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New Products, developments since May 2010

Søren Theilgaard expressed disappointment that there had been very little development during the past two years. A likely explanation was the financial crises that had been hard on investments.

One experience in Denmark had been a general reluctance to accept land based windmills since very few people wanted them as neighbours. To mitigate this challenge a law was passed at the end of 2008 to support the advancement of renewable energy. According to the Act no. 1396/208, a neighbour is that entitled to ask for compensation from the owner of a new land based windmill construction when that windmill affects the value of nearby property negatively. Lawyers now debate whether that also allows old windmill owners to ask for compensation because they face increased competition from the new windmills.

As a result of this general tendency investors had almost given up on land based windmills and instead invested in windmill parks at sea although the investment cost was 3 times higher than land based wind mills. The pay back time then depends even more on government subsidies and at the moment Denmark is debating the new general energy plan in light of future international goals. Until those regulations are in place investors hold back their investments.

Regarding traditional insurance products such as property damage, machinery break down and cargo the insurers had seen very high claims rates mainly due to the financial difficulties. Many projects were abandoned or delayed although production or even deliveries had started. This meant that parts were sitting on stock or en route for extended periods and were damaged in the process.

As for new insurance products Chartis had announced on 18th May 2011 the launch of a new product that insured the value of government subsidies to renewable energy. The product was linked to Sect. 48 of the US Internal Revenue Code (IRC) and protected the owner / investor who for some reason did not meet the requirements for the subsidies during the first 5 years’ lifetime of the renewable energy property and for that reason had to return the value of the subsidy. The policy would also offer a PI cover for a manager of the installation who had undertaken to manage the installation in accordance with the required rules where errors or omissions caused failure to do so. Similar products might be introduced elsewhere in the world to cater for protection of similar government subsidies.

This kind of insurance product supported a comments made at the conference in Paris in 2010 where it was emphasized that investors required financial support behind the viability of the project for the pay back time for a renewable energy product. Insurance products could offer that security. The challenge for this product as well as for other new products was the lack of claims history.

That, of course would be overcome in time.

Thank you.

*Søren Theilgaard*