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Press release

Munich Re insures performance guarantees of CSP power plant manufacturer SkyFuel

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Munich Re is, for the first time, insuring performance guarantees for concentrated solar power (CSP) plants. This cover for the parabolic trough components used in CSP technology of US manufacturer SkyFuel is a new addition to its range of innovative insurance solutions for renewable energy sources.

The difference of CSP compared with photovoltaic power is that the sun's radiation is not directly transformed into electricity but first absorbed by a (generally oil-based) heat-transfer medium. The thermal energy is then delivered to a heat exchanger, where it generates steam which drives a turbine. Thanks to this technology, solar energy can be stored for a time with the aid of additional heat storage devices, so that electricity generation is possible after sundown. For some time the Concentrated Solar Power industry has been searching for potential cost reductions to avoid losing competitiveness against other renewable energy resources. SkyFuel has said that the company already reduced the equipment installation costs by 25% in the last few years.

SkyFuel grants its customers worldwide a thermal efficiency performance guarantee of up to 5 years and a specular reflectance performance guarantee of up to 20 years. If the system fails to produce the guaranteed output, Munich Re's cover takes effect. The advantage for the manufacturer is that this enables it to remove the long-term, technical guarantee risk from its balance sheet and, for instance, invest the capital that would otherwise have been tied up.

The cover gives CSP operators and investors greater planning certainty since, prior to risk transfer, Munich Re undertook a detailed inspection of SkyFuel's development and manufacturing processes. There are also plans, as with the photovoltaic module covers, for an extension under the guarantee cover insuring operators against the manufacturer's insolvency. Thus, the performance guarantee cover constitutes a major milestone in the financing of solar energy projects.

"We're proud to be the first CSP technology manufacturer in the industry to receive a warranty cover from Munich Re", commented Rick LeBlanc, CEO of SkyFuel. "This should give our Customers even more confidence in our advanced technology."

Thomas Blunck, member of Munich Re's Board of Management: "We are delighted to have concluded the first CSP technology contract of this kind with SkyFuel. This is a further instance of our pioneering role in this field, following on from the launch of our performance guarantee cover for photovoltaic installations in 2009, since when we have insured 15 photovoltaic manufacturers. And we will shortly be ready to market similar performance guarantee products for other renewable energy technologies." In recent years, Munich Re has devised a number of covers that reduce the risks for investors in renewable energies, facilitating such investments.

In order to implement this insurance solution, Munich Re has involved one of its specialty primary insurers. Marsh was SkyFuel's risk advisor on this transaction.

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18 April 2012
Press release
Page 3/3

Munich, 11 April 2012

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