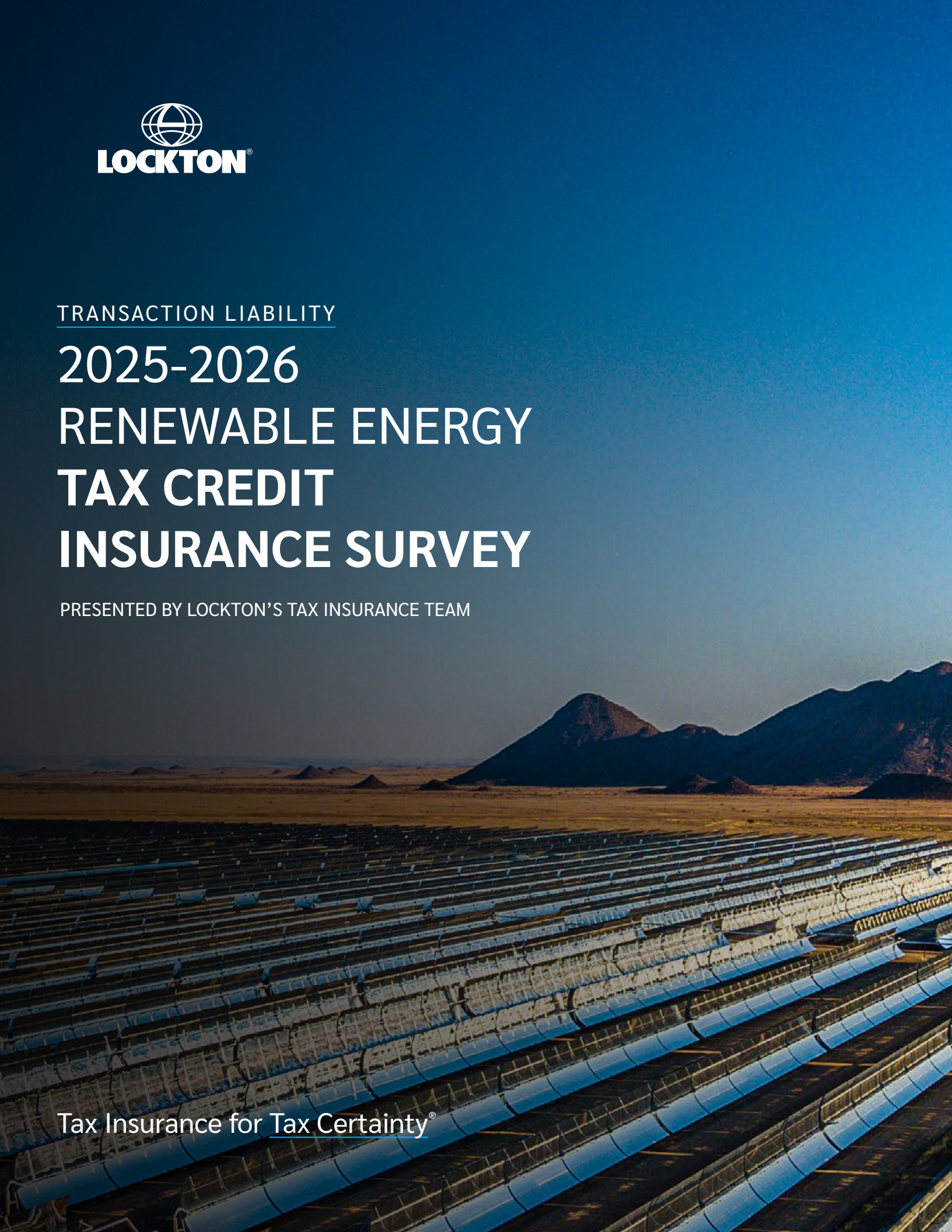


LOCKTON®

TRANSACTION LIABILITY

2025-2026 RENEWABLE ENERGY **TAX CREDIT INSURANCE SURVEY**

PRESENTED BY LOCKTON'S TAX INSURANCE TEAM

Tax Insurance for Tax Certainty®



Following the continued popularity of Lockton's tax credit insurance survey, we conducted the third comprehensive survey of tax credit policies in the tax insurance market.

