



TRANSACTION LIABILITY

2024-2025 RENEWABLE ENERGY TAX CREDIT INSURANCE SURVEY

PRESENTED BY LOCKTON'S TAX INSURANCE TEAM

Tax insurance for tax certainty.[®]



Following the overwhelming popularity of last year’s inaugural tax credit insurance survey, we conducted the second comprehensive survey of tax credit policies in the tax insurance market.

We surveyed the entire U.S. insurance market (~25 ‘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.

In light of the increasing popularity of tax credit transferability, this survey will be of substantial interest to companies, investors and advisors.

The survey focuses on policies bound in the second half of 2024 (“2H 2024”) and the first half of 2025 (“1H 2025”), providing insight into market activity up until June 30, 2025, which was just days before the enactment of the One Big Beautiful Bill Act (the “OBBA”). The responses indicate clear trends and patterns, which are discussed throughout the survey results.

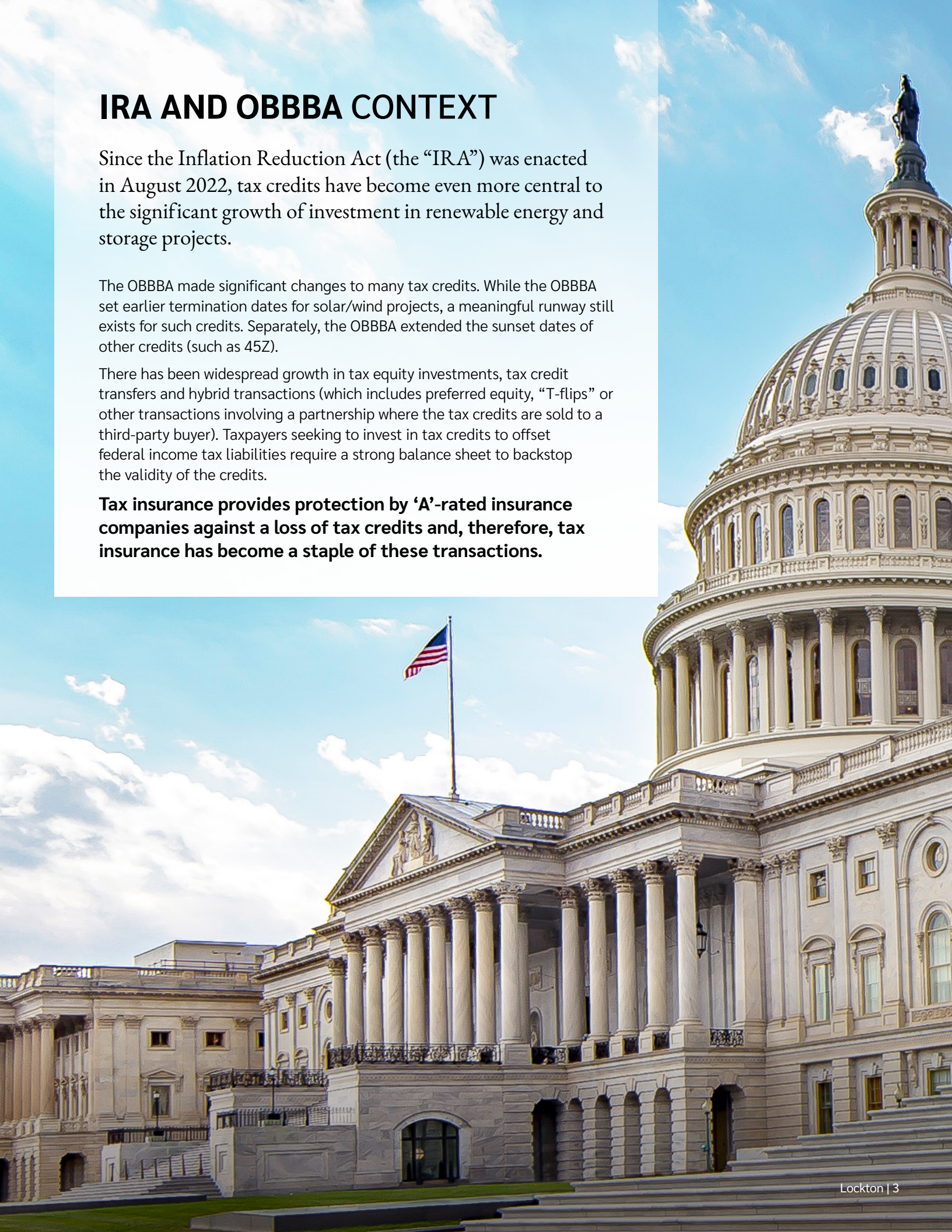
IRA AND OBBBA CONTEXT

Since the Inflation Reduction Act (the “IRA”) was enacted in August 2022, tax credits have become even more central to the significant growth of investment in renewable energy and storage projects.

The OBBBA made significant changes to many tax credits. While the OBBBA set earlier termination dates for solar/wind projects, a meaningful runway still exists for such credits. Separately, the OBBBA extended the sunset dates of other credits (such as 45Z).

There has been widespread growth in tax equity investments, tax credit transfers and hybrid transactions (which includes 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 become a staple of these transactions.



Key Takeaway 1

The number of PTC policies grew significantly, driven by a **115%+ increase in 45X policies and a 200%+ increase in 45Z policies.**

Key Takeaway 4

Retentions are common but are **typically limited to contest costs.**

Key Takeaway 7

The **shift to broader coverage** persisted and seems to be here to stay.

