News release

Renewable energy sector could triple annual insurance spending by 2020 to attract new investors

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Zurich, 25 July 2013 – The renewable energy industry could be spending three times as much on insurance every year by 2020 to mitigate risks to projects, says a new report by Bloomberg New Energy Finance sponsored by Swiss Re. The report looked at six of the world's leading markets for solar and wind, including Australia, China, France, Germany, the United Kingdom and the United States. Depending on the scenario, insurance premium volumes in these markets could increase from USD 850 million today to anywhere between USD 1.5 billion and 2.8 billion by the end of this decade.

Based on current projections, new renewable power capacity built worldwide between now and 2030 will account for more than USD 2 trillion in total investment. Of this, 75% or 900GW of capacity additions will be in the solar and wind sectors, both onshore and offshore, and over half of this is attributable to Australia, China, France, Germany, the UK and the US.

The growing demand for insurance in these six markets comes as owners and developers of renewable energy projects are seeking to tap into new sources of financing, including from institutional investors such as pension funds. To make investments in renewable energy more attractive to these investors, projects must become less risky, all the way through from early stage construction to operation.

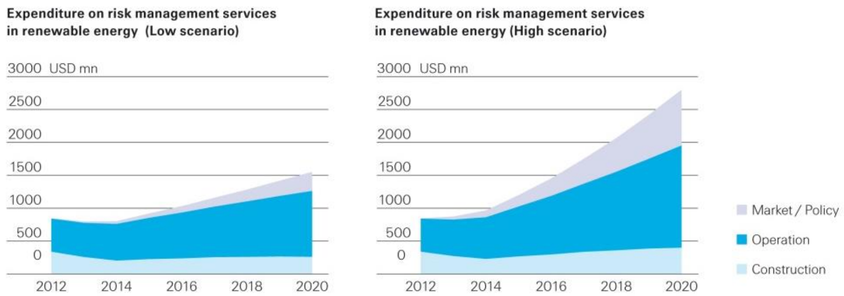
"New solar parks and wind farms require enormous investments. Not only that, you are also asking investors to put their money into relatively new and sometimes less mature technologies. To reassure investors you really need sound risk management," says Juerg Trueb, Head of Environmental and Commodity Markets at Swiss Re Corporate Solutions.

Growing offshore wind deployment is another reason why insurance considerations are moving to the fore. Besides the technological complexity involved, offshore wind farms are exposed to adverse weather and operate in very difficult geographic conditions. Damage, delays and downtimes are not uncommon and can significantly reduce the expected returns on investment.

Risk transfer products are available to manage risks associated with the development and operation of renewable energy projects. Besides protecting against physical accidents or delays due to inclement weather, insurance can also help to reduce revenue volatility. It can do this by compensating for the periods when the sun does not shine and the wind does not blow or when energy prices fluctuate in the market. Since variable energy production can disrupt the entire power market, insurance covers for volume risk can protect traders and grid operators against low or even negative power prices.

"Insurance is not a silver bullet. But by mitigating the risk in the construction phase and improving the consistency and surety of revenues during operation, insurance can help improve the return on investment for renewable energy projects," says Juerg Trueb. "This, in turn, would allow the sector to attract the scale of investment necessary to put the world's energy mix on a more sustainable footing."

Guy Turner, Chief Economist at Bloomberg New Energy Finance and lead author of the report, says “The analysis conducted for this report shows that the demand for risk management solutions will increase partly because the renewable sector will simply get bigger, but also because of increasing uncertainty affecting power markets in general. As the renewable sector matures and becomes part of the mainstream energy industry, it will need to evolve from an innovative sector where risks are taken on the chin to one where returns are predictable and there are fewer surprises.”



Source: Bloomberg New Energy Finance
Note: Covers wind (onshore and offshore) and solar PV (utility scale and residential) and includes UK, Germany, France, USA, China, Australia.

Notes to editors
Copies of *Profiling the risks in solar and wind – A case for new risk management approaches in the renewable energy sector* can be downloaded at:
www.swissre.com/rethinking/sustainable_energy/Profiling_the_risks_in_wind_and_solar.html or http://about.bnef.com/white-papers/.

Swiss Re's energy and climate experts are available to discuss developments in the energy sector. For interviews please contact Swiss Re media relations +41 43 285 7171 or Media_Relations@SwissRe.com.

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