We surveyed the entire U.S. insurance market (~30 A-rated carriers) to understand the types of renewable energy tax policies that are being underwritten in the broader market beyond just those being placed by our industry-leading team.

The survey focuses on policies bound in the second half of 2025 (2H 2025) and the first half of 2026 (1H 2026), providing insight into a full year of market activity following the enactment of the One Big Beautiful Bill Act (OBBBA) in July 2025. The responses indicate clear trends and patterns, which are discussed throughout the survey results.



IRA & OBBBA CONTEXT

Since the Inflation Reduction Act (IRA) was enacted in 2022, tax credits have become increasingly central to the capital stack for renewable energy projects (along with associated technologies).

Beyond traditional tax equity investments, there has been widespread growth in tax credit transfers and hybrid transactions (which include preferred equity, "T-flips," or other transactions involving a partnership where the tax credits are sold to a third-party buyer). Taxpayers seeking to invest in tax credits to offset federal income tax liabilities require a strong balance sheet to backstop the validity of the credits. Tax insurance provides protection by A-rated insurance companies against a loss of tax credits, and therefore, tax insurance has played a central role in these transactions.

While the OBBBA set earlier termination dates for solar and wind projects, a meaningful runway still exists for such credits. Separately, the OBBBA extended the sunset dates of other credits (such as 45Z) and other technologies (such as battery projects). Given the Democratic Party's control of both houses of Congress following the midterm elections, it is possible that future legislation may further impact the availability of existing and new tax credits.

With this uncertain legislative backdrop and with the expected release of FEOC guidance, tax insurance will continue to serve as a key tool to facilitate investment in the renewable energy space.



KEY SURVEY TAKEAWAYS

Key takeaway 1

While the majority of policies continue to cover ITCs, the number of PTC policies grew significantly year over year, driven by a 1,000%+ increase in 45Z policies and a 77% increase in 45X policies.

Key takeaway 2

Tax insurance is covering tax credits associated with a wider range of project types.

Key takeaway 3

Retentions limited to contest costs continue to be the market standard, but all-loss retentions in ITC policies increased in frequency.

Key takeaway 4

Policy sizing for transfer/hybrid deals increased while policy sizing for traditional tax equity deals remained relatively consistent.

Key takeaway 5

Policy sizing varies significantly by project type.

Key takeaway 6

The share of traditional tax equity transactions continued to fall as investors increasingly favor hybrid tax equity transactions.

Key takeaway 7

While the majority of tax policies cover a single buyer, some policies are structured to cover multiple buyers.

Key takeaway 8

Both tax credit buyers and tax credit sellers are included as the insureds in the vast majority of policies.

Key takeaway 9

The shift to broader coverage continues to increase and seems to be here to stay.

Key takeaway 10

The majority of policies continue to have seven-year terms, and policy length generally remained consistent.



