



Press Release

Insurance market needs to get grip on carbon capture, lawyer tells AEGIS conference

Madrid, Tuesday 7 April 2009 – The rapid development of carbon capture and storage (CCS) technologies is creating an urgent need for underwriters and brokers to engage with power utilities in order to design viable insurance products for the new technology.

Speaking at the 2009 AEGIS European energy conference in Madrid last week, Munir Hassan, a partner with energy law specialist CMS Cameron McKenna, told the audience that the growth in power generation predicted to come from fossil fuels will boost the speed at which CCS is developed and utilised.

Mr Hassan said:

“CCS has reached a cusp. A few years ago renewable energy was the focus; then, in the UK at least, it was nuclear, and the neglected child that is fossil fuel was decidedly uncool. But suddenly that’s changing – and CCS has changed it. The fossil fuel renaissance is upon us.

“Coal is going to be a bigger contributor to global energy production and that means CCS will come with it.

“The principal environmental risk created by CCS is that of leakage during transportation or storage. But the perceived risk is much larger. The question the insurance and utility industries need to be asking is: can liabilities be insured or mitigated? The risks of CCS may be low risk and low probability but ultimately they all need to be addressed. The question for insurers is to what extent they are insurable? What will be available from the market? There are products already being designed and there will need to be engagement between brokers and insurance providers to make it viable for them.”

Mr Hassan went on to name those he said would be the potential winners and losers from the development of CCS.

The losers, he said, would be power companies who back the wrong type of CCS technology and who miss out on funding opportunities. Countries without suitable storage facilities could suffer as could suppliers of energy from renewable sources. The winners, he continued, would be the providers and transporters of CO₂, the coal industry, gas and oil companies with suitable storage facilities, and businesses able to manage both the actual and perceived risks effectively.

Carbon capture and storage is the technology by which CO₂ emissions from fossils fuels used to generate electricity are stored permanently away from the atmosphere – usually in suitable underground rock strata.

At present there are 12 demonstration CCS projects running in the UK.

AEGIS's second European energy conference took place at the Intercontinental Hotel, Madrid over 1-2 April. It was officially opened by AEGIS's CEO and President Alan Maguire. Attendees include representatives of European power generators, insurance brokers and related industries.

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Media enquires

Adrian Beeby (T) 020 7623 2368
FWD – PR for AEGIS (E) adrian.beeby@fwdpr.co.uk

Notes to Editors

AEGIS London

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AEGIS London was originally created to provide global insurance facilities for AEGIS members. Today it is a well diversified business, leading and participating in a wide range of onshore and offshore energy risks, as well as a number of other classes traditionally written in the Lloyd's market. As a result of this success the AEGIS London team has expanded to 80 people over the past five years.

AEGIS London continues to offer specialist expertise and leadership to clients in the global energy market, including:

- Indigenous utilities in various countries, including the United States
- Owners of international power projects
- Oil and gas businesses, including all aspects of oil and gas exploration, production, storage, transmission and processing
- Various contractors serving these market sectors

In addition, we work with a broad client base across a range of insurance classes. The main areas of coverage we provide are:

- Utility property
- Energy exploration and production
- Non-marine property
- UK leisure (property and casualty)
- Energy casualty
- Marine liability
- International casualty
- Marine cargo
- War and Terrorism
- Contingency

AEGIS

(Associated Electric & Gas Insurance Services Limited)

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