

Permit Challenge Insurance

Unlocking the opportunities in
renewables development

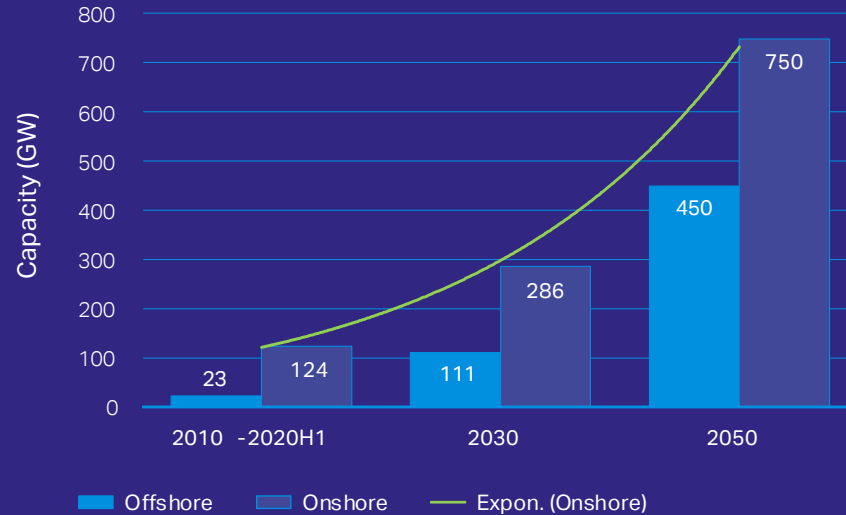


Opportunities, unlocked.

Market overview: increasing importance of wind energy in Europe

Europe's wind energy sector is strategic to the EU's target of becoming carbon neutral. Today the sector contributes 15% to Europe's power generation. However, the current rate of installations has to double, if Europe is to achieve its goals of the Commission's Green Deal. In 2021 alone approximately 30 GW of additional on- and off-shore wind energy capacity will come to auction, providing ample opportunities for investors and developers to build out their project pipeline.

Figure 1: Cumulative wind power capacity in Europe (EU 27+ UK): 2020 – 2050*



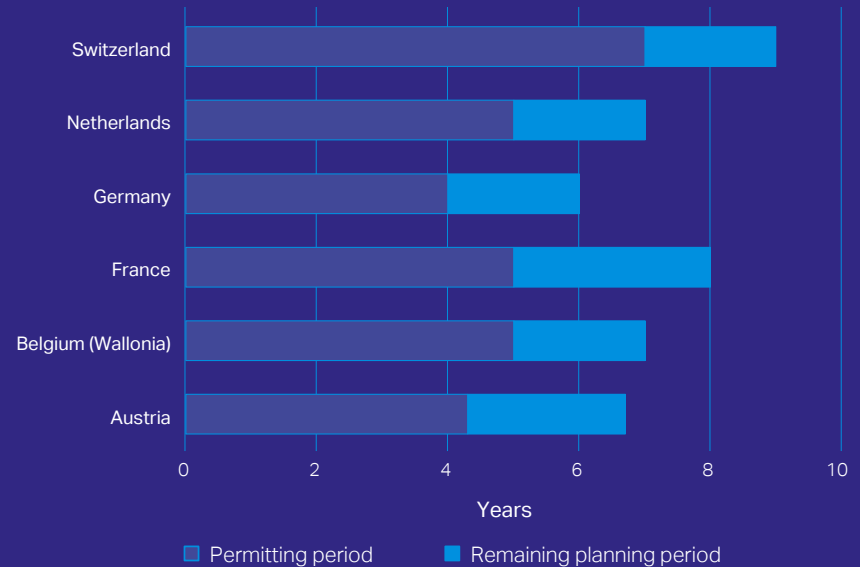
Source: WindEurope/ *2020 to date and possible scenarios to 2050



Permit challenges as barriers to wind energy

In recent years the permitting process of wind energy projects has become lengthy and unpredictable. Appeals against permits multiplied. By contrast, funders and developers require certainty if they are to invest and move ahead with their planning decisions. In Europe permit challenges have become one of the most frequent barriers to invest in wind energy projects and for their timely completion. Up to 50% of permits are challenged, potentially causing a delay of up to three years until a judicial review has passed through all legal instances. In the worst case, a permit is revoked or cancelled because the developer cannot complete the project in time or under the conditions defined. Permit challenge insurance allows to overcome these uncertainties and unlocks the opportunities in wind energy projects.

Figure 2: Average duration of planning and permitting period of onshore wind projects



Source: Ecofys, October 2018

Figure 3: Close to 20% of permits are challenged*

Year of permit	Total (05/2019)		Challenged		Share of challenged MW
	Turbines	MW	Turbines	MW	
2019	182	674.0	17	65.1	10%
2018	410	1'410.3	44	133.5	10%
2017	320	1'016.3	41	129.1	13%
2016	306	876.1	113	344.1	39%
2015	36	101.6	2	4.6	5%
2014	54	145.7	11	32.7	23%
Total	1'308	4'223.9	228	709.0	17%