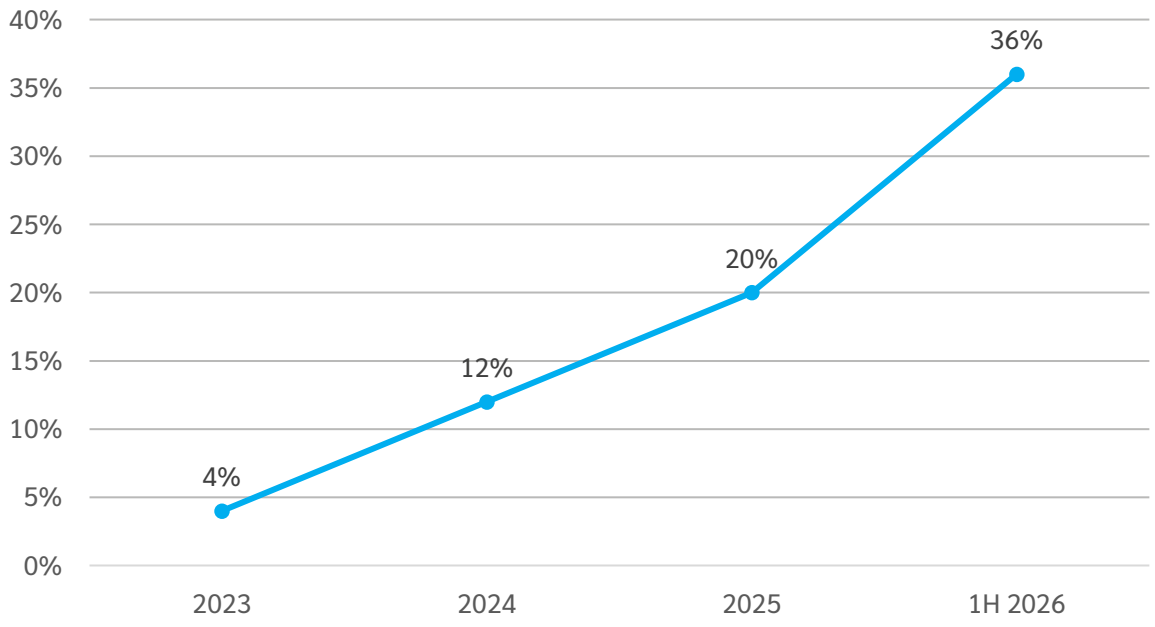
Key takeaway 1

While the majority of policies continue to cover ITCs, the number of PTC policies grew significantly year over year, driven by a 1,000%+ increase in 45Z policies and a 77% increase in 45X policies.

Treasury's issuance of Section 45Z proposed regulations in early 2026 provided the broader insurance market with sufficient comfort to cover 45Z credits in earnest, leading to a significant increase in the share of 45Z policies in the first half of 2026.

Policies covering the advanced manufacturing credit under Section 45X have also experienced a significant uptick year over year.

PTC MARKET SHARE



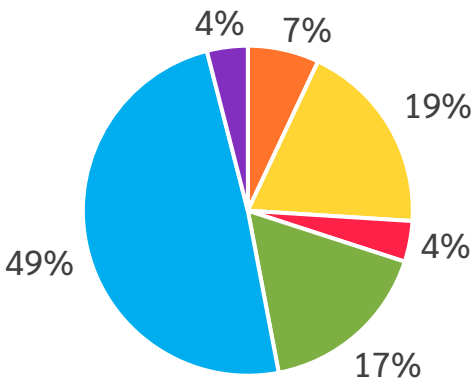


Key takeaway 2

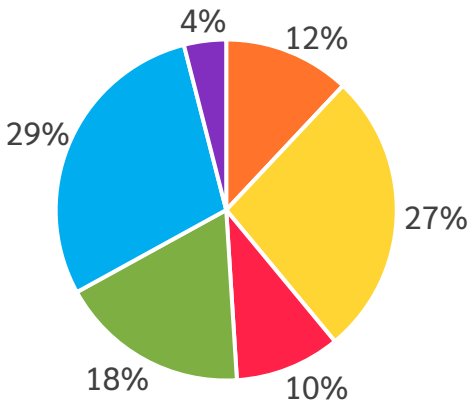
Tax insurance is covering tax credits associated with a wider range of project types.

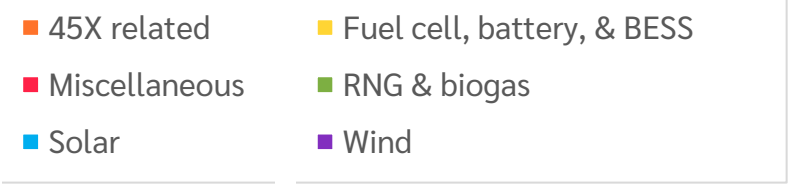
The share of policies covering solar-only projects has decreased meaningfully from 49% to 29% year over year. The decrease is largely driven by the increased proportion of policies covering collocated solar/battery, stand-alone battery, clean fuels, and advanced manufacturing.