Key Takeaway 2

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

Key Takeaway 5

Transferability transactions continued to meaningfully increase, while pure tax equity transactions declined, representing just 27% of deal volume.

Key Takeaway 8

The prevalence of domestic content coverage **more than doubled** since the release of Notice 2024-41.

Key Takeaway 3

While transfer/hybrid policy sizing remained consistent, **policy sizing for tax equity deals increased significantly.**

Key Takeaway 6

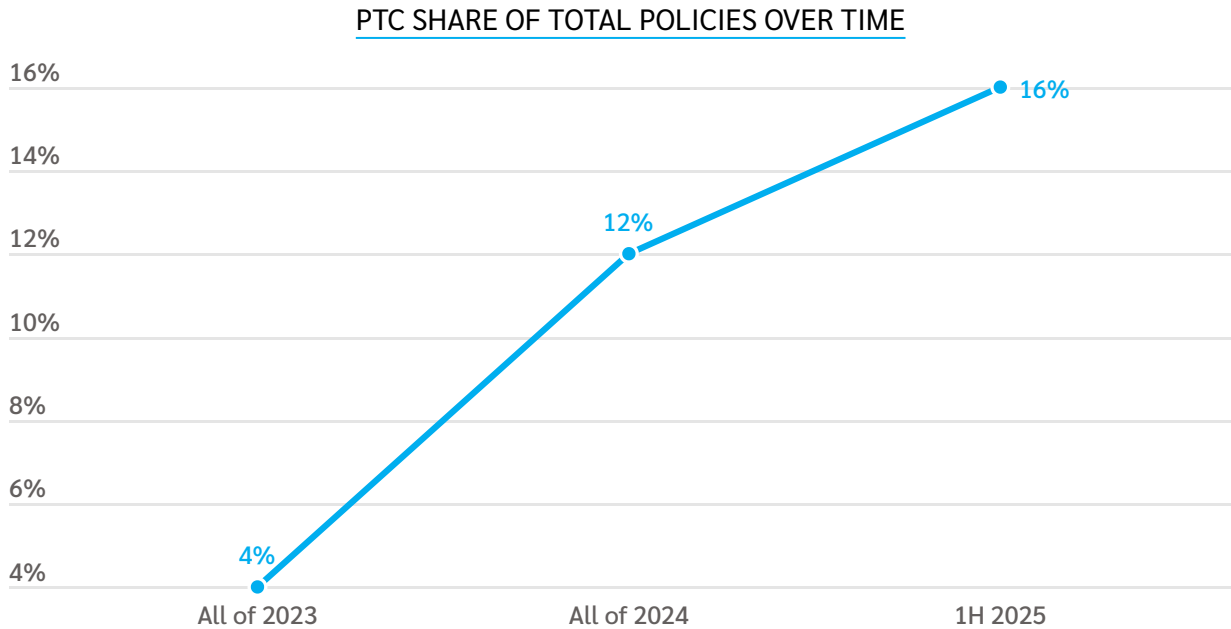
Buyers are increasingly included as insureds under the policy.

Key Takeaway 9

The majority of policies have **7-year terms.**

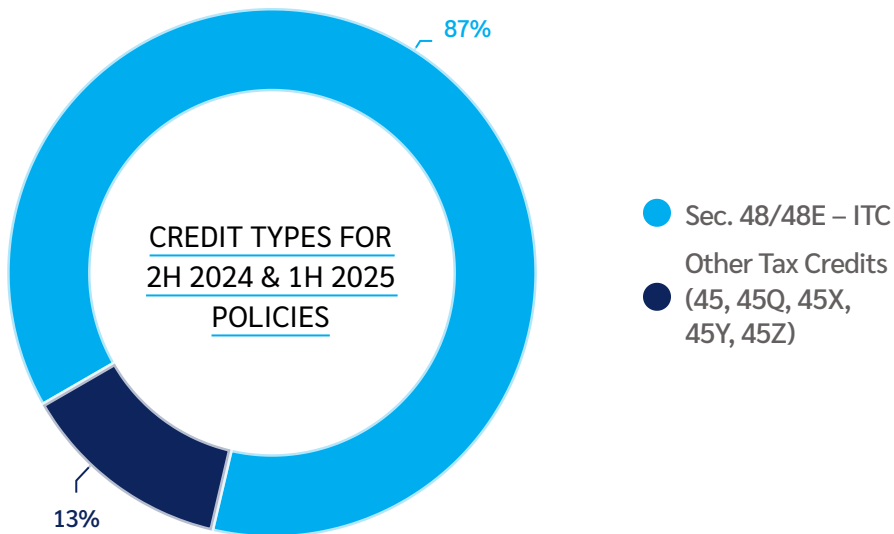
Key Takeaway 1

THE NUMBER OF PTC POLICIES GREW SIGNIFICANTLY, DRIVEN BY A **115%+ INCREASE IN 45X POLICIES** AND A **200%+ INCREASE IN 45Z POLICIES**.



WHILE THE VAST MAJORITY OF POLICIES COVER ITCs, **TAX INSURANCE IS INCREASINGLY BEING UTILIZED FOR PTCs.**

PTC coverage comprised 13% of policies (up from 10% in last year's survey).



