



# Addressing environmental risks and liabilities in the renewable energy sector

While renewable energy is often termed ‘clean,’ projects can create environmental risks and liabilities that project owners need to identify, manage, and transfer effectively.

Renewable energy sector projects are increasing in size, scope, and complexity. Project assets are also increasingly likely to be built in brownfield locations. This means project owners should carefully consider any associated increases in environmental exposures at every stage.

From project origination, planning and consent, through to construction and delivery, operating and ultimate decommissioning, you will need to identify potentially wide-ranging environmental risks and understand how you may or may not be covered for them.

In this brief insight, we highlight some key environmental risk and liability areas you may need to be aware of, including what some exposures mean for your insurance coverage.

## BESS and environmental risks

Battery energy storage systems (BESS) can give rise to a range of threats. We’re currently seeing incident notifications and claims presented from a multitude of angles, including:

- **Battery fires** — A battery fire can produce a dangerous cloud of hydrogen fluoride, methane, and carbon monoxide. If the vapor cloud from a battery fire meets an ignition point, it can also explode.
- **Uncontrolled soil erosion leading to environmental damage** — A recently constructed ground-mounted solar farm was required to pay more than \$135.5 million in damages due to uncontrolled soil erosion that silted up wetlands and a fishing lake.<sup>1</sup>

## Biodiversity threats

BESS, solar farms, on and offshore windfarms and green hydrogen storage projects each have unique environmental and biodiversity exposures which have the potential to manifest into significant liabilities and claims.

Due to the level of deployment globally of renewable energy systems, we’re seeing an increase in the number of projects being developed on brownfield land or adjacent to sensitive biodiversity or environmental resources. This means project owners could require specific environmental insurance policies that include (but aren’t limited to) coverage for biodiversity damage, first-party clean-up costs, gradual pollution, loss mitigation costs and mobilization and exacerbation of historical pollution.

<sup>1</sup> <https://www.pv-magazine.com/2023/05/10/u-s-court-orders-developer-to-pay-135-5-million-in-100-mw-solar-property-damage-case>

## Identifying and closing insurance gaps for renewable energy environmental risks

Traditional construction all risks and third-party liability policies may have significant gaps in cover when considering sudden and unforeseen and gradual environmental liabilities.

You may need specialist environmental insurance to dovetail with your traditional lines of coverage to ensure you're covered for all potential risks.

## ESG risks across the lifecycle of renewable energy project and assets

Environmental, social and governance (ESG) considerations mean you will want to consider the ESG credentials of your assets and projects' integrated supply chain and the entire lifecycle up to decommissioning. How do you plan to address the ESG and reputational risks associated with wind turbine 'graveyards' and the like from the outset?



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