PROJECT TYPE 2025



PROJECT TYPE 2026



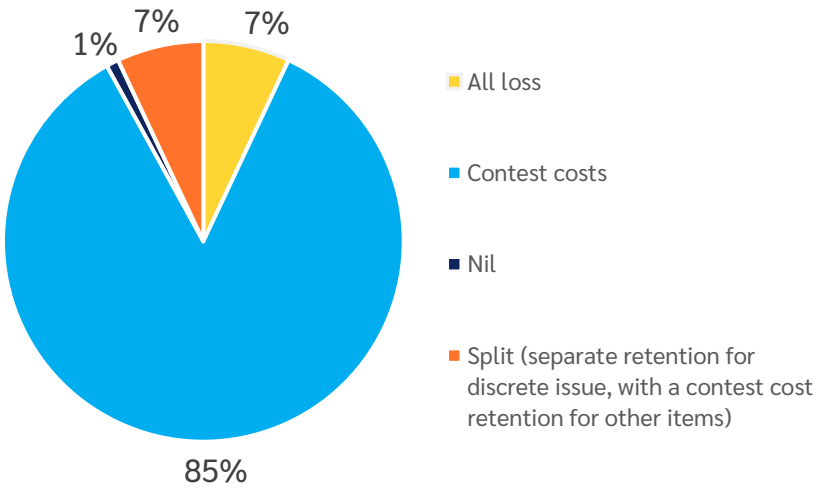


Key takeaway 3

Retentions limited to contest costs continue to be the market standard, but all-loss retentions in ITC policies increased in frequency.

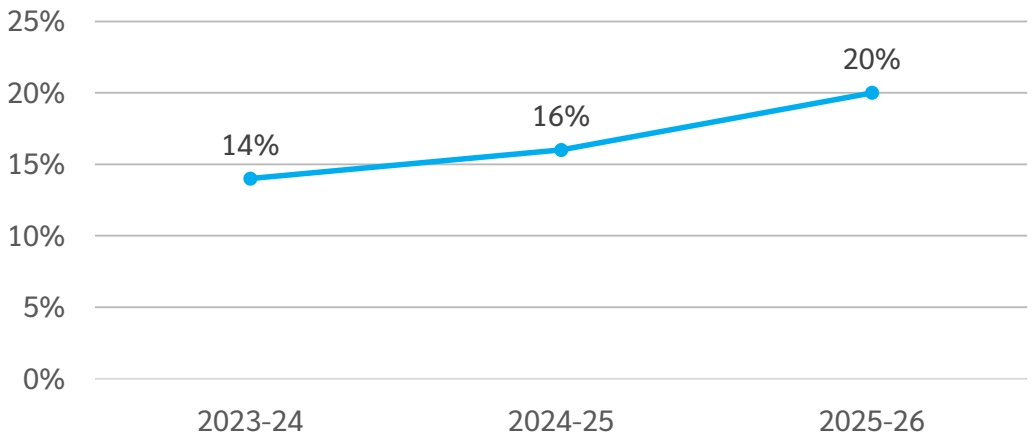
The overwhelming majority of tax insurance policies have retentions limited to contest costs, meaning that the insurer is liable for other covered losses from dollar one.

RETENTION STRUCTURE (ACROSS ALL CREDITS)



Retentions in ITC policies for all loss (i.e., not limited to only contest costs) have increased by nearly 50% since 2023, which reflects insurers' more limited appetite for certain step-ups on ITC deals and the utilization of a retention structure in response.

MARKET SHARE OF ALL-LOSS RETENTIONS (FOR ITC POLICIES ONLY)



