



Helping Protect the Environment with Tax Insurance

Who would think that tax insurance plays a role in protecting the environment? Believe it or not, it plays a significant role by facilitating investment by investors in wind, solar and other clean-energy facilities.

Berkshire Hathaway Specialty Insurance frequently provides tax insurance policies that help renewable energy projects get done. The U.S. government encourages investment in these projects by providing federal tax incentives in the form of tax credits. The credits are so fundamental to the economics of renewable energy projects that investors frequently will not move forward with financing without first obtaining tax insurance.

Generally speaking, tax insurance policies for renewable energy projects insure against the risk that the investors are ineligible for the anticipated tax credits. The U.S. government provides two key incentives for renewable energy projects: an “investment tax credit” for investments in eligible property including solar panels and a “production tax credit” for electricity produced from renewable sources such as wind farms. There are a number of specific requirements that must be satisfied for each of these credits, and tax insurance coverage is generally sought for only a subset of these requirements (those that are not unambiguously satisfied given the particular facts and circumstances for the project). Developers of renewable energy projects generally cannot fully utilize the anticipated tax credits themselves, so they partner with “tax equity” investors who provide low-cost financing in exchange for being allocated the credits.

Given the significance of the anticipated tax credits to the tax equity investors (whose return is largely driven by the credits), many renewable energy projects would not proceed without tax insurance. Berkshire Hathaway Specialty Insurance has underwritten tax insurance policies for many of the most significant tax equity investors, which include many of the country’s largest banks. Given the importance of these policies to the funding of renewable energy projects, we’re proud to play a role in supporting the United States’ shift toward green energy.

For more information about tax insurance policy, please contact William Kellogg of Berkshire Hathaway Specialty Insurance at william.kellogg@bhspecialty.com.

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