

Funding Brownfield developments

Alexander Pohl



HSBC Insurance 

Agenda

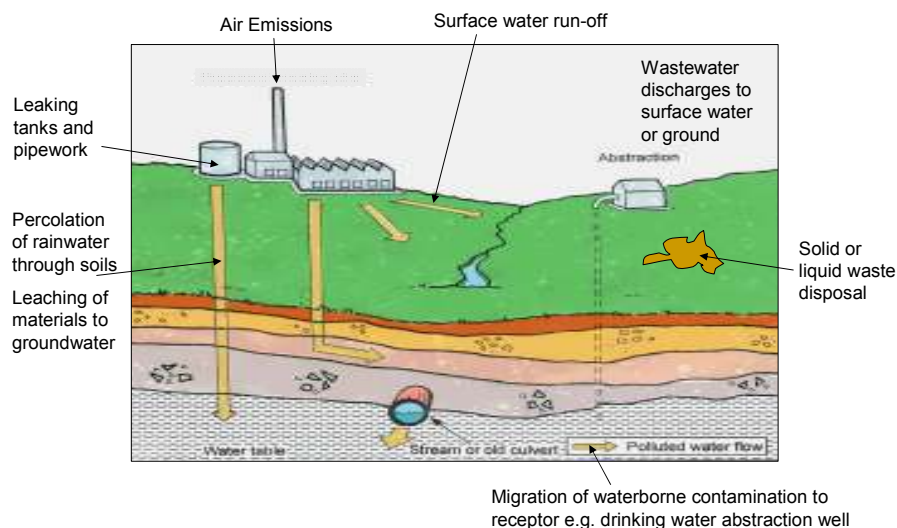
- **Who we are**
- **Environmental risks related to Brownfield**
- **Why lenders should be concerned**
- **What to do**

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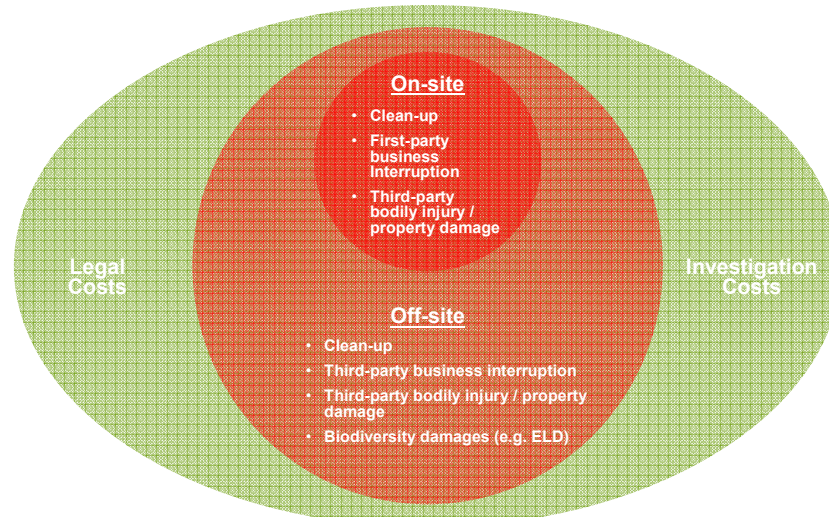
Who we are

- HSBC Group – world's largest financial services company
- HSBC Insurance Brokers, one of the largest insurance brokers, employing 3000 people globally
- Environmental Risks team is based in London and consists of dedicated environmental risk specialists
- Involved in thought leadership through the United Nations Environment Programme Finance Initiative
- Focus: Advising on and arranging Environmental Impairment Liability (EIL) Insurance and other risk management solutions for organisations & companies with potential environmental liabilities, on a global basis