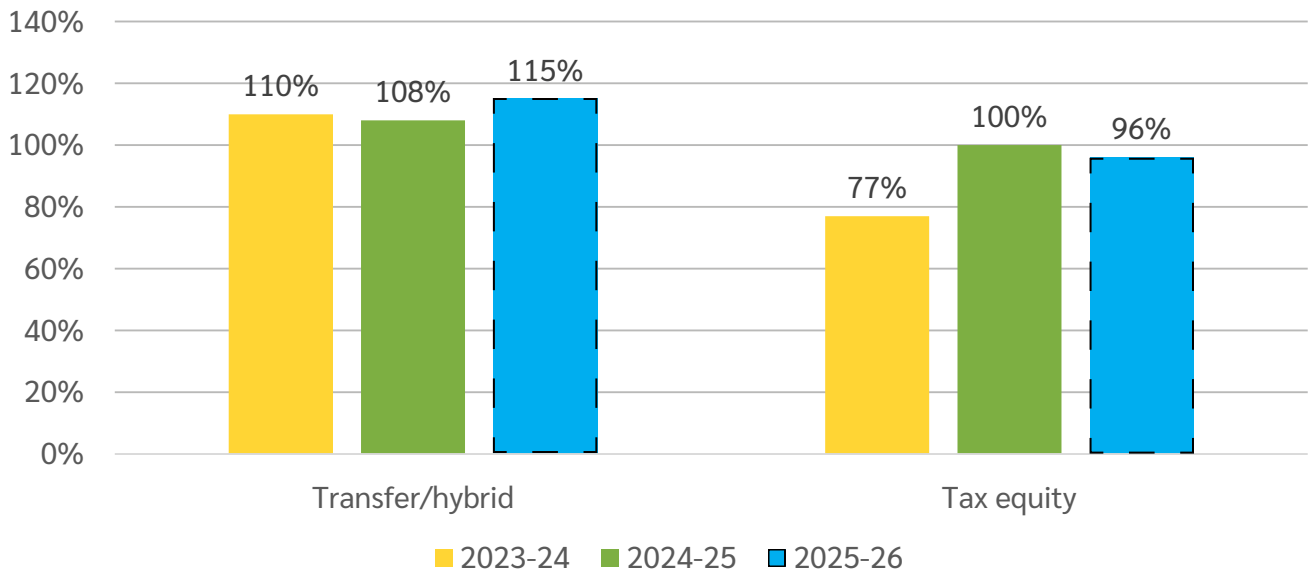
Key takeaway 4

Policy sizing for transfer/hybrid deals increased while policy sizing for traditional tax equity deals remained relatively consistent.

Tax credit buyers generally prefer as large of a tax insurance policy as possible to cover loss of the tax credits as well as interest, penalties, contest costs, and/or gross-ups. Favorable market conditions for tax credit buyers have slightly increased the average policy size for transfer/hybrid deals year over year.

AVERAGE POLICY SIZING BY YEAR

(Expressed as a percentage) in comparison to covered tax credit amount



For 2025-26 transfer/hybrid policies, the first quartile was 109% of the credit value (meaning 25% of the policies insured 109% or less of the credits) and the third quartile was 125% (meaning 25% of the policies insured 125% or more of the credits). For tax equity policies, the first quartile was 69% and the third quartile was 120%.

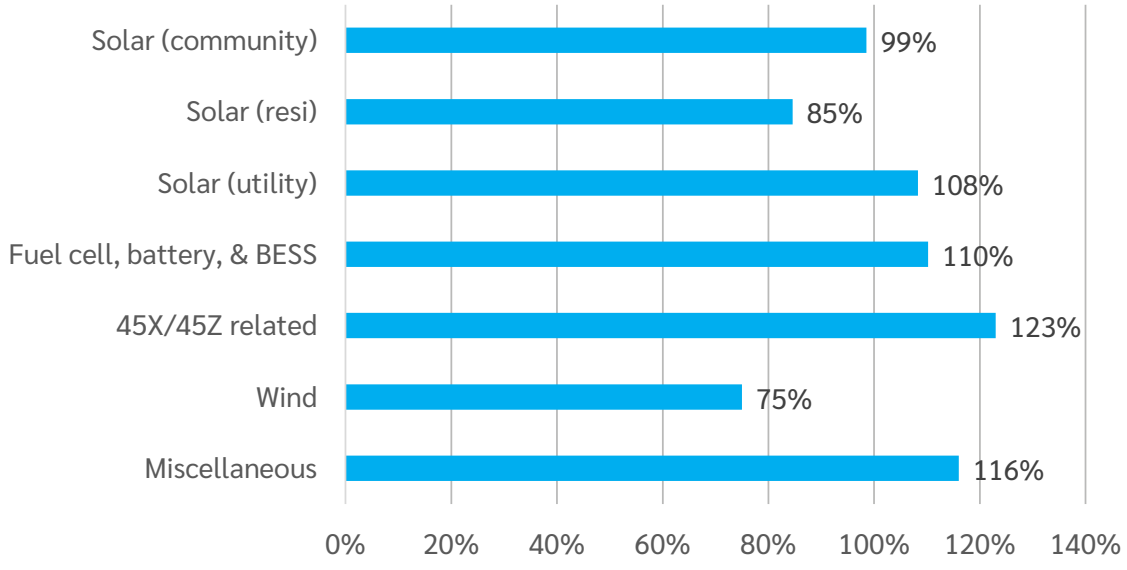


Key takeaway 5

Policy sizing varies significantly by project type.