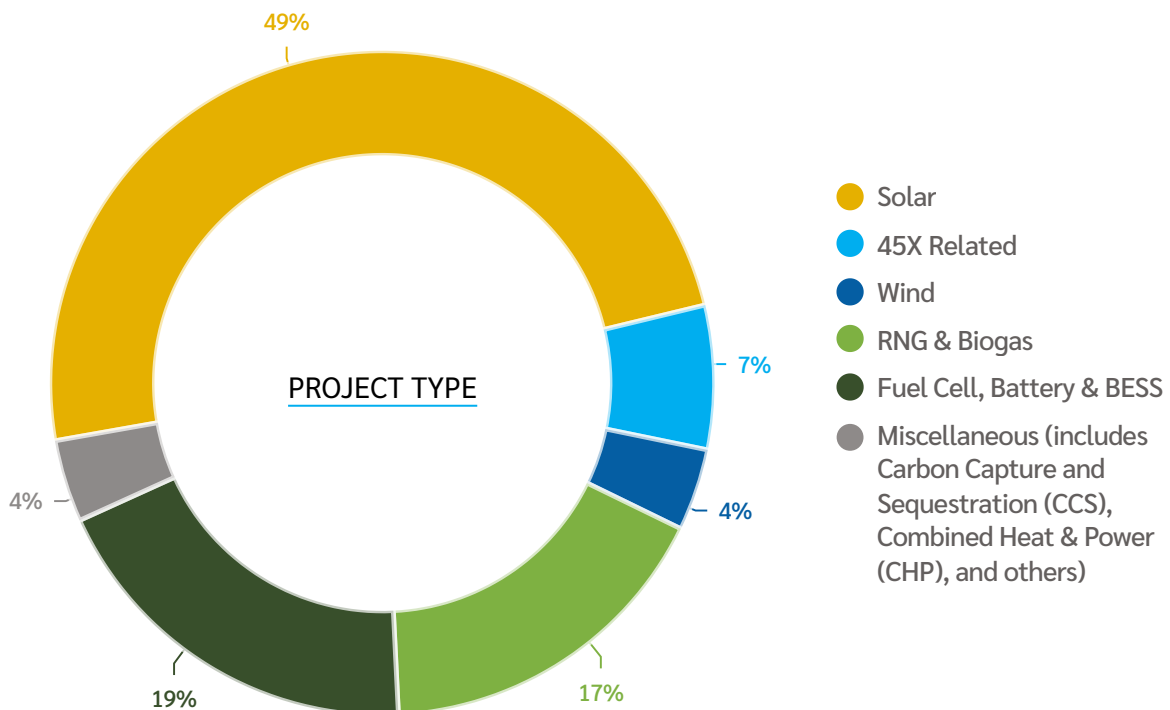


Key Takeaway 2

TAX INSURANCE IS COVERING TAX CREDITS ASSOCIATED WITH A **WIDER RANGE OF PROJECT TYPES.**

While solar projects still represent a significant portion of the project types insured, non-solar projects now comprise about 51% of all tax credit insurance policies (in the prior survey, non-solar projects represented just 28% of all projects).

The increased proportion of non-solar projects was largely driven by fuel cell, battery and RNG/biogas projects.

