

Leslie Thorne and Andrew Van Osselaer in Law360: 'Renewable Energy Cos. Need New Risk Management Tools'

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Since his first day in office, President Joe Biden has sought to fast-track a renewable energy revolution in the U.S., with the goal of creating a carbon pollution-free power sector by 2035. An integral component of that plan is the rapid development of renewable energy projects that would bring the U.S. in line with the energy revolution currently sweeping the globe.

Today, around 25% of energy generated globally is renewable, and that number is expected to increase to nearly 50% by 2040. While this technological and developmental boom will certainly be one for the history books, the renewable energy industry has not been without its growing pains.

The overwhelming demand for development, the influx of new technology and the need to place assets in more remote areas have exposed the industry to greater risks — which in turn have made, and will continue to make, risk management a somewhat troubling prospect. Developers and producers face an unusually broad array of risks that threaten their assets and bottom lines.

While traditional insurance plays a critical role in risk management, companies and insurance carriers are now taking a more a state-of-the-art approach to fully mitigate those risks. Today, gold standard plans not only rely on a panoply of traditional insurance products and contractual warranties, but also take advantage of new risk management products like proxy revenue swaps to safeguard bottom lines.

Risk managers must not only familiarize themselves with the industry's changing universe of risks, they must also understand the cutting-edge tools available to them. Only by doing so can they ensure their businesses are prepared to face the risks of tomorrow.

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