

# Tax Investment Default Insurance: Expanding the market for clean energy investments



Renewable energy developers who want to sell future tax credits and use these forward commitments to secure financing for their projects can encounter challenges finding investors who are approved by their banks. Our innovative Tax Investment Default Insurance provides protection for sellers against an investor's failure to fund when due, potentially expanding the pool of prospective tax credit buyers.

The Inflation Reduction Act of 2022 introduced a host of new tax incentives to encourage renewable energy project development. The legislation has simplified the monetization of tax credits, providing developers with the opportunity to sell future tax credits to investors, generating cash that can be used to finance their projects. Often, renewable energy companies will use these forward commitments from investors to secure project financing.

However, in order to protect themselves against the risk of default, most lenders have strict requirements about the credit rating of prospective tax credit investors, often requiring them to be investment-grade. This approach has limited the pool of potential investors since it tends to eliminate entities that don't have credit ratings or whose credit ratings do not meet the lender's strict requirements.

Marsh's first-of-its-kind Tax Investment Default Insurance is specifically designed to help broaden the pool of potential investors. The innovative coverage protects sellers in the event a buyer defaults on their commitment to purchase tax credits when they are generated.

## Key coverage features

By acting as a credit enhancement, Marsh's Tax Investment Default Insurance helps tax credit sellers to secure capital from lenders and pursue clean energy developments. Our specialists have worked with key insurance partners to create this unique solution, which includes:

**Financial loss protection:** Protects project developers selling future tax credits and supports their financial obligation to lenders.

**Investor credit enhancement:** Increases lenders' confidence in project developers, knowing that they are backed by an insurance solution in the event of tax credit investor default. Lenders can be named in the policy as a loss payee to directly receive any claim payments made under the policy, which is issued to the project company generating the tax credits.

**Funds for loan repayment:** Provides funds to project developers to ensure they can repay lenders in the event of a covered loss.

**Multi-year options matching investment timeline:** Offers multi-year coverage options that align with the specific investment timeline, providing long-term protection against tax investor defaults.

**Wide range of investment structures:** Caters to various investment structures, accommodating the diverse needs of developers and offering comprehensive coverage for different types of tax investments, whether in the form of transferability under the IRA or under traditional tax equity transactions.

## Addressing new risks with innovation

Our A-rated Tax Investment Default Insurance expands the pool of eligible potential buyers for future tax credits and facilitates the process for renewable energy companies to secure critical funding for their investments. This solution offers an innovative response to the need for greater investment in clean energy as part of the energy transition.

**For more information on how our Tax Investment Default Insurance can help you secure funding based on tax credit sale agreements, contact your Marsh representative.**

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## BENEFITS FOR MULTIPLE PARTIES

Marsh's Tax Investment Default Insurance can positively impact the following parties:

**Developers:** Unlocks capital from a wider range of US tax investors, including sub-investment grade or unrated entities.

**Lenders:** Mitigates credit risk by safeguarding a crucial source of project financing loan repayment for clean energy projects.

The impact? Lenders can have more confidence when granting funding, and project developers can continue developing transformative clean energy projects.

## About Marsh

Marsh is the world's leading insurance broker and risk advisor. With more than 45,000 colleagues advising clients in over 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue of \$23 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit [marsh.com](https://marsh.com), and follow us on [LinkedIn](#) and [X](#).