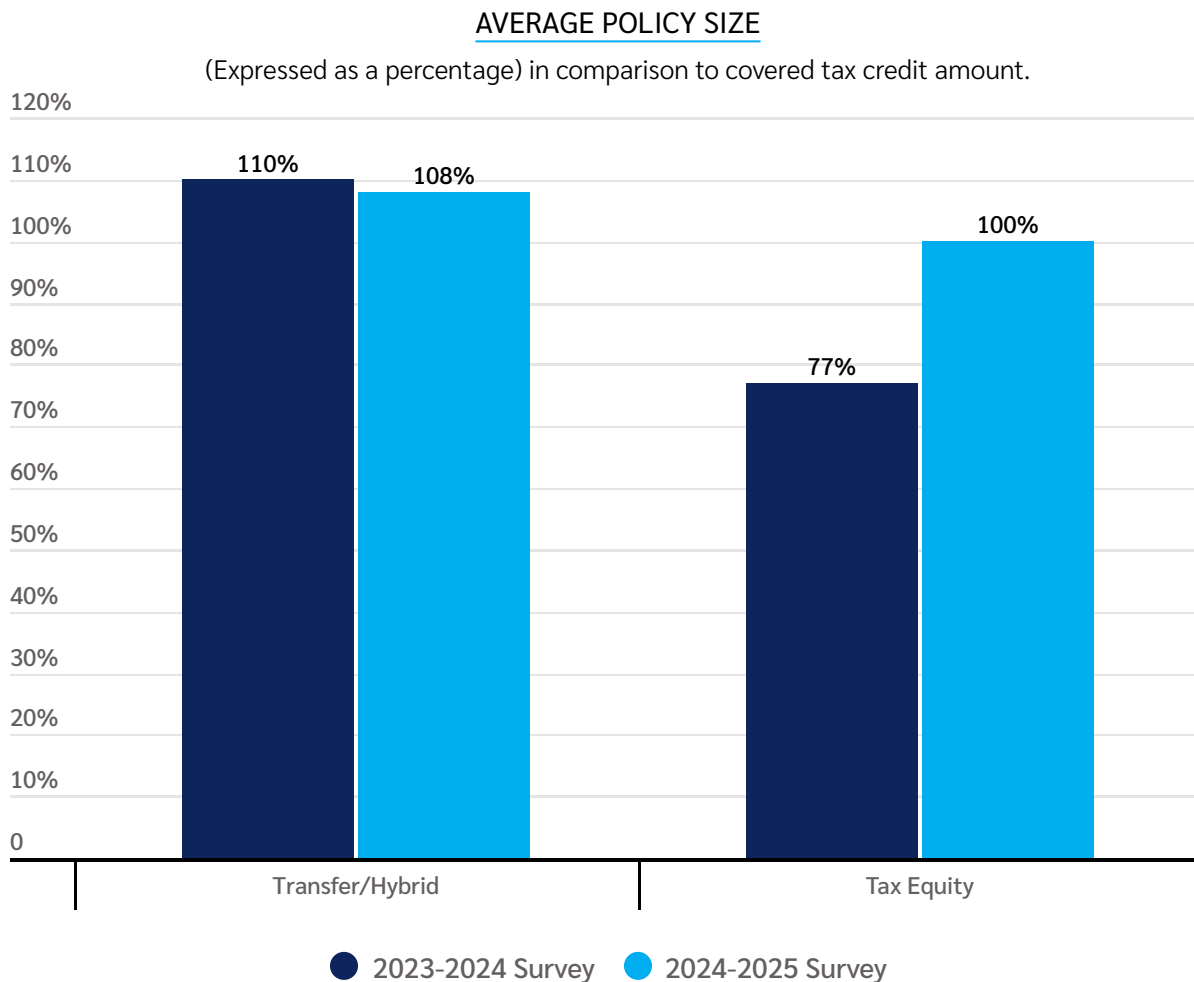


Key Takeaway 3

WHILE TRANSFER/HYBRID POLICY SIZING REMAINED CONSISTENT, POLICY SIZING FOR TAX EQUITY DEALS INCREASED SIGNIFICANTLY.

The limit for a tax credit policy may be less than the aggregate value of the tax credits when there is little risk of the entirety of the credits being lost. However, many tax credit policy limits exceed the value of the credits themselves in order to provide sufficient capacity for interest, penalties, contest costs and/or gross ups.

The higher policy sizing for tax equity deals reflects how tax equity investors are increasingly requiring sufficient insurance to cover the potential risks associated with tax credits. Tax credit buyers and tax equity investors alike are seeking policies that would make them completely whole in the event that most or all of the tax credits are disallowed, as evidenced by the average policy size being at least 100% of the credits.



For transfer/hybrid policies, the first quartile was 100% of the credit value (meaning 25% of the policies insured 100% 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 90% and the third quartile was 112%.

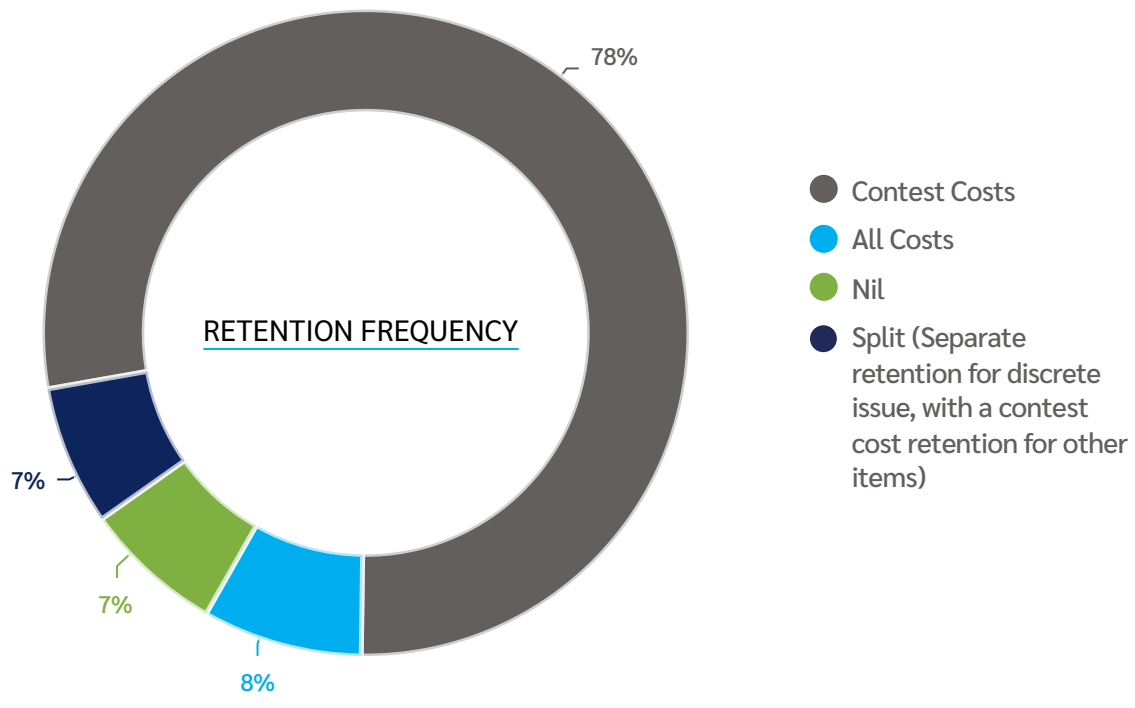


Key Takeaway 4

RETENTIONS ARE COMMON BUT ARE TYPICALLY LIMITED TO CONTEST COSTS.

Tax policies generally also cover contest costs which are expenses incurred by an insured to engage a tax advisor to defend an IRS challenge.

While contest costs only retentions increased from 74% to 78% of policies, policies with a nil retention decreased from 11% to 7% of policies. This reflects the tax insurance market's growing preference for at least a minimal retention in respect of contest costs.



