

Subject

OM 530

Decision Tree

Evaluate spot market

Fixed lease option

€ **

↳ contract → first pay 100.000

↳ next period pay spot market

If demand goes up → go for spot market

demand lower than 100 above 100

Buy 100,000

↓
buy from
~~spot~~ market

$$100\ 000 \times 1\ $$$

$$\frac{144\ 000 \times 1.22}{44\ 000 \times 1.45}$$

Flexible Lease

↳ pay 10,000 → fixed

↳ pay based on capacity

If above 100 000 → purchase from spot market

On shore or off shore

Solar panel Company

Produce in Europe or China

D → solar demand europe = 600000 Sell \rightarrow 70

Annual demand increase 20%.

Probability increase 0.8

demand increase 20%

Prob decrease 0.2

Build plant with capacity 120 000

demand inc	prob inc	demand decr	prob decr
0.2	(0.8)	0.2	$\times (-0.2)$
0.16	- 0.04	0.07	0×0.7
		0.04	$+ 0 \times (-0.3)$

D-Solar Decision