

MAPFRE Renewables, the insurance solution for sustainable electricity generation

Transformation of the electricity sector and the role of renewable energy

Decarbonization of the economy is likely the most significant challenge in the 21st century and will certainly have an impact on electricity generation. Practically every traditional company in the electricity sector finds itself in a process of transformation that entails doing away with conventional thermal plants, primarily coal-fired, and committing firmly to renewable energy generation, particularly wind and photovoltaic solar energy.

In addition to the role these energy sources play in reducing greenhouse gas (GHG) emissions, the significant drop in the costs of these technologies must be noted, particularly for photovoltaic solar energy, which will without a doubt make it more competitive compared to other sources of conventional generation. Relatively low operating expenses together with short investment cycles have turned renewable projects into highly attractive assets for investment funds. In recent months, we have witnessed significant movements in the field of mergers and acquisitions, companies going public, and interest from gas and oil companies in developing renewable energy sources according to the latest strategic plans presented recently.

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In short, the transition process has already overcome two significant barriers: the technologies to bring about this change have costs that make them competitive and attractive for investment and international commitment to carry out this transition is solid, particularly in the European Union, with a new drive following the change of administrations in the United States.

The energy transition and its impact on insurance

In terms of insurance, the trend in the sector is seen in the changes in the mix of generation assets

comprising insurance programs, as has been mentioned previously, i.e., divestment/closure of coal-fired plants and inclusion of new renewable projects, primarily land-based wind and photovoltaic solar projects.

“Latin America is a key region that allows us to take advantage of the excellent platform provided to us by MAPFRE and has significant potential to implement renewable energy projects.”

From a technical standpoint, the risk profile improves by a change from large generation equipment, such as turbogenerators and boilers, to more distributed generation, like wind turbines or standard photovoltaic modules. However, on the other hand, these technologies are subject to high-frequency claim ratios, more vulnerable to natural risks, and exposed to bottlenecks in electricity discharge infrastructure. These are important aspects to analyze when underwriting the risk.

MAPFRE Global Risks. The Renewable Energy Product

In this regard, there are significant opportunities for the insurance market to make the difference, by showing that we are aware of the challenges our clients face and by being agile and receptive to the changes experienced by the renewable energy segment in order to provide solutions adapted to their needs.

In this vein, more than two years ago, MAPFRE Global Risks launched the Renewable Energy Product as an insurance solution for land-based wind farms operating with an installed power capacity of less than 100 MW. In 2019, the scope was expanded to photovoltaic plants with a power range from 10 to 100 MW, thereby taking advantage of the significant development taking place in the countries where MAPFRE operates.

“MAPFRE Global Risks provides markets in Latin America with a solution through local MAPFRE companies to underwrite renewable energy risks with a capacity of US\$100 million, enabling 100% placement of the risk.”

By launching this Product, MAPFRE Global Risks provides markets in Latin America with a solution through local MAPFRE companies to underwrite renewable energy risks with a capacity of US\$100 million, enabling 100% placement of the risk. In addition, tools (claims assessor, technical questionnaire) have been developed by the specialized Global Risks teams for both underwriting and engineering. These tools include our technical experience, making agile quotes a possibility

and allowing local teams to progress towards greater independence for this market segment.

In addition, there are complete policy conditions specific to risk types (wind/photovoltaic) with a wide range of coverages for damage, machinery breakdown, lost profit, and other additional guarantees. Also, based on predefined terms and conditions, the offer can be adapted to the needs of each operation by selecting different options for deductibles, design error coverage, and the option to include additional guarantees such as terrorism or strikes, riots, and civil disorder.

Latin America is a key region that allows us to take advantage of the excellent platform provided to us by MAPFRE and has significant potential to implement renewable energy projects. In this regard, geographical definitions for the Product allow the entire region of Latin America to be covered with the exception of areas that are particularly exposed to wind/hurricanes.

“In terms of the Renewable Energy Product, throughout 2020, almost 50 business opportunities have been analyzed in 14 countries and more than 40 plants totaling 1500 MW have been underwritten.”

In terms of the Renewable Energy Product, throughout 2020, almost 50 business opportunities have been analyzed in 14 countries and more than 40 plants totaling 1500 MW have been underwritten, building a project portfolio that we believe we can continue to expand in the coming years as a result of the expected drive for new renewable energy projects in the region and support with a sales plan from the various MAPFRE companies.

MAPFRE’s commitment to sustainability: “Doing Well by Doing Good”

At MAPFRE, we are aware of the social footprint that we can leave as a company while carrying out our operations.

We accept our part in sustainable development and are committed to the United Nations Global Compact and the Sustainable Development Goals (SDG) in the 2030 agenda, also of the United Nations.

Vicente holds a degree in Industrial Engineering from the Polytechnic University of Madrid with a specialization in Energy Techniques and an Executive MBA from IESE Business School. He has over 13 years of experience in the field of electricity generation.

In his first professional stage, he worked in international project execution for an electric company, and for the past seven years he has worked in MAPFRE Global Risks, first in the engineering area and then as an electricity underwriter in the Energy and Construction area since 2018.