

REnewables.

Renewable energy projects



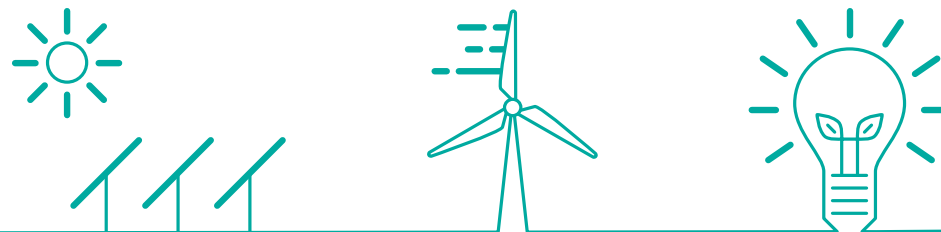
Specialised Insurance Solutions For Renewable Energy Projects

Introduction

The growth of renewable energy projects across Europe has accelerated hugely in recent years driven by a number of factors be they environmental, governmental or greater concern and desire to protect the planet we inhabit. The European Union's carbon neutrality program and aim of 'Net Zero 2050' has created a fast-growing sector in CEE. Across the region there are a number of differences between the jurisdictions, but in all countries, there are risks and challenges to be navigated as we see an increase in solar (photovoltaic), wind and alternative energy projects.

The growth of these projects has led to an increasing number of requests for specialist insurance solutions and it is comforting to know that the insurance sector has responded and a new wave of solutions or repurposed existing products are available to create comfort or de-risk an investors entry into the renewable energy sector. A significant barrier in the further growth is the unclear legislation which can hinder these projects – often country or municipal laws can be confusing and create uncertainty.

This guide aims to answer some of the usual questions that our clients will have in respect of insurance solutions for renewable energy projects in CEE. Renewable energy projects often require project owners to consider various risk transfer and risk mitigation measures to address an array of potential exposures, including construction, environmental, regulatory, technological, and operational risks. The ability to manage risks and insurance placements when developing a renewable energy project can contribute to the success of the project. In the coming years, we can expect to see continued growth in the use of solar and wind power, as well as the development of new technologies.

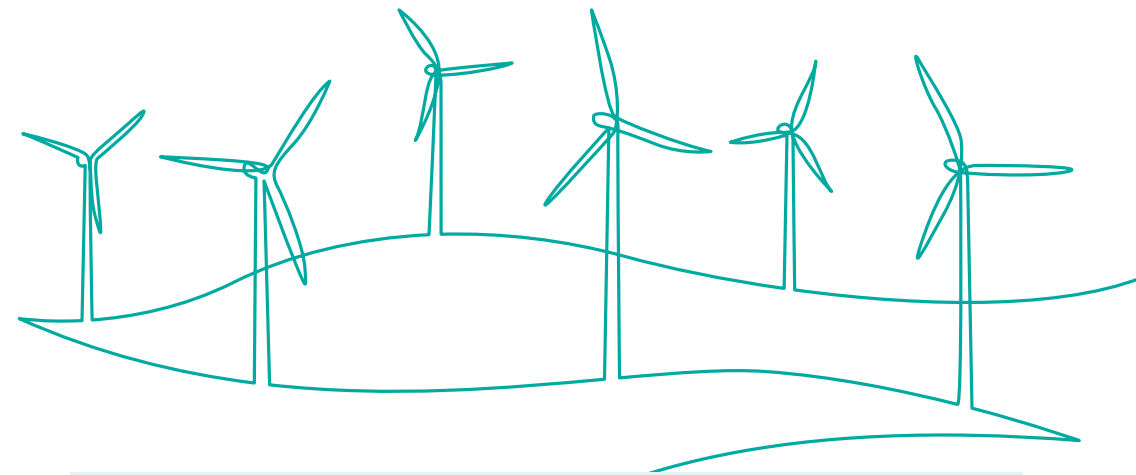
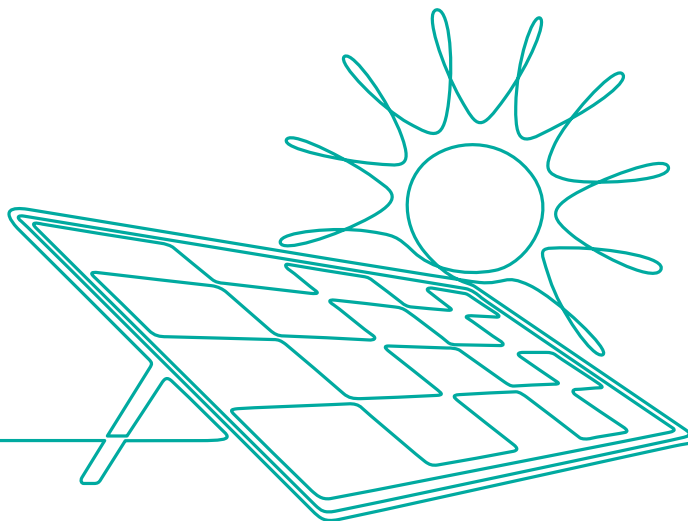


