



LOCKTON[®]

TRANSACTION LIABILITY

FROM RISK TO REVENUE:

How Tax Insurance Secures
Clean Energy Credits

TAX INSURANCE FOR TAX CERTAINTY[®]

The U.S. renewable energy industry is transforming faster than ever, and so are the tax incentives fueling it. New credits, bonus opportunities, and monetization strategies have boosted value for project owners, investors, and credit buyers. But with these opportunities comes complexity, and uncertainty in the tax rules can put deal timelines, financing, and profitability at risk.

This is where tax insurance proves its value: by safeguarding project economics.

A NEW ERA OF RENEWABLE ENERGY INCENTIVES

The Inflation Reduction Act (IRA) opened the door to larger credits and expanded eligibility, while also allowing tax credits to be sold to unrelated buyers looking to offset their own tax liabilities. This created a powerful new market for transferable tax credits and brought fresh capital into renewable projects.

At the same time, the IRA introduced new compliance hurdles, such as prevailing wage and apprenticeship (PWA) requirements, which can materially affect project economics if they're not met.

THEN CAME THE 2025 ONE BIG BEAUTIFUL BILL ACT (OBBA), ADDING EVEN MORE COMPLEXITY:

Shortened eligibility windows

for wind and solar Investment Tax Credits (ITCs) and Production Tax Credits (PTCs)

Increased scrutiny around
“beginning of construction”

New foreign entity of concern (FEOC) rules, requiring analysis of foreign sourcing, ownership, and control

With this ever-changing landscape, project stakeholders need confidence that their tax positions will hold up under any future IRS scrutiny.

TAX INSURANCE DELIVERS THAT CONFIDENCE

Tax insurance gives project owners, tax equity investors, and credit buyers the ability to move forward with certainty. It transfers specific risks to investment-grade insurers, removing tax credit ambiguity from the deal.

Policies are tailored to each project and typically cover disallowed credit amounts, interest, penalties, contest costs, and a gross-up for any taxable policy proceeds. Premiums are one-time, upfront, and priced at a small percentage of the total potential exposure.

COVERAGE CAN INCLUDE:

- ITC basis and step-up amounts
- ITC recapture risk
- PWA compliance
- Domestic content bonus
- The 80/20 repowering test
- Beginning of construction and continuity
- FEOC issues (as IRS guidance evolves)

In today's environment, tax insurance doesn't just protect a project; it accelerates it.

FOR DEVELOPERS

It clears roadblocks, strengthens financing packages, and helps close deals faster.

FOR INVESTORS

It protects returns and allows capital to be deployed with confidence.

FOR CREDIT BUYERS

It provides peace of mind that purchased credits will withstand IRS scrutiny.

FOR THE INDUSTRY AS A WHOLE

It drives efficiency, liquidity, and certainty at a time of shifting tax rules.

MONETIZATION & CERTAINTY

As the market continues to evolve, especially around FEOC and tightened “beginning of construction” rules, tax insurance will continue to be a critical tool for renewable energy financing. It gives every stakeholder what they need most: certainty, efficiency, and the confidence to keep projects moving.

TEAM

Lockton's 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 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.

Contact the Lockton tax insurance team for more information today.



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