

# Conceptual for Carbon Credit Delivery Insurance\*

Industry	Carbon Credit Trading
Motivation	A specialized investment fund is financing a project that will earn carbon emission reduction credits (CERs) by reducing leakage in the gas distribution network. The CERs, which will be received by the fund over the next 7 years, have been forward sold to a major oil company that needs them to meet its carbon emission reduction targets. The investment fund is looking to reduce its financing costs and facilitate the forward sale of CERs.
Coverage	Coverage is triggered by the non-generation and non-delivery of the CERs due to technological performance, political and credit risks, and the loss amount is expected to be the amount by which the price paid in the spot market to replace the undelivered credits exceeds the contracted price.
Term	7 years
Limit	\$1 million per year with a \$6 million aggregate policy limit
Retention	10% SIR and 15% co-insurance
Potential Benefits	<ul style="list-style-type: none"> <li data-bbox="520 1052 1098 1084">&gt; Insures key risks in a single policy</li> <li data-bbox="520 1092 1413 1125">&gt; Reduces financing costs by providing delivery certainty</li> <li data-bbox="520 1133 1161 1166">&gt; Increases value of forward sold CERs</li> <li data-bbox="520 1174 1633 1206">&gt; Offers multi-year solution insuring the full term of the forward contract</li> </ul>

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