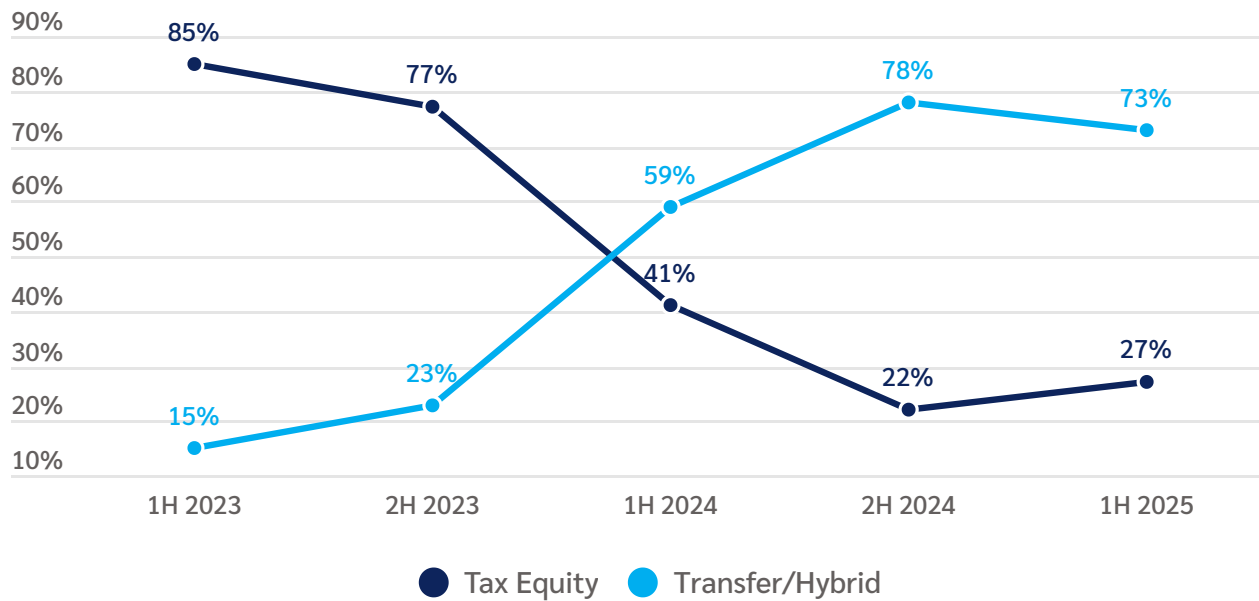


Key Takeaway 5

TRANSFERABILITY TRANSACTIONS CONTINUED TO MEANINGFULLY INCREASE, WHILE PURE TAX EQUITY TRANSACTIONS DECLINED, REPRESENTING JUST 27% OF DEAL VOLUME.

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

POLICIES BOUND BY TRANSACTION STRUCTURE



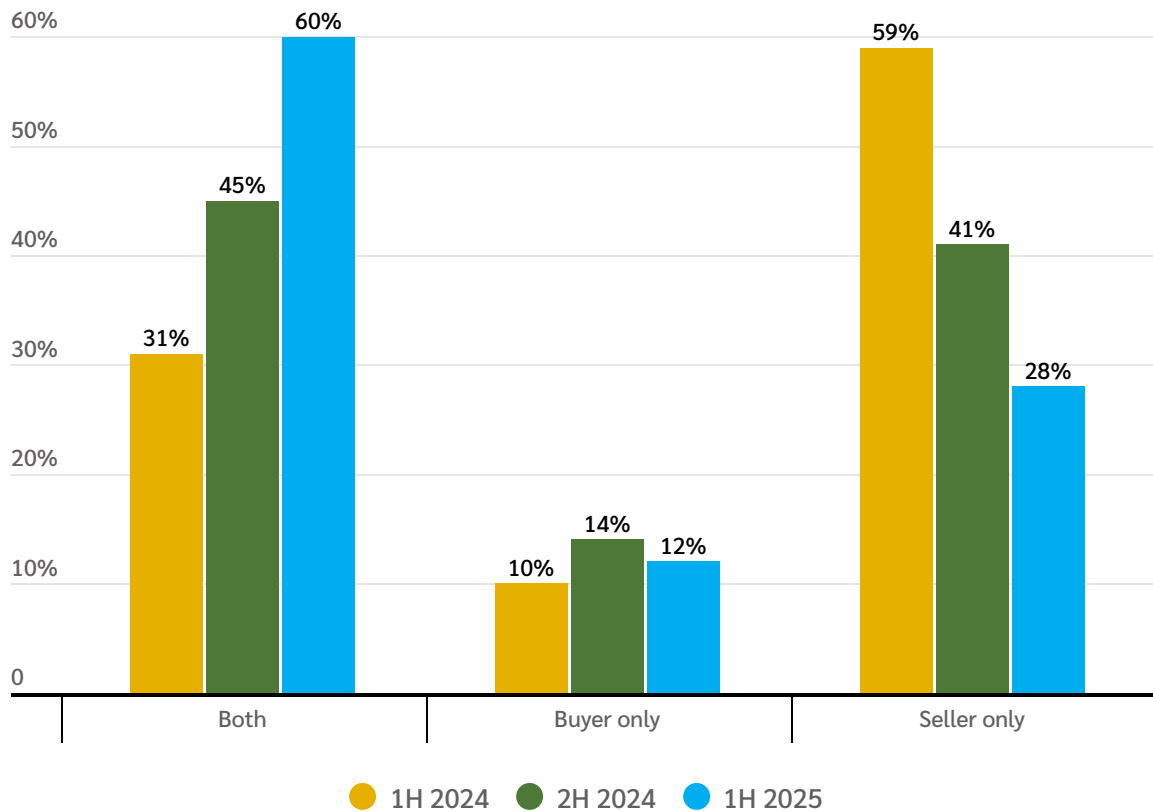


Key Takeaway 6

BUYERS ARE INCREASINGLY INCLUDED AS INSUREDS UNDER THE POLICY.