Environmental risks related to Brownfield



Examples of legal liabilities



Why lenders are concerned

- **Loan repayment**
- **Valuation**
- **Repossession**
- **Reputation**

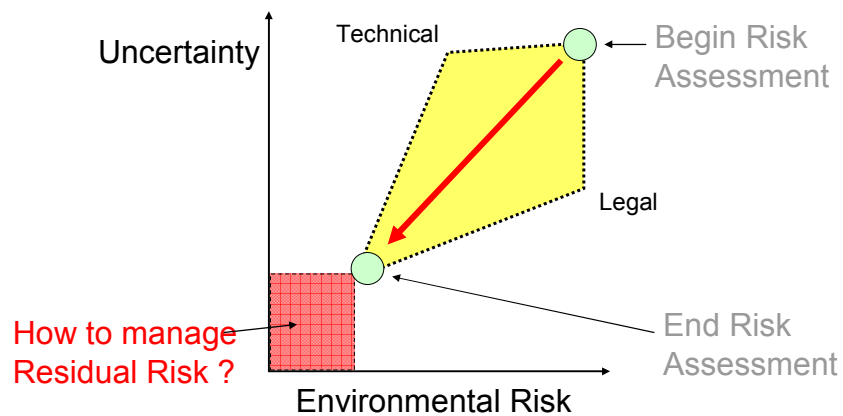


How can lenders get comfort

- Standards
- Open dialogues with Customers
- Additional Information
- Insurance



Getting comfort through information



What is this residual risk?

Due Diligence Risks

- Not enough time to do “full” due diligence
- Practical constraints (e.g. limited access)
- Uncertainty in remediation costs
- Outdated/ poor due diligence

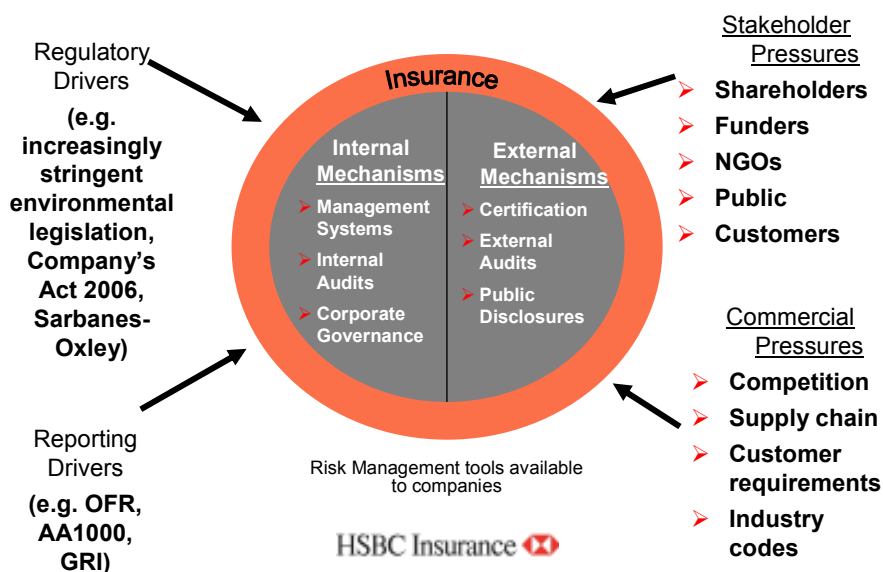
Regulatory Risks

- Future changes in environmental regulations/ standards
- Residual contamination after in-situ remediation (landfill tax)

Other Risks

- Ambiguity in leases (e.g. “compliance with Statute”)
- Perceived risk (e.g. gasworks, landfill)
- Stakeholder pressure (e.g. lender, parent, tenant, seller)
- Worthiness of indemnities (e.g. SPVs)

The Environmental Risk Control Environment



Getting additional comfort through insurance

- Environmental Impairment Liability (EIL)
- Contractors Pollution Liability (CPL)
- Cost Cap
- Remediation with Insurance Wrapper (Case Study)

What is EIL Insurance?

- Site based protection for the Insured in respect to legal liabilities arising from pollution conditions at the Insured's site(s) – these could be the result of historical (legacy) activities or ongoing operations
- Standard coverage includes:
 - on and off-site clean-up
 - Third party bodily injury/ property damage/ business interruption
 - legal defence and investigation costs
- Other site specific risks (e.g. biodiversity, ELD) can also be covered



Professional Indemnity insurance of consultants is not Environmental Insurance!