Solar (photovoltaic) in CEE

Solar power is one of the most widely used forms of renewable energy, with both solar photovoltaic panels and solar thermal systems used to generate electricity. It is the most common form of renewable energy projects we are asked to consider when a client is seeking insurance solutions. Across CEE the risks and issues can vary between jurisdiction but some of the common issues we encounter are:

- Invalid permitting
- Leasehold land structures or land acquisition (superficies rights)
- Planning irregularities
- Easements
- Taxation structures
- Environmental impact
- Grid connection

There are often several solutions or insurance lines that can be utilised depending upon the specific risks. Often a requirement can be driven by a project lender or financing that requires extra security and avoids business interruptions.



Wind Energy (Windfarms).

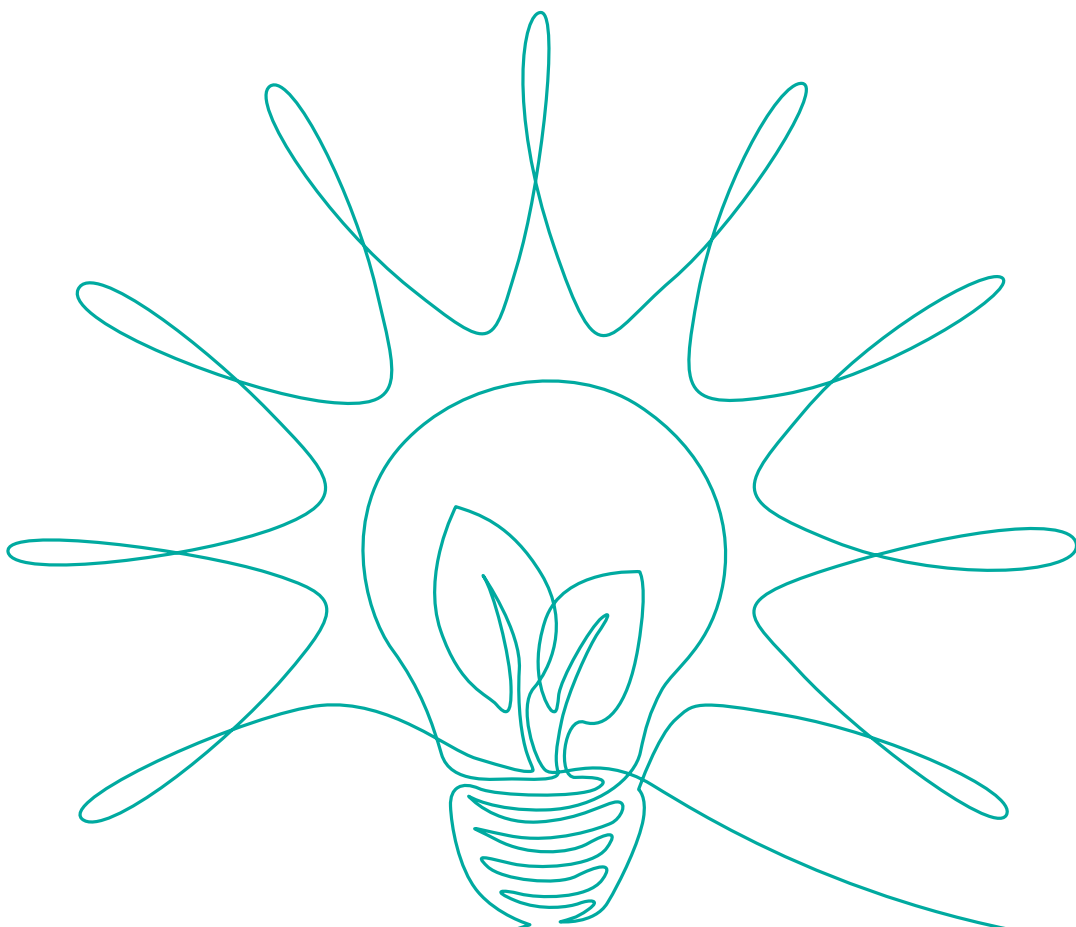
Wind energy, commonly known as 'Windfarms', is also popular, with wind turbines used to generate electricity. Often these projects require large areas of land for the installation of wind turbines and often the land will need to be purchased from several entities. That can cause disruption to a planned investment until resolved. In addition, there are often a number of different regulatory issues in place and similar to photovoltaic projects can face a number of issues at different stages of the project.

