC and ADGM can provide familiar common-law holding-company and dispute-resolution

options where advisers confirm suitability. Onshore project rights, licences and land remain governed by their applicable regimes. International investors should therefore seek an integrated legal map rather than assume that one governing law applies to the whole project.

9. LIMITATIONS AND FUTURE RESEARCH

The paper has four limitations. First, it is a structural framework rather than an empirical study of executed Gulf data-centre joint ventures. Commercial contracts are private, and the research has not identified a representative public sample. Second, entity, tax, accounting, licensing, land and security consequences are jurisdiction and transaction specific. The paper does not provide legal, tax or accounting advice. Third, the Project Meridian case is an author-created scenario; it does not establish market terms or forecast a project outcome. Fourth, the framework focuses on an operator-landowner-capital-provider venture and does not cover every supplier, utility, government or customer partnership.

Future research could code venture agreements by reserved matters, funding remedies, operator rights and land structure, then compare delay, cost, customer and refinancing outcomes. A second study could examine accounting classification and financing terms across joint operations and joint ventures. A third could compare phased campuses with fully committed developments. A fourth could assess how clean-energy procurement and grid constraints affect venture governance.

10. CONCLUSION

A data-centre joint venture succeeds when its contracts make a distributed project governable. The landowner, operator and capital provider contribute different assets at different times and control different risks. The project company must convert those contributions into rights that survive delay, disagreement, financing and participant replacement.

The structure can be summarised through four alignments. Contribution should align with ownership and compensation. Risk should align with control and remedy. Relevant decisions should align with the party bearing their consequences. Shareholder governance should align with lender rights while debt is outstanding.

The practical sequence begins with the project and contribution schedule. It proceeds through risk allocation, decision rights, separated economics, evidence gates, default and transition, then adds the financing overlay. Entity, accounting, tax and legal analysis complete the structure. Starting with equity percentages reverses this logic and hides the work that determines bankability.

For the operator, the framework protects technical authority and rewards measurable performance. For the landowner, it protects site economics and retained property. For capital, it creates funded commitments, disciplined governance and a financing route. For lenders, it produces a project company whose contracts, cash and remedies can be understood as one system.

The central discipline is evidence. Land title, grid process, design, funding, customer contracts and operating capability should each become an enforceable right, accepted deliverable, funded commitment or verified milestone. The venture becomes financeable when every essential dependency has an owner, a document and a remedy.

DECLARATIONS

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Conflicts of interest. The author is the managing partner of an independent capital advisory firm that advises managers, owners and investors on corporate-finance and capital-raising transactions. No client information has been used, and no live mandate is referenced.

Data availability. The paper uses public official and academic sources. [Unverified] Project Meridian is an author-created analytical scenario and is not a real transaction.

Disclaimer. This paper is an educational and structural analysis prepared for research purposes. It is not investment, legal, tax or accounting advice, an offer, or a solicitation.

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APPENDIX A. TERM-SHEET ARCHITECTURE

The venture term sheet should contain the following sections.

1. **Project definition.** Site, phases, intended capacity, technical concept, customer model and permitted business. 2. **Parties and structure.** Proposed entities, ownership chain, jurisdiction, governance and required advisory confirmations. 3. **Contributions.** Cash, land, services, licences, guarantees and other rights; delivery date; acceptance; remedy. 4. **Ownership and vesting.** Initial equity, milestone vesting, earn-in, dilution and treatment of rejected contributions. 5. **Funding.** Commitments, draw process, budget, contingency, overrun, default funding and priority instruments. 6. **Land.** Transfer or lease, rent or value, access, utilities, expansion, security, cure and termination. 7. **Operator.** Development and operating scope, KPIs, fees, intellectual property, data, step-in and transition. 8. **Customers.** Commercial authority, contract approval, credit standards, capacity and service obligations. 9. **Governance.** Board, committees, quorum, voting, reserved matters, delegation, conflicts and information. 10. **Distributions.** Project obligations, reserves, debt tests, land and service payments, preferred and residual return. 11. **Defaults.** Funding, land, service, compliance and insolvency defaults; cure; replacement; transfer and valuation. 12. **Transfers and exit.** Lock-up, permitted transfers, first-offer or first-refusal rights, tag, drag and change of control. 13. **Deadlock.** Escalation, expert determination, sale or buy-sell remedy and service continuity. 14. **Financing.** Security, subordination, cash control, direct agreements, lender consent and enforcement. 15. **Conditions.** Land, power, design, permits, funding, customer, legal, tax and accounting gates. 16. **Compliance.** Sanctions, anti-bribery, data, cyber, environment, health and safety, licensing and audit. 17. **Disputes.** Governing law, forum, interim relief, service and enforcement. 18. **Definitive documents.** Responsibility, timetable, costs and hierarchy.

