

Writing the risk

Alistair Welch speaks to Matt Rowland, underwriter at renewable energy insurance specialists GCube, about the major risk areas in offshore wind projects

Risk - the way that it is apportioned, managed and mitigated - is one of the most significant areas of contention in the offshore wind industry. Few are better positioned to have a nuanced understanding of the risk associated with delivering offshore wind projects than those responsible for insuring developments. Insurance underwriting agency GCube has specialised in the renewable energy market for two decades and, since 2007, has become

increasingly involved in the offshore wind sector.

Underwriter Matt Rowland, who joined GCube in January 2009, comments that he has seen interest in offshore wind ramp up during his time at the company. Moreover, compared to the insurer's established areas of practice, which include onshore wind, biofuels, wave and tidal, river hydro and solar projects, offshore wind, according to Rowland, represents a "completely different proposition."

Currently, GCube is predominantly involved in the German and North European development rounds and the delivery of Round 2 in UK waters. "The challenges associated

with offshore," confirms Rowland, "are a lot greater than onshore."

Rowland explains that, above all other issues, cabling is the most concerning risk factor facing the sector. According to figures released by Lloyd's of London, some 50 percent of claims made by the offshore wind industry relate to cabling - either its installation or subsequent failure.

"The real issue," says Rowland, "is the quality of the cable installation companies that are carrying out the work. Certain companies are good, but others come into the market, charge less than the established players but don't do as good a job. These companies then leave the sector because they realise that they have over-promised and it generally falls on the established market to clean up after other people's mistakes."

How, then, can developers mitigate the risks associated with cabling? "The view we take," says Rowland, "is that the earlier we get engaged on a project the better. If we are involved when decisions about cable contracting are being made - that is great. As insurers we are in a position whereby we see the majority of projects, whether we choose to underwrite them or not. Thus we can see which contractors have been used on a particular project and, further down the line, we notice whether or not they have had claims."

To an extent, the offshore wind sector has become a victim of its own early successes. As the industry looks set to mature with massive

capacity slated for installation over the coming years, contractors are keen to get a slice of this booming market. However, cabling companies seeking to enter the sector without previous experience might be undercutting the established players not only on price, but also on quality and reliability.

GCube has a list of contractors that it considers to be 'Tier One' with subsequent tier levels dropping down in quality from there; when engaged early they are able to advise developers which contractors they are most happy with. "If developers leave it too late, they can get a bit of a shock when they see some of the insurance pricings," adds Rowland.

Weather, particularly after a difficult 2011, is a further factor that is worrying a number of offshore developers. Rowland explains that insurers want to see weather contingency built into the initial product plan: "The North Sea is fairly unpredictable, it is a harsh environment, so you have got to make sure that the vessels are suitable for the weather they are going to encounter and that the project team is building in contingency whereby, if they do have an unforeseen delay due to adverse conditions, it will not compromise the delivery of the project."

Furthermore, as Round 3 gathers pace, vessel suitability will only become more important as zones are located further offshore in more demanding marine conditions. Rowland believes that weather win-

dows will become more pressurised and the temptation to over-promise on projects will be viewed very negatively by the insurance market.

Similarly, the supply chain is likely to come under increasing strain: "Are companies in a position where they will be able to meet the demand?" asks Rowland. "One hopes they will be for the initial projects planned, but what happens when something goes wrong? What happens if there is a problem identified with some of the key equipment?"

Rowland concludes that offshore wind needs to learn important lessons from the experiences of the oil and gas industry. In his view, the offshore wind sector could benefit from engaging oil and gas companies that are used to working on large-scale projects: "When we look at a project," he says, "what we really want to see is two types of experience in the project team: offshore wind experience and oil and gas experience."

Claims teach underwriters how to mitigate losses, and as GCube has more claims experience in renewables, and the offshore wind sector specifically, than many of its competitors, the company can share the value of its experience with developers. With Round 3 on the horizon and the possibility of large US offshore wind developments in mid-Atlantic waters, it appears that the coming years could be a busy time for the company.

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