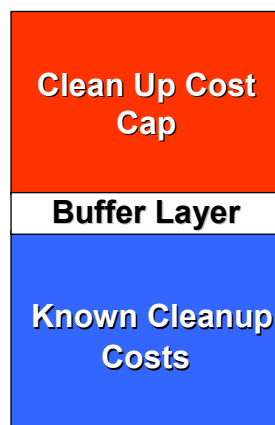
What is CPL Insurance?

- Project based protection for the Insured in respect to legal liabilities arising from pollution conditions at the Insured's site(s) created or exacerbated during contracting works (e.g. remediation, development)
- Standard coverage includes:
 - on and off-site clean-up
 - Third party bodily injury/ property damage/ business interruption
 - legal defence and investigation costs
- Other site specific risks (e.g. biodiversity) can also be covered – remediation can result in the creation of new Pollution that may fall foul of the Environmental Liability Directive (ELD)



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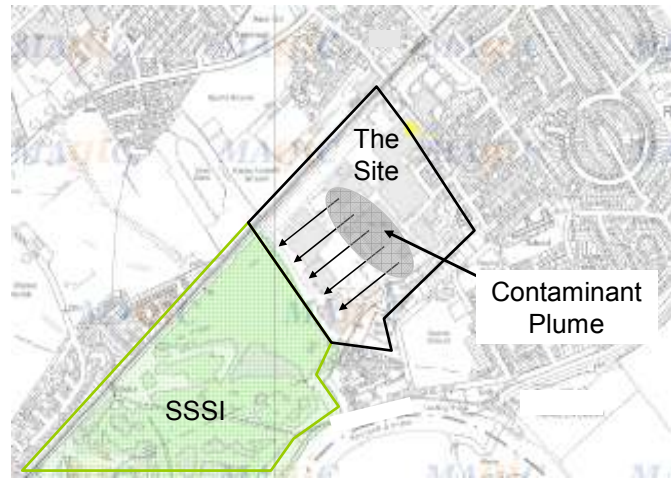
What is Cost Cap Insurance?



Covers costs associated with:

- Contamination greater than expected
- Statutory Authority changes agreed Remediation Action Plan
- New contamination found within area of Remedial Action Plan
- Change in base costs e.g. tipping rates
- Consequential losses - project delays

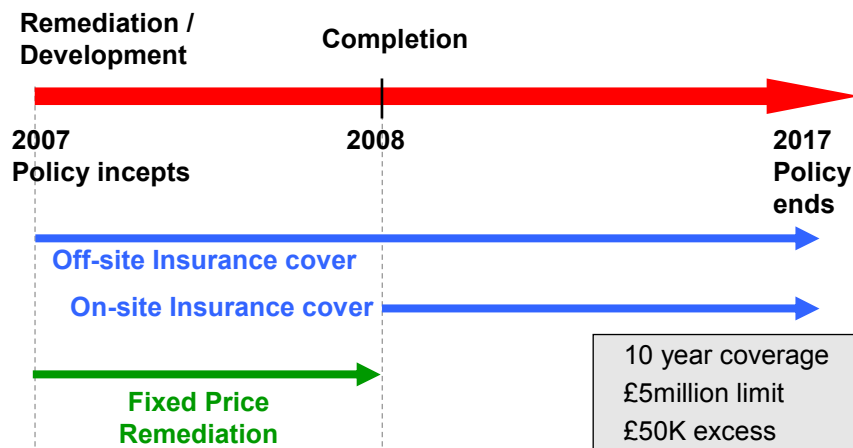
Case Study – Remediation/Insurance



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Case Study - Outcome



10 year coverage
£5million limit
£50K excess
£115K premium
£800K remediation

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In summary

- **Brownfield funding is risky**
- **Funders need to be concerned**
- **Active steps can be taken to get comfort**
- **Insurance can give added comfort**
- **Flexibility and innovation are key**



Any questions?

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