APPENDIX B. RESERVED-MATTER DESIGN CHECKLIST

Shareholder fundamentals

- Change to project purpose or constitutional rights.
- New class of shares or alteration of agreed economic priority.
- Whole-project sale, merger or voluntary liquidation.
- Entry into a materially different business.

Capital and financing

- Annual business plan and budget.
- Capital expenditure above the delegated threshold.
- New debt, security, guarantees or financial assistance.
- Equity calls outside approved commitments.
- Distributions and reserve releases.
- Refinancing, hedging and material lender amendments.

Project contracts

- Land acquisition, lease, disposal or material amendment.
- Construction contract and material variations.
- Operator appointment, replacement or material amendment.
- Customer contract outside approved commercial limits.
- Utility or energy contract carrying material duration or exposure.
- Related-party contract or amendment.

Operations and compliance

- Material change to design standards or service model.
- Closure, material capacity reduction or phase cancellation.
- Settlement of material claims.
- Material regulatory, sanctions, cyber or data incident response.
- Appointment or removal of auditor and approval of financial statements.

Design rules

- Identify the shareholder risk protected by each veto.
- Use money, time, service or legal thresholds.
- Give management authority within the approved budget.
- Apply conflicts procedures to related-party matters.
- Record lender consent where secured obligations are affected.
- Exclude a defaulting shareholder from decisions on its own default where lawful.

APPENDIX C. PROJECT FINANCE READINESS CHECKLIST

Corporate and ownership

- Project-company constitutional documents and registers.
- Shareholder agreement, funding agreement and contribution evidence.
- Group chart, beneficial ownership, authority and board approvals.
- Accounting, tax, substance and licensing analysis.

Land and permits

- Diligenced title, lease or development right.
- Access, easements, utilities, expansion and lender cure.
- Surveys, environmental records and applicable permits.
- Long-stop dates and remedies for missing rights.

Power and connectivity

- Load schedule and design basis.
- Utility application, correspondence and approved process.
- Connection, capacity and energisation evidence when issued.
- Power supply, clean-energy and backup arrangements.
- Fibre and telecommunications routes.

Technical and construction

- Basis of design and independent technical review.
- Construction and equipment contracts.
- Budget, contingency, programme and procurement schedule.
- Performance security, insurance and commissioning plan.

Customers

- Pipeline taxonomy and evidence standards.
- Executed customer contracts and credit information.
- Service levels, start dates, termination and liability.
- Revenue accounts and assignment provisions.

Operations

- Operator agreement, KPIs, staffing and mobilisation.
- Intellectual-property rights, systems access and transition.
- Maintenance, security, compliance and business-continuity plans.

Finance and security

- Financial model with documented inputs and scenarios.
- Equity commitments and reserve funding.
- Facility term sheet and conditions.
- Security map, direct agreements, account controls and subordination.
- Information, audit, cure, step-in and enforcement rights.

APPENDIX D. GLOSSARY OF KEY TERMS

Authority matrix. A schedule defining which decisions management, committees, the board and shareholders may take.

Committed equity. An enforceable obligation to fund equity under stated conditions and within a defined amount or formula.

Contribution schedule. A register of cash, assets, services, rights and guarantees promised by each participant, together with delivery and acceptance terms.

Deadlock. Failure to obtain a required approval after the contractually specified decision and escalation process.

Development-management agreement. A contract defining development services, authority, compensation, deliverables and remedies.

Direct agreement. A contract among the project company, lender and a project counterparty giving notice, cure, step-in and related rights.

Earn-in. Equity that is issued or vests after a participant delivers agreed milestones.

Evidence gate. A required document, funding event, certificate or accepted deliverable that must exist before a later project decision.

Joint control. Contractually agreed sharing of control under which decisions about relevant activities require unanimous consent of the parties sharing control, as described in IFRS 11.

Land option. A contractual right to acquire or lease land in the future upon stated conditions.

Long-stop date. The final date for satisfying an obligation or condition before a specified termination or remedy becomes available.

Project company. The special-purpose entity that owns or controls the project rights, contracts and cash flows.

Reserved matter. A decision requiring approval above ordinary delegated authority.

Risk allocation matrix. A register identifying material risks, their owner, mitigation, evidence and remedy.

Step-in right. A contractual right allowing a lender or nominee to cure or assume a project counterparty's role after defined events.

Transition assistance. Services, information and access required to replace a shareholder service provider while maintaining project continuity.