- Easements
- Permitting and planning regulations
- Installation
- Land title and use (usufructs or superficies rights)
- Environmental
- Permit challenges

Our experience has often been able to help our clients find solutions to these issues. In projects where tens of millions of euros can be at stake it is prudent to seek insurance to protect or transfer liabilities of a project.

Types of cover available and why to use it?

Title Insurance: Title insurance is now a familiar project in many commercial real estate transactions, but many renewable energy projects can also face title or land use issues. Often before making a large investment it is crucial that the land rights are correctly secured. Because of the way in which many renewable energy projects are structured the importance of title or secured lease rights cannot be underestimated. Title insurance can help in the acquisition, development or financing stages of the project.



Permit Challenge Risk Cover

This can help a developer or investor when there has been a challenge or judicial review that could lead to the cancellation or suspension of the building or operating permit. Many challenges to permits are well-founded representing the exercise of legal rights and due process. Permit challenge insurance is a financial tool that unlocks finance or funding for renewable energy, real estate and infrastructure developments and transactions. It is applicable where a 3rd party challenge against the building or construction permit is currently ongoing.

Warranties and Indemnities (W&I)

Many traditional W&I insurers will also provide cover for renewable energy projects. One key element to note is that insurers generally do not cover inability or failure to meet generation or productive capacity requirements, and any liability in connection with projects under development. As we see more and more investment into the renewable energy sector it is only natural that there will be an increase in M&A activity. There are insurance solutions to support these transactions.

Tax Insurance

Many renewable energy projects can benefit from taxation incentives and preferential tax treatment, but this can also lead to uncertainty or unclear provisions within the taxation structure of a project. Many specialist tax insurers now have specialist teams that can provide solutions in tax insurance matters where issues can arise either at the investment, operational or transaction stage of the project.

Our Experience and Case Studies

Our team has had opportunity to place insurance solutions for renewable energy projects in many jurisdictions from title insurance solutions in Poland and Czech Republic for photovoltaic transactions to windfarm easements in Romania and taxation matters in Hungary. Our combined experience gained over many years of direct support to project investor or their legal advisors means that we have strong understanding of the issues that many projects face and we can often find a solution that can help the transaction proceed.

Solar Project

We assisted a client with an insurance solution where during the due diligence process it was unclear whether the correct permitting was in place for the installation of a photovoltaic project. As the land was previously zoned as agricultural use there were some irregularities between national and local planning laws. We were able to use a title insurance solution to enable the investor to have security in case his permit was challenged.

Windfarm

A highly rated law firm required assistance for their client where lack of legal title to one of the plots comprising wind farm project, on which there was a grid connection located (without this plot the grid could not properly and legally run). Although well established in the correct format there was still a concern that malicious or spurious claims could be used to hold the investor to ransom or disrupt the project.



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