Project type seems to have a meaningful impact on the policy sizing. For example, the limit of liability for 45X and 45Z policies was higher relative to other technologies, which likely reflects the perceived novelty of these credits. Policy sizing is relatively lower for resi solar and community solar, which may indicate the perceived diversification provided by numerous projects generating the credits.

POLICY SIZING BY PROJECT TYPE
(Expressed as a percentage) in comparison to covered tax credit amount



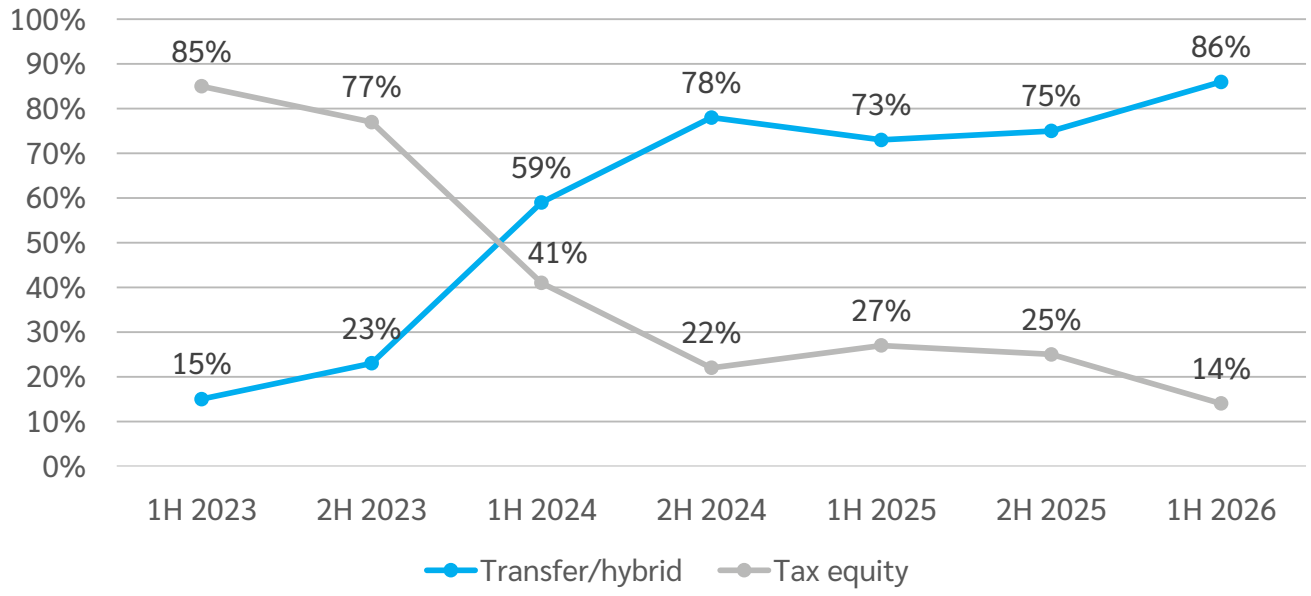


Key takeaway 6

The share of traditional tax equity transactions continued to fall as investors increasingly favor hybrid tax equity transactions.

Many tax equity transactions include an option for credits to be transferred (these deals are reflected in the hybrid category).

TRANSACTION STRUCTURE



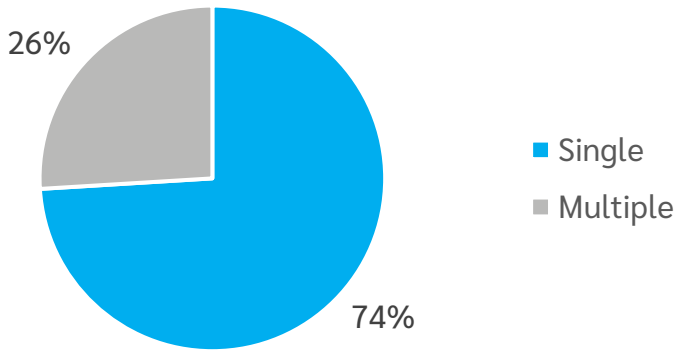


Key takeaway 7

While the majority of tax policies cover a single buyer, some policies are structured to cover multiple buyers.