As buyers gain a greater understanding of the risks they inherit upon the acquisition of tax credits, they are increasingly demanding to be included as an insured on the seller's policy or obtaining their own buy-side tax insurance policy.

INSURED





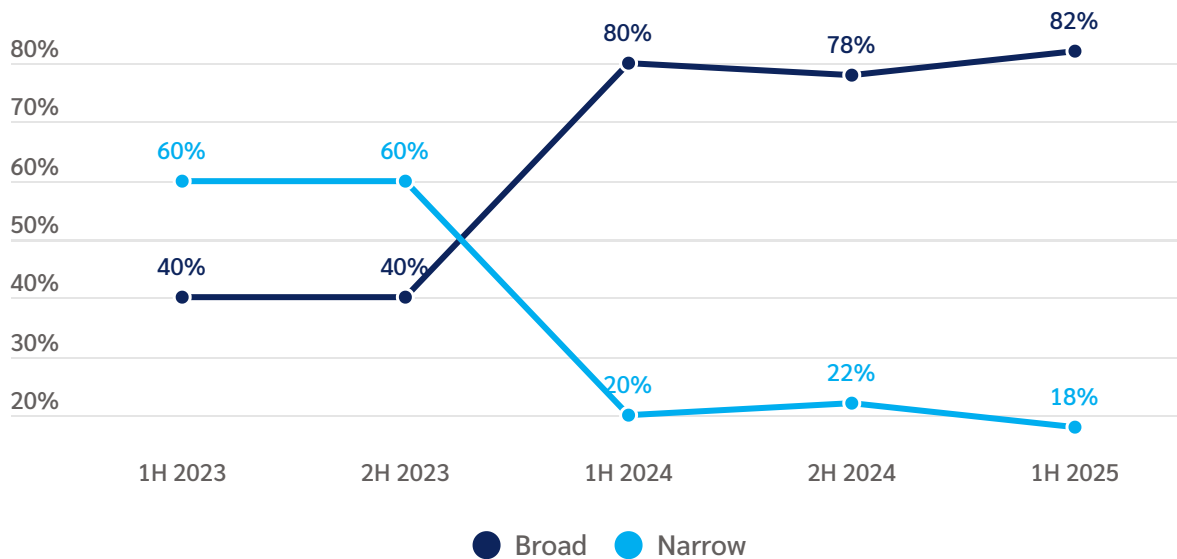
Key Takeaway 7

THE SHIFT TO BROADER COVERAGE PERSISTED AND SEEMS TO BE HERE TO STAY.

Before 2024, tax credit policies most often covered one or more discrete issues (i.e., narrow coverage). Starting in 2024 and continuing in 2025, there is a strong shift towards coverage of all of the tax risks related to the credits (i.e. full wrap or broad coverage).

In 2023, broad coverage was included in 38% of tax equity deals. In this year's survey, 49% of tax equity deals include broad coverage. This shows how some tax equity investors are requesting similar coverage to what is typically standard for transferability deals.

