



ENERGY

The rising cost of energy affects individuals and companies alike. Higher oil and gas prices make alternative energy sources like solar, wind or biofuel more attractive. With technological developments reducing the production cost, the take-up of “green energy” is set to increase.

As the energy industry continues to explore these sources of power, the insurance industry is also focusing its attention on managing the risks associated with alternative energy. In many cases the risk management issues for new technologies, such as hydropower and solar production, are similar to those faced by more traditional energy production. But in some cases, such as biofuel, the new technology can mean additional challenges for environmental insurers.

Changes are further driven by those 160 nations signed up to the Kyoto Protocol aiming to reduce their carbon footprint. They face the challenge of cutting their emissions output between 2008 and 2012, and companies polluting the atmosphere above their allocated threshold face heavy fines. Again, the insurance industry is challenged to find a flexible mechanism to include freely-traded carbon credits as part of its business interruption insurance product.

But before banks and commercial lenders are willing to put any money into new projects they will be looking to insurers for some protection to secure the return on their investment.

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