Developers often prefer to utilize a single policy to cover multiple buyers to achieve certain efficiencies, particularly on pricing. However, many buyers are often reluctant or unwilling to share a policy with another buyer. Nevertheless, a minority of buyers are comfortable sharing a policy and this is a key trend to consider going forward.

PERCENTAGE OF POLICIES INSURING A SINGLE BUYER VS. MULTIPLE BUYERS



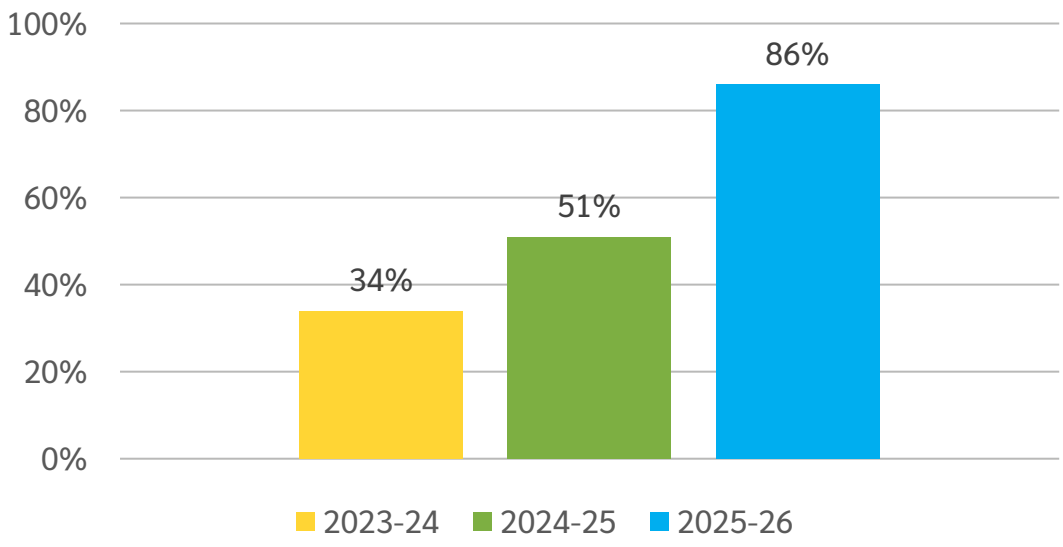


Key takeaway 8

Both tax credit buyers and tax credit sellers are included as the insureds in the vast majority of policies.

In 2024, sellers were the only insured party on over half of tax insurance policies. However, as buyers have gained a greater understanding of the risks they inherit upon the acquisition of tax credits, they have increasingly demanded to be included as insureds on the tax insurance policy.