POLICIES BOUND: BROAD VS NARROW COVERAGE

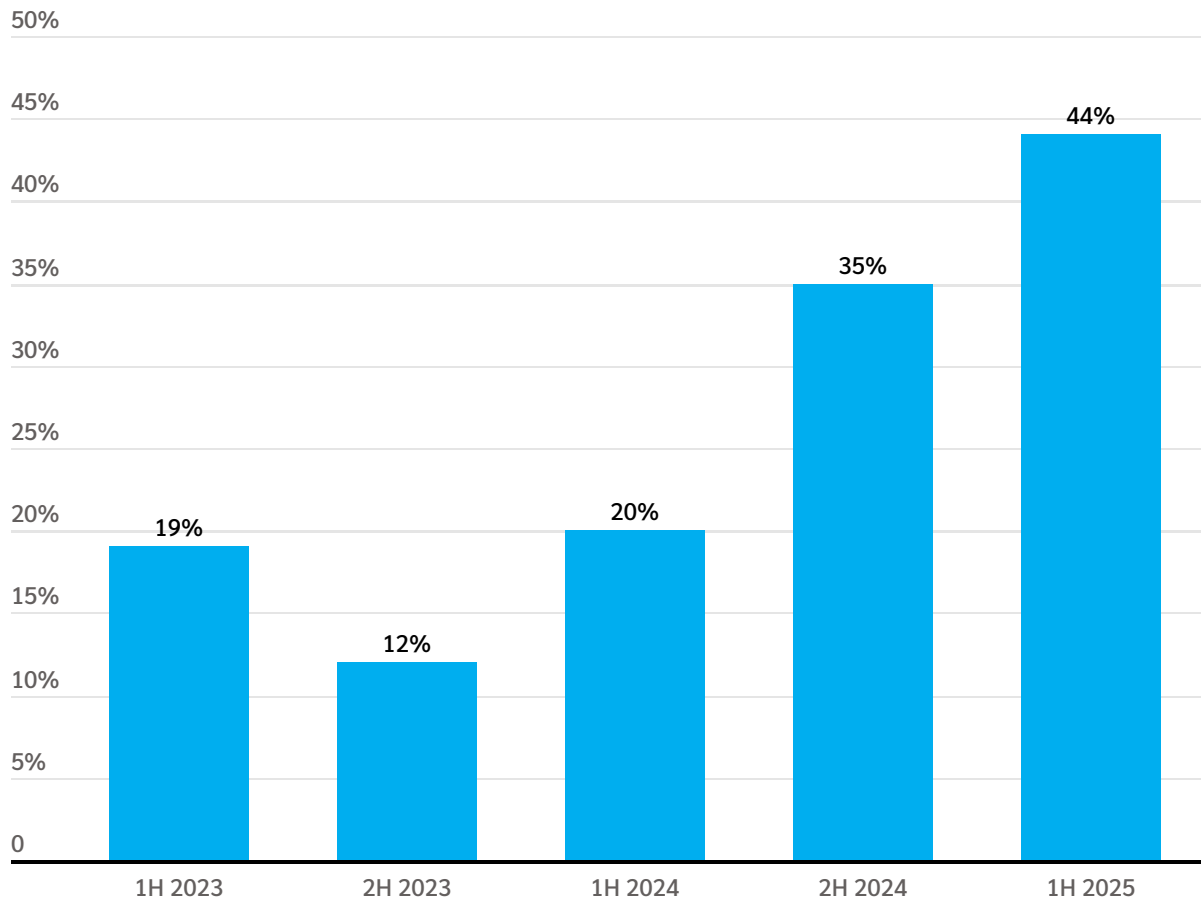


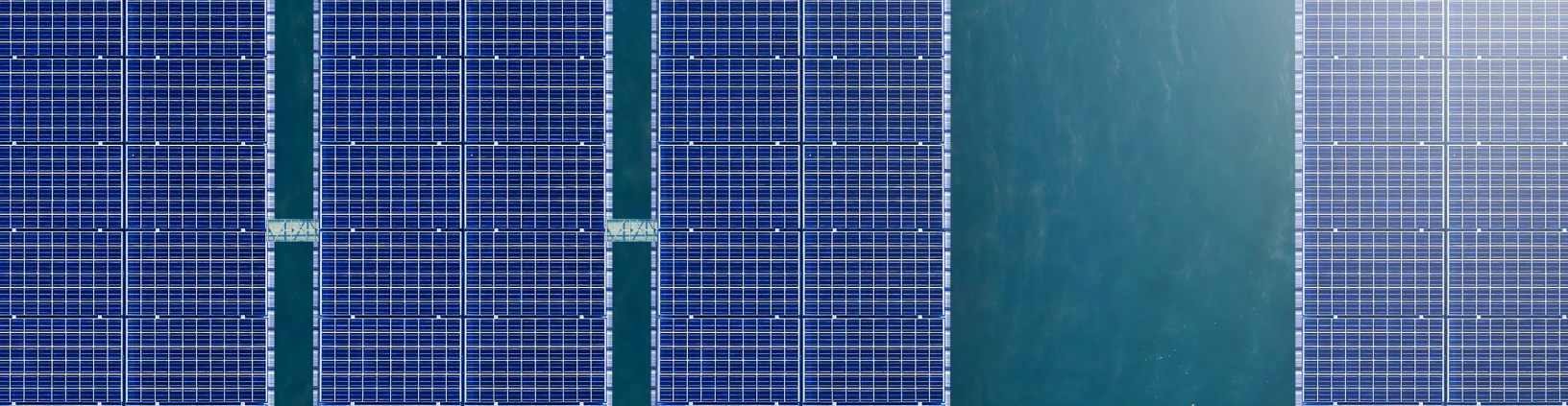
Key Takeaway 8

THE PREVALENCE OF DOMESTIC CONTENT COVERAGE **MORE THAN DOUBLED** SINCE THE RELEASE OF NOTICE 2024-41.

In the immediate aftermath of the IRA, developers' use of the domestic content bonus credit had initially been sluggish, as the initial guidance made qualification challenging and developers struggled to obtain sufficient information and documentation to support the bonus credit. Following the release of guidance in May of 2024, via Notice 2024-41, the percentage of policies covering domestic content has risen steadily up to 44% of policies in the first half of 2025.

