



Selkie 'Meet the Expert' event: Insurance
Joe Hulm - Chartered Marine Technologist

10 June 2021



Who We Are



Joe Hulm FIMarEST

MSc (Energy Economics)

Chartered Marine Technologist

Director of Post-Loss Advisory

- 4 years of recent experience of loss adjusting complex and high-value insurance claims, mostly offshore wind and subsea cables.
- 8 years of offshore renewable energy project development and corporate strategy with ENGIE in UK/Europe (MeyGen) and Bluewater Energy Services in North America (FORCE).



Michael Bullock ACII

MSc (Finance)

Chartered Insurance Practitioner

Founding Director

- 20 years of insurance experience in the London and Bermudian insurance markets, including as one of the founder-directors of a Lloyd's Broker.
- Served as Commercial Director of SeaRoc, an offshore wind, wave and tidal engineering consultancy, including the provision of financial risks consulting to developers.



Who We Are



Renewable Risk Advisers is a specialist risk management / insurance claims consultancy and insurance broker with an unparalleled depth of experience of risk mitigation in the renewable energy sector since 2005

We work with clients developing and operating projects and for new technologies in the following sectors:

- floating wind
- fixed offshore wind
- onshore wind
- wave
- tidal
- floating solar
- onshore commercial solar
- hydro
- geothermal
- ocean-thermal
- waste-to-energy
- biomass
- biofuels
- energy storage
- energy savings contractors

“Our goal is to be seen as trusted advisers and a valuable part of our clients’ broader project team.”



What We Do

Our suite of services can be split between Risk and Insurance Advisory and Post-Loss Advisory support:

Risk and Insurance Advisory

Our offering as trusted advisers and outsourced insurance and risk managers supports projects from origination to financial close. When required by clients we support market placements and the preparation of necessary documentation, including bespoke policy wordings.

Post-Loss Advisory

Our post-loss advisory services seek to frame the structure and pace of a claim, through effective agenda-setting and informed advocacy. We also act either side of disputes over performance, where liquidated damages (LDs) are sought from the original equipment manufacturer (OEM) or installation contractor.



Surely insurance can wait?

No – you need to engage early at the best of times

- There has been two years of hard market after 10 years+ of bad results
- Continuing higher premiums and deductibles/excess, reduced cover
- Many insurers closed/back to core classes
- Early stage wave and tidal stream projects are not core
- Floating wind is attracting attention
- Some risks have become uninsurable or unaffordable



What risks are we talking about?

Natural perils,
Accidental
damage &
impact,
Damage/injury
to third parties.

Mostly insurable
with v good story,
but revenue v tough

Defect,
Performance,
Availability,
Machinery
breakdown.

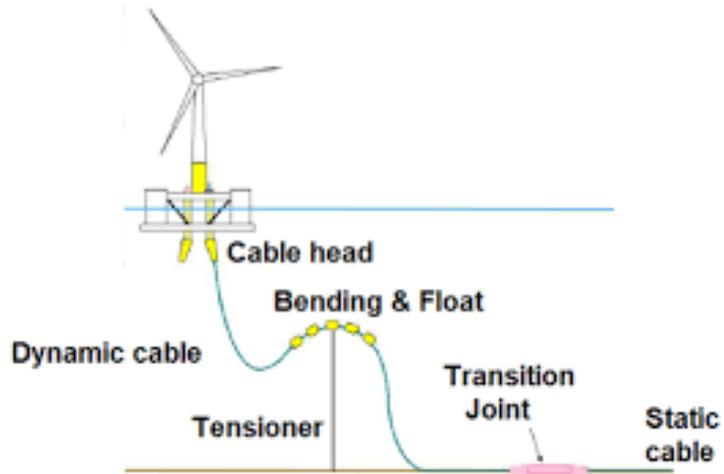
MAYBE given
successful proving,
sufficient data

Political risk,
Breach of
consent,
Uninsured
delay,
Mis-siting etc.

**NORMALLY
UNINSURABLE**



Is it really that risky?