PERCENTAGE OF POLICIES WITH BOTH BUYER & SELLER AS INSUREDS



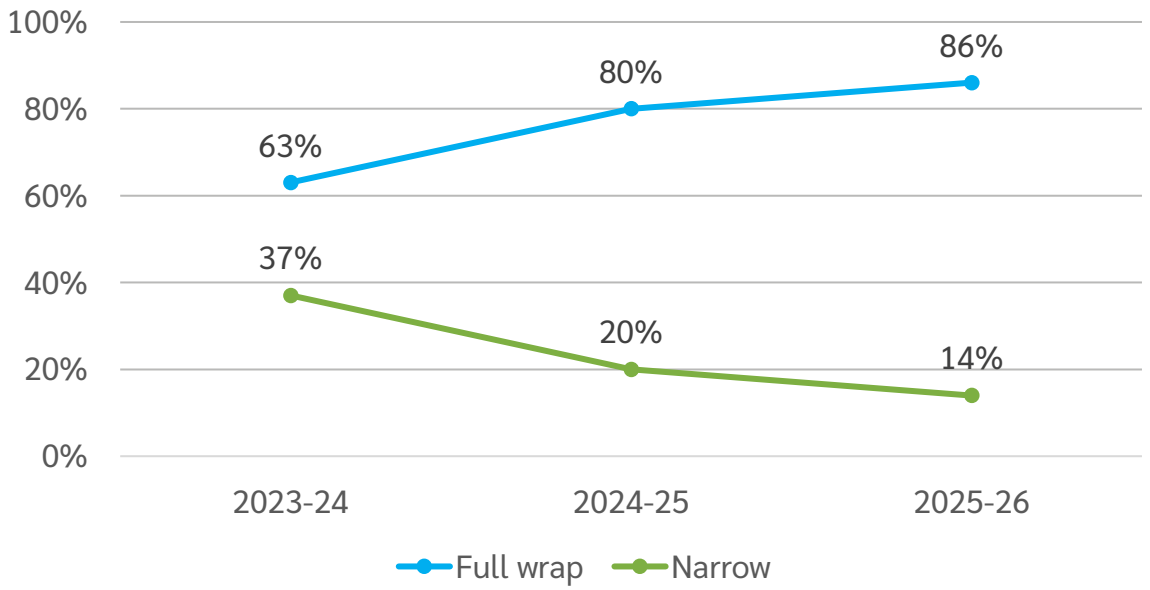


Key takeaway 9

The shift to broader coverage continues to increase and seems to be here to stay.

Historically, tax credit policies most often covered discrete issues (i.e., narrow coverage). Starting in 2024, there has been a strong shift toward coverage of all the tax risks related to the credits (i.e., full wrap or broad coverage), which persisted with 86% of policies over the past year providing broad coverage.

SCOPE OF COVERAGE





Key takeaway 10

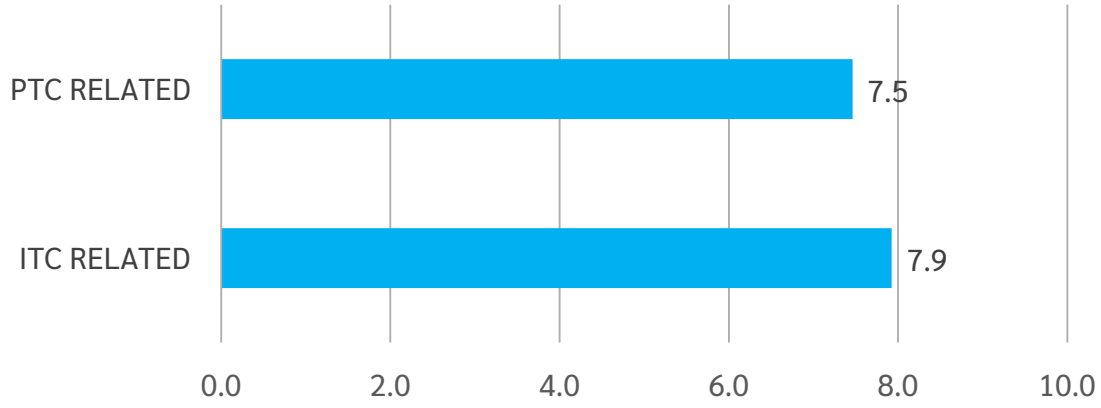
The majority of policies continue to have seven-year terms, and policy length generally remained consistent.

When there is a need for a policy term greater than seven years (for the acquisition of tax credits that will be generated over a period greater than seven years), tax insurance markets have typically shown the flexibility to provide the coverage needed.

Most tax credit policies reflect the typical seven-year coverage period, which covers the six-year statute of limitations for substantial understatements of income tax plus a cushion for insureds to file a claim.

Policy length remained consistent relative to the prior year's policies. Ten-year policies can also be obtained and are commonly placed.

POLICY PERIOD BY CREDIT TYPE (YEARS)



LOCKTON DIFFERENCE

At Lockton, our Transaction Liability Practice is the certain solution for M&A, tax, and legal risks.

Our industry-leading tax insurance team delivers customized solutions to provide tax certainty for the most complex and high-stakes tax risks. Our innovative team includes both experienced tax lawyers and former tax insurance underwriters, providing us with unparalleled insight into the underwriting community. This insight allows us to achieve optimal results for our clients' most critical and challenging tax issues.

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