POLICIES BOUND WITH DOMESTIC CONTENT





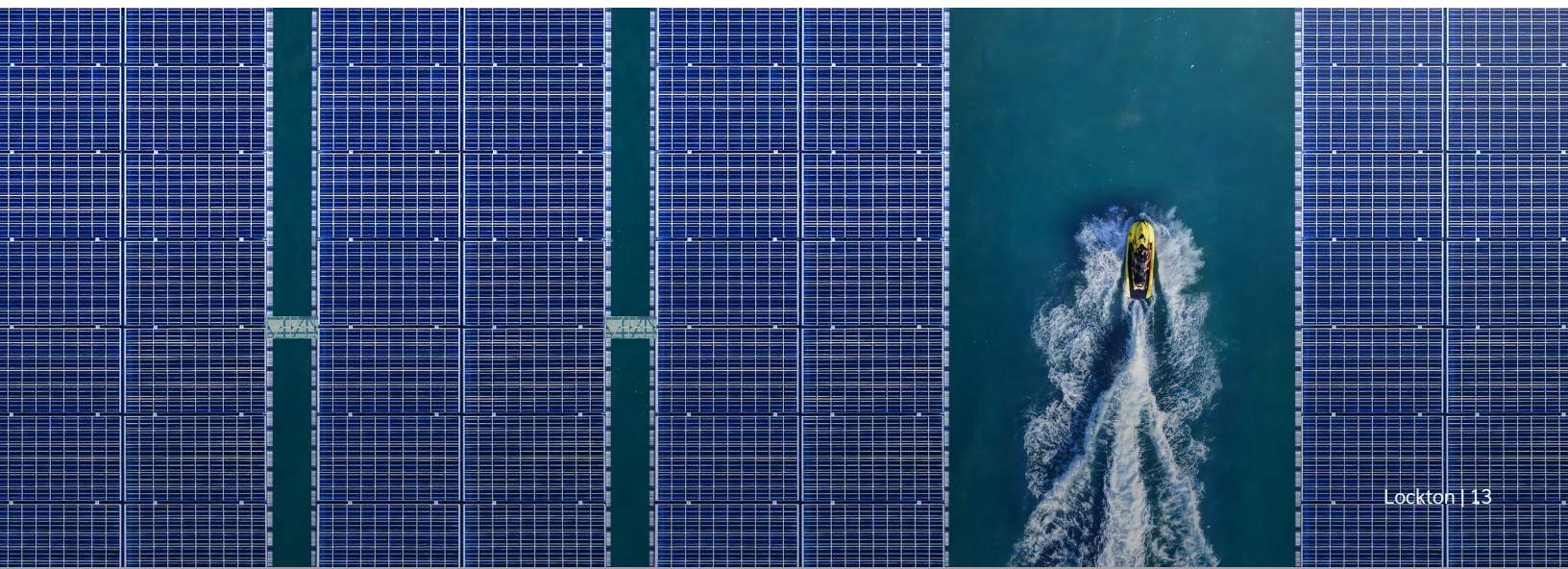
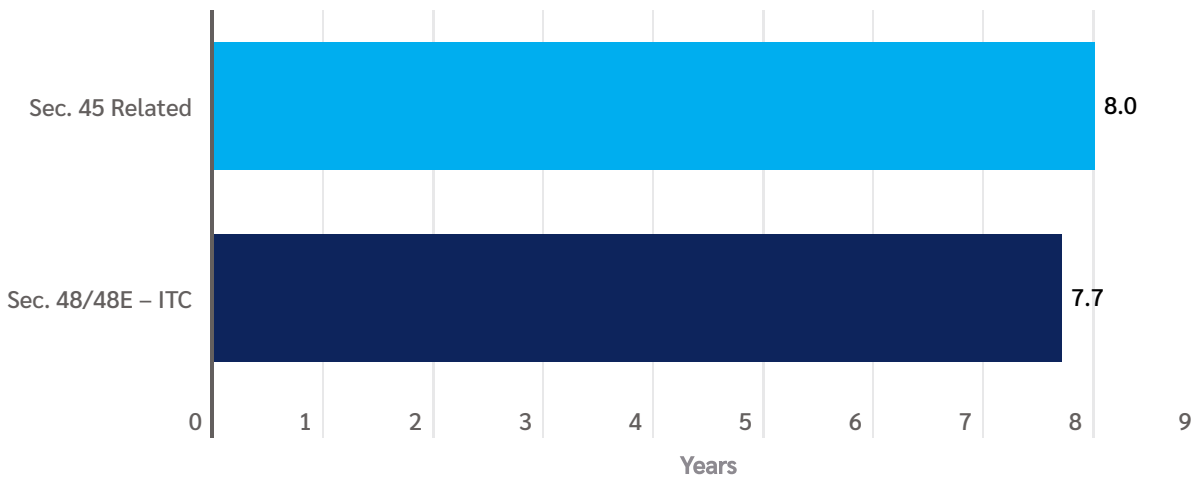
Key Takeaway 9

THE MAJORITY OF POLICIES HAVE 7-YEAR TERMS.

When there is a need for a policy term of greater than 7 years (for the acquisition of tax credits that will be generated over a period of greater than 7 years), tax insurance markets have typically shown the flexibility to provide the coverage needed. However, most ITC policies reflect the typical 7-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. 10-year policies can also be obtained and are commonly placed.

AVERAGE POLICY PERIOD LENGTH (BY YEARS)



PRICING FOR RENEWABLE ENERGY TAX INSURANCE POLICIES IS **DEPENDENT ON VARIOUS FACTORS.**

Pricing for tax credit insurance policies is typically between 2%-4% of the policy limit but will vary depending on the particular risk, timing, scope of coverage and policy size.



LOCKTON DIFFERENCE

At Lockton, our Transaction Liability (“TL”) Practice is the certain solution for transactional risk. We have advised on thousands of deals and are recognized as an industry leader in crafting and negotiating policies that cover unknown breaches of representations & warranties, as well as known tax, legal, and intangible asset risks.

Our TL 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.

Meet the team



JOSH HALPERN

Partner & Co-Practice Leader
+1 516 647 5780
jhalpern@lockton.com



DAN BERGER

Managing Director
Head of Tax Insurance
+1 845 596 8339
dberger@lockton.com



ERIC ZIFF

Partner & Co-Practice Leader
+1 516 672 4282
eziff@lockton.com



JOHN RAYIS

Senior Strategic Advisor
+1 917 698 6289
john.rayis@lockton.com



AUDREY BAILEY

Senior Vice President
+1 281 772 3268
abailey@lockton.com



DREW HERMILLER

Senior Vice President
+1 614 668 9960
drew.hermiller@lockton.com



EILEEN KUO

Senior Vice President
+1 240 476 3955
eileen.kuo@lockton.com



CAROLINE PETERS

Vice President
+1 703 801 3271
caroline.peters@lockton.com



CORYLE ROBERTS

Associate
+1 321 759 3109
coryle.roberts@lockton.com



OWEN MURRAY

Tax Analyst
+1 914 552 6257
owen.murray@lockton.com