Real life ocean energy issues

- Damage to survey equipment / ADCP's
- Defective workmanship
- Poor installation methodology
- Damage / loss in transit
- Tier 1 supplier equipment not optimised for project
- Time pressures > use of tight weather windows, delays
- Poor contractor communications with MWS
- High cost of unscheduled marine ops
- Cable damage during and post-installation and repair
- Cable damage by third parties
- DP vessels losing position
- Risks of dry mate connectors and cable tails
- Cable not designed for frequent handling
- Impact by fishing boats, pleasure craft
- Lack of onboard emergency measures (pumps etc.)
- Moorings dislodged in bad weather
- Contractor disputes involving insurance claim monies
- Lack of spares, repairs back to manufacturer for FAT
- Low manufacturer priority for replacements
- Generation bottlenecks (transformers, cables)



But surely offshore wind is insurable?

Cable CAPEX is about 10% of an offshore windfarm

Cable claims under the construction policy:

- are about 40% in number of all claims made to insurers
- are about 80% of claimed costs paid by insurers to the project
- of these costs, about 65% are attributed to vessel costs (£100,000 to £200,000 per day)

Nearly all offshore wind construction projects have experienced cable claims:

- Inter-array cable damage: £125,000 to £10,000,000
- Export cable damage: £7,250,000 to £25,000,000

These losses affect the ocean energy market as the Insurers are often the same. Plus many of these risks are similar in our sector. Premiums are dependent *inter alia* on large OEM warranties – more restricted in floating offshore wind.



Mitigating factors

- Design for worst case: accessibility, retrievability...
 - Protections: back-up power, pumps, trackers, warnings
 - Assess / address key points of weakness / failure...
 - Project planning and time and cost contingencies (cost of vessels for repairs?)
 - Navigational Risk review from other marine users
 - Plan, protect and verify cable route
 - Project design issues e.g. re connectors, redundancy of cables, transformers (onshore?)
 - Notices to mariners, warning lights etc.
- NB Early Engagement with:**
- TPV to assess survivability, moorings /cable design etc.
 - Experienced(!) contractors for installation plan
 - MWS to check methodology, tow plan, vessels...
 - Supplier SLA's for testing, spares and lead times
 - Insurance experts to overview and warm up interest
- Other Observations:**
- Tows (especially long ones) worry insurers
 - Self-insured deductibles will be meaningful(!)
 - “Bankable” warranties significantly affect lifecycle insurance costs



New insurance fund to accelerate ocean energy's roll-out

18 February 2021. The design of a brand-new European insurance fund for the ocean energy sector is underway, to slash the costs of the first commercial projects and accelerate the roll-out of this exciting new industry. Ocean Energy Europe (OEE) has appointed risk and insurance consultancy, Renewable Risk Advisers (Renewable Risk), to carry out the work as part of the EU-funded OceanSET project.

A well-designed insurance fund will mitigate the early risks of innovative ocean energy projects, for which investors typically demand returns of 10-12%. Access to project finance is a significant obstacle for wave and tidal developers, looking to leverage equity and crack a €53bn per annum global market.

De-risking projects through an insurance fund can act as a 'golden ticket' for the scale-up of ocean energy. By enabling more projects to reach financial close, this will generate the operational data and experience necessary to meet the needs of insurers, lenders, and equity investors.

Report Launch: 22 June 2021

- Focus on wave and tidal stream (but concept could apply elsewhere)
- How to fund first revenue-dependent deployments at scale?
- Not prototype testing: some prior data required for 3rd Party verification
- Sector capability review and gap analysis:
 - *29 technology and project developers interviewed*
 - *11 wave*
 - *18 tidal (100% uptake)*
 - *13 expert organisations for due diligence input*
 - *MWS/Test Centres/Certification (100% capability statements)*
 - *13 specialist insurers + 1 broker (French waters)*
 - *12 lenders / equity investors / finance arrangers*
 - *Initial interaction with EU / EIB*

in association with **b2bsure**[✓]

Find out more at Target 2025
on 22 June 2021



Ocean Energy
Europe



Thank You!



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