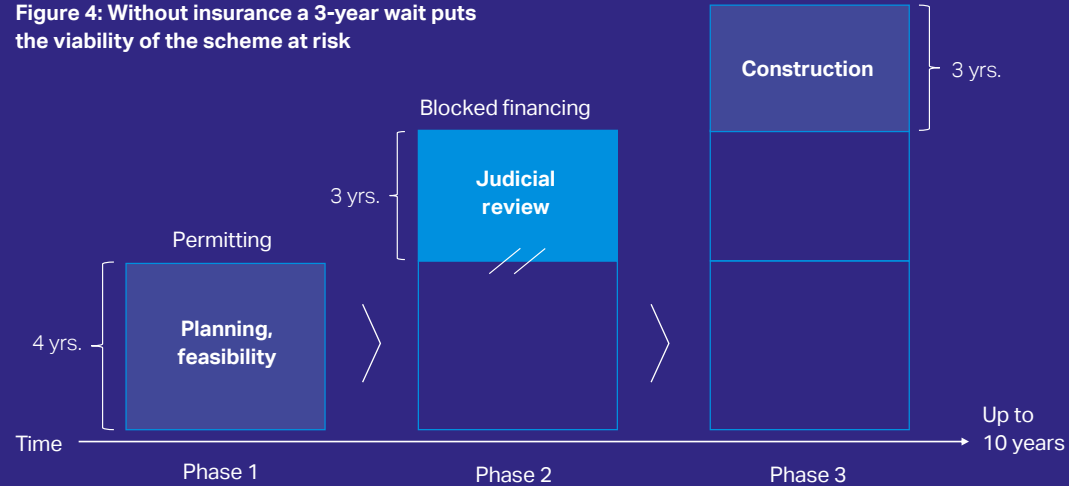
*Based on a sample of wind energy projects in Germany, 2019
Source: Fachagentur Windenergie an Land, 2019



Our solution: Permit challenge insurance

In the development of renewable energy projects, permits are challenged, delayed, modified or – in the worst case – even annulled. The implications for funders, developers or manufacturers are severe and can endanger the viability of a project and its financing. Typically, a permit challenge causes the delay of a project for the length of the judicial review in which time developers will struggle to secure financing.

Figure 4: Without insurance a 3-year wait puts the viability of the scheme at risk



Permit challenge insurance is a financial tool to protect and unlock financing or funding in renewable energy projects and transactions. It provides the insured with two benefits: Most fundamentally, permit challenge insurance assures that sponsors can meet their financial obligations towards their investors and lenders, including the timely repayment of their loans.

Equally important, the insurance cover improves the bankability of the project as its construction can proceed whilst the judicial review is still ongoing. The cover thereby substantially shortens building time and enables the developer to complete the construction in time.

Figure 5: Resolving the barrier with insurance



Key benefits of the product

Figure 6: Permit challenge insurance overcomes delays by:



Risk assessment and underwriting process

CLS Risk Solutions will conduct a thorough due diligence to assure a common understanding with the policyholders about risk, triggers and scope of indemnity of the policy. As a result, all parties will understand how a claim will be managed along with a clear mechanism for indemnification. Based on a comprehensive risk review we develop a risk timeline that combines the judicial procedures in a permit challenge with the project timeline.

Finally, an agreed risk scenario is mapped to the project schedule to loss zones. The end product is a collaborative risk management tool.

Team

CLS Risk Solutions understands itself as a partner of its clients. Our products enable our clients to deploy their capital more efficiently and developers to complete their projects on time. This ambition requires a bespoke approach, reflecting the exact circumstances of our clients' projects.

In Europe, CLS Risk Solutions can draw on the market and product expertise of its underwriting team.



Jean-Claude Domaingue

Underwriting Director

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Jean-Claude is our European underwriting director and responsible for the EU underwriting performance and strategy.

About CLS

CLS Risk Solutions is a European insurance agent associated with the CLS Group, founded in London in 2009. The Group has expanded into nine businesses operating from five offices with a staff of 110 employees. In 2019 it had a combined turnover of € 45 million.

Since its foundation in 2009, CLS Group has been an established partner of ERGO, a leading global insurer headquartered in Germany. On the back of long-standing partnerships with some of the largest insurers in the world, including AMTrust, Lloyds or Munich Re, CLS supports its policyholders with secure AA- rated capacity.

In Europe the company operated through the fully regulated CLS Risk Solutions Ltd, licenced in 2017. With a team of underwriters, we support clients in Ireland, Spain, France, Germany, Benelux, Denmark and Sweden. Based on our carriers' highly rated insurance capacity we cover financial and legal risk in real estate, infrastructure, renewable energy development projects and transactions.

Our expertise and security

CLS Risk Solutions has established a reputation for innovation, expertise and service. The company pioneered a number of firsts in the real estate segment. Throughout the last ten years CLS Risk Solutions has insured over 8 million transactions, more than 1 gigawatt of wind farm projects in Europe or € 5 billion in real estate assets.

CLS has become a leader for complex risks in real estate mergers & acquisitions as well as in the development market. The company has established a track record of underwriting sustainable and profitable premiums. CLS Risk Solutions can provide up to € 180 millions of A- or AA- rated capacity per risk, based on its partnership with leading European insurers and reinsurers.

Due to its underwriting expertise, CLS has teamed up with business partners such as the Ryan Specialty Group, AIRBUS, VGM or renewable energy providers and utilities such as EDF, ENNO, RWE, ING and NORD LB realizing with them projects for Europe's leading investors and developers in real estate and renewable energy.





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Opportunities, unlocked.

CLS Risk Solutions Limited is registered in Malta, company registration number C 77678 and is authorised and regulated by the Malta Financial Services Authority. CLS Risk Solutions Limited is enrolled in the Agents List to act as an Insurance Intermediary in terms of the Insurance Distribution Act (Cap 487).