

## Request for Proposals

The OceanSET project<sup>1</sup> is tendering for expert advice on insurance coverage of innovative renewable energy projects.

Relevant experts are required to produce a *'Report on Design Options for an Insurance and Guarantee Fund for Ocean Energy Demonstration and First-of-a-Kind Projects'*

### Concept: Ocean Energy Insurance and Guarantee Fund

Because of their innovative nature and limited operating hours, emerging renewable energy technologies, such as ocean energies, bear a higher technological risk than more mature energy technologies. As with all early stage technologies, it is difficult to forecast electricity production accurately. Similarly, assessing how often operations at sea are required is uncertain, this has significant knock on impacts on operational expenditure (OPEX).

At project level, these uncertainties imply reduced revenue and increased costs, the impact of which are currently overwhelmingly borne by the project developers, as device manufacturers are unwilling and/or unable to shoulder them. This both limits the pool of potential equity finance available to project developers and makes it difficult to access commercial project finance that is required to leverage the project Internal Rate of Return (IRR) due to overall high risk.

Project developers could attempt to cover generation and operational risks by insuring them on the market. Yet solutions for generation and operational risks are only offered for more mature technologies. To estimate insurance premiums insurers require a better understanding and track record than is currently available. This creates a chicken and egg situation, where the insurance cannot be provided without operating hours from the technology, yet the project developers will not take the risk to procure technology and increase the operating hours without appropriate insurance.

Currently, no insurance product exists for ocean energy adequately covering generation and operation risks, prompting the idea of a **publicly-supported insurance and guarantee fund ('the Fund')**, as recommended by the EU-funded 'Ocean Energy Forum' in its 2016 Strategic Roadmap.

The Fund would cover a range of initial projects across geographical areas and technologies, with the objective of helping several technologies gain suitable operating hours for commercial insurance providers to adequately understand their generation and operation risk – at which point they will not require the Fund's support any longer.

### Report on Design Options

To progress this concept further, OceanSET requires expertise advice on how such a Fund should be designed.

This advice should be contained within a Report which concretely outlines how this Fund could operate in practice, from a financial and governance perspective.

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<sup>1</sup> The OceanSET project aims to coordinate the ocean energy support actions of European national authorities. The project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N°840651. See [www.oceanset.eu](http://www.oceanset.eu) for more information

The objective is a Report of sufficient detail and scope that it can be used by public decision-makers to establish an Insurance and Guarantee Fund in the short-to-medium term.

The Report should address the following key themes:

- Understanding and assessing the “Technology risk” associated with wave and tidal devices
- Defining which risks should be in and out of scope of the Fund
- The role of testing and due diligence processes as a means to limit the technology risk
- The optimal size of the Fund, taking into account the pipeline of ocean energy projects, as collated by the OceanSET project
- The optimal role for public authorities in the establishment of the Fund
- The role of performance warranties
- How to design the Fund to harness existing expertise from the commercial insurance sector, and to create a path for standard commercial insurance products to become available and ultimately replace the Fund.
- Assessment of criteria and design options for all aspects of the Fund:
  - Drafting of proposed base insurance and reinsurance generic template contracts, outlining the scope of possible protections afforded by the Fund, and potential limitations, terms and conditions;
  - Definition of a suitable regulated and well-rated delivery mechanism including via authorised insurance and reinsurance companies;

The Report should be clearly informed by prior experience of managing risk in innovative renewable energy projects, including ocean energy.

## Indicative Timelines

It is anticipated that the successful consortium or party will be selected by mid November 2020, and that the work would commence by the end of 2020.

According to this timeframe, the work would be ideally be completed by the end of April 2021.

## Proposal Format

Proposals should be no more than 6 double-sided page.

Proposals should outline a detailed approach to the work and an expected output, including an anticipated timescale and work plan. Proposals should detail any stakeholder engagement actions that are foreseen.

Proposals should outline the most relevant experience and expertise that interested parties possess. Where a consortium makes a proposal the experience of all project partners will be taken into account. Experience across multiple European countries will be valued.

Proposals should specify the individuals who would be directly working on the output, if successful. CVs/client testimonials etc. can be added as Annexes to the core 6 page proposal.

Different parties may create a consortium and present a joint proposal. If a joint proposal is accepted, we will enter a contractual agreement only with one party. The division of work and remuneration will be the concern of the consortium.

The pricing should be in euros and specifying whether VAT/TVA is included or not.

## Proposal Scoring Criteria

|   | Criteria  | Weighting |
|---|---|-----------|
| 1 | Price   | 30%       |
| 2 | Previous relevant experience of the overall consortium (or individual party where relevant) | 40%       |
| 3 | Quality of proposal / Credibility of methodology  | 30%       |

**A threshold of 50% will be set for criteria 2 and 3. Only proposals which reach this threshold will be evaluated for price.**

**This threshold will be based on a minimum award of 30% for ‘Previous relevant experience’ and 20% for ‘Quality of proposal’.**

## Deadline for Bid Submission

23 October 2020

## More Information

OceanSET project partner ‘Ocean Energy Europe’ is administering the procurement process. See [www.oceanenergy.eu](http://www.oceanenergy.eu) for more information.

If you have any queries please contact Donagh Cagney, Policy Director, Ocean Energy Europe – [d.cagney@oceanenergy.eu](mailto:d.cagney@oceanenergy.eu) / +32 2400 1047

## Background reading

Ocean Energy Forum (2016). *Ocean Energy Strategic Roadmap 2016, building ocean energy for Europe* [https://webgate.ec.europa.eu/maritimeforum/sites/maritimeforum/files/OceanEnergyForum\\_Roadmap\\_Online\\_Version\\_08Nov2016.pdf](https://webgate.ec.europa.eu/maritimeforum/sites/maritimeforum/files/OceanEnergyForum_Roadmap_Online_Version_08Nov2016.pdf)

Strategic Roadmap Annex 2: *Design Options for an Insurance And Guarantee Fund For Demonstration And Pre-Commercial Ocean Energy Projects* (attached)

ETIP Ocean (2019). *Powering Homes Today, Powering Nations Tomorrow. Policy Solutions to Deliver Ocean Energy Industrial Roll-Out* - <https://www.oceanenergy-europe.eu/wp-content/uploads/2019/04/ETIP-Ocean-Integrated-Strategy-2019-LR.pdf>

OceanSET Annual Report: <https://www.oceanset.eu/documentation/public-delivrables/>