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Emerging Energy Security – Risk and Risk Mitigation

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Energy Security

- Strong increase in demand, concern over future reserves and security of transmission.
- Prices at an all time high – predicted to increase.
- Balance of trade implications for Nations.
- Future reserves in remote / hostile environment, high cost of development, logistic and security issues, environmental concerns.
- Private equity / debt plays significant role

The Risk Business

- “High Risk – High Reward” – but only if you can mitigate or remove “downside” to risk.
- Investors, lenders, rating agencies all wish to reduce Risk Factors.
- Security of supply chain, environmental and political issues.
- The Insurance Industry has the tools for colateralisation, risk mitigation, risk transfer.
- In 2005 alone insurers paid over $10 billion to the energy industry.

Risk and Insurance

- Role of Insurer - to remove or mitigate risk – to compensate for economic consequences of loss, including third parties and the environment.

- To support and compliment operations of energy industry and its stakeholders.

- To enhance safety of operations – supply chain security – engineering inspections “audit”.

- To help avoid issues like Alyaska Pipeline, Texas City Refinery etc and protect “Brand Reputation”.

Risk Mitigation

➢ The insurance Industry can play a key role in energy security and Risk Mitigation, focusing on the entire “Energy Delivery Chain”.

- Protections of Assets (Operating or during construction).
- Risks associated with “Control of Well”.
- Securitisation of Revenue or Cash Flow to all stakeholders.
- Political Risks; including Sabotage and Terrorism.
- Operational safety (brand reputation) through engineering “audit” services.

The Role of Insurance

"Put most simply;

Without the availability of reasonably priced insurance, many major exploration, pipeline or refinery construction projects would not be able to be undertaken – thereby restricting the overall supply and distribution of energy.

Through the risk mitigation and risk reduction tools available the entire project or facilities become a more benign risk, thus more attractive to investors, lenders and other stakeholders, including rating agencies. Ultimately contributing to keeping the total cost of risk (and energy) to a minimum…

to the benefit of All"