

Renewable Energy Insurance

Provided by RSA Group



Faced with soaring demand for energy and mounting environmental problems caused by a reliance on fossil fuels, China has become one of the world's most exciting, fastest growing markets for renewable energy. Renewable energy insurance can be designed to cover a range of risks for renewable energy technologies – from wind turbines to hydro power plants. It helps to protect the financial interests of companies involved in the renewable energy industry including investors, manufacturers, project developers and utilities.

Risks in this industry can come in a variety of forms -- be it from fire, storm or theft right through to project delays and machinery failure. Consider some recent headlines in China. First, there were the freak snowstorms that hit in February. Then there was the tragic Sichuan earthquake in May. And since the beginning of June, flooding and related disasters have affected about 50 million people and damaged an estimated three million hectares of land. RSA's insurance products for this industry ensure that when trouble strikes, the customer is back operational again as soon as possible, helping to protect their financial investment.

China's Renewable Energy Law

While in the past the country's economic rise has relied heavily on fossil fuels, the Chinese government is now moving aggressively to develop its renewable energy sector. In order to meet a target of 15 per cent renewable energy in China by 2020, will invest more than USD250bn in renewable energy development, according to the China Renewable Energy and Sustainable Development Report.

The 15 per cent target is in line with a new renewable energy law requiring grid operators to purchase resources from renewable energy producers. The law, which came into effect in January, also offers financial incentives to foster renewable energy development, including discounted lending and a range of tax breaks.

Analysts forecast that more than GBP360m will be invested in the global renewable energy industry over the next five years. A large amount of this investment will be in China. Currently, renewable energy accounts for 8.5 per cent of China's primary energy supply and 16 per cent of its electricity supply. By 2020, these numbers are expected to reach 15 per cent and 21 per cent respectively, or even higher, according to Junfeng Li, secretary general of the Chinese Renewable Energy Industries Association (CREIA).

RSA has been a global leader in renewable energy insurance for over 25 years and insured the first offshore wind farm over 15 years ago. In 2007, the global renewable energy business was launched to open up opportunities in different parts of the world.

ClearSky Solutions

RSA has offered insurance brokers, manufacturers, developers, contractors, operators and finance companies in the Chinese market leading protection in the wind power industry with its ClearSky Solutions portfolio.

Offering seamless cover from planning and construction through to operation, clients receive risk management advice from specialist engineers, and insurance protection against a wide range of risks from mechanical

breakdown through to storm damage and lightning strikes. This is supported by a fast and efficient 24 hour claims service and other innovative solutions such as miscalculation cover.

Throughout the years, RSA has seen some 18 series of losses globally regarding wind turbine components. And as a result of its expertise in this area, RSA has contributed to setting standards for wind turbine design, erection, operation and maintenance in an effort to limit the extent and impact of any wind turbine loss.

Some of the biggest frustrations in the wind power industry include project delays, supply chain difficulties and downtime caused as result of mechanical damage or failure. To offset this risk, RSA's renewable energy insurance solution employs over 300 loss adjusters and engineers globally focussed on risk control and speedy claims resolution, and offers insurance coverage for component manufacturers to ensure that the supply chain runs smoothly.

In the immediate to short term, China is already becoming a world leader in wind and solar energy. Chinese production of wind turbines and solar cells doubled in 2006, and it is projected that China will overtake the current global leaders in these areas by 2009. China is already the global market leader for solar heated water and small hydropower.

One thing is certain -- the Chinese renewable energy market is going to be enormous. And so will the commercial opportunities, but only for those that have the ability to combine the best of international and domestic business practices, and cost-effective technologies with a great deal of patience and risk mitigation.

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Renewable Energy Insurance Notes:

- Renewable energy insurance can be designed to cover a range of risks for renewable energy technologies – from wind turbines to hydro power plants.
- Renewable energy insurance helps to protect the financial interests of companies involved in the renewable energy industry including investors, manufacturers, project developers and utilities.
- RSA renewable energy insurance clients receive risk management advice from specialist engineers and insurance protection against a wide range of risks.

From 1st April RSA's new China subsidiary, Sun Alliance Insurance (China) Limited, was launched. At the same time, RSA Group launched its new brand, RSA.