Carbon lender non-payment insurance

Product brochure
Worldwide

Overview

Lenders have a unique opportunity to finance high-impact projects that can advance global decarbonisation efforts.

Our carbon lender non-payment insurance safeguards loans to carbon project developers, providing protection against non-payment risk for principal and interest, while also providing capital relief under Basel regulations.

About CFC

CFC is a specialist insurance provider and a pioneer in emerging risk. With a track record of disrupting inefficient insurance markets, CFC uses proprietary technology to deliver high-quality products to market faster than the competition while making it easier for brokers to do business. Our broad range of commercial insurance products are purpose-built for today's risks, and we aim to give our customers everything they need in one, easy-to-understand policy.

Headquartered in London, CFC serves more than 150,000 businesses in over 90 countries. Learn more at cfc.com and LinkedIn.

Contact

George Beattie
gbeattie@cfc.com
+44 (0)207 469 9007

At a glance

What is it?

An insurance product that wraps loans to carbon project developers to be repaid by the sale of carbon credits. The policy covers non-repayment on an all-risks basis, including project performance failure for any reason.

Who is it for?

Lenders such as banks, private credit funds, carbon investors, or private equity providing loans to carbon project developers.

Why buy it?

The product de-risks a lending transaction by insuring non-repayment risk for up to 100% of the loan principal and interest. Compliance with Basel regulations allows capital relief for certain lenders.

How does it work?

The insurance policy typically incepts as soon as funds are released to the obligor, and it covers the value of non-repayments (principal and interest), in the event that the obligor is unable to fulfill it's obligations.

Terms and limits

Policy period	**36 months maximum, to capture credit maturity month**
Limit	**100% of the investment – capped at USD 25m per project**

Exclusions

- Illegal or fraudulent activities
- Radioactive contamination, chemical, biological, bio-chemical and electromagnetic weapons
- Insolvency of the insured
- Non-compliance with the lending agreement

Underwriting approach

How we underwrite

- We underwrite loans with repayments consequential on the sale of carbon credits with a maximum tenor of 36-months
- To underwrite a deal, we require four key inputs:
  - Project details such as registry and ID
  - Financial structure of offtake
  - Debt repayment schedule
  - Obligor details and their financial history
- We are here to support quality and of all listed carbon projects globally, only a small percentage meet our quality standards
- Our selection criteria range across several factors; project quality, obligor creditworthiness, offtake structure, and many others

What this means for you

- Fast underwriting decisions and guidance pricing
- The ability to offer loans to project developers with greater certainty
- A critical risk management tool to help you deploy capital towards the climate transition
- Our product creates liquidity for the best projects and benefits all market participants, helping the VCM to scale on the right basis

Buyer benefits

- Compliance with Basel regulations allows capital relief for certain lenders
- Financial certainty for loans backed by a stream of carbon credits to be generated in the future
- Financial protection against delivery shortfalls
- Additional quality assurance with an insurance backstop

Coverage is subject to underwriting and the terms, conditions, and limits of the issued policy.