



Announcement: Voluntary Carbon Market Insurance Solution

6th September 2022

Parhelion Underwriting Ltd (Parhelion) has advised on the development and successful completion of an insurance solution to de-risk Voluntary Carbon Market (VCM) transactions. The product was incubated through the Insurance Task Force of the Sustainable Markets Initiative; an initiative led by His Royal Highness The Prince of Wales.

The transaction, involving an international carbon finance business, was underwritten by a leading investment manager specialising in reinsurance risk and brokered by a leading independent international insurance broker. The product provides coverage for risks that may lead to invalidation of the insured carbon credit. Parhelion has been offering 'Invalidation Risk Insurance' for the California cap and trade market since 2014. The transaction announced today is the first designed specifically for the VCM and will increase confidence in VCM transactions.

The VCM will play a vital role in the transition to a low-carbon future and will need to be a \$50bn market by 2030 if the Paris Agreement target of limiting global warming to 1.5^oc is to be achieved. The market has grown rapidly in the last 24 months and 60% of Fortune 500 companies have now set climate targets, many of which will require participation in the VCM. However, the VCM remains a complex and evolving market, with multiple risk exposures for buyers, sellers and investors.

Parhelion remains committed to supporting the development and growth of carbon and other environmental commodity markets, by developing innovative insurance and risk finance solutions for market participants. Parhelion first executed insurance solutions for the Kyoto Protocol Clean Development Mechanism in 2010 and has supported over 4million California carbon offsets, representing over 323,000 acres of forestry projects.

Julian Richardson, CEO of Parhelion said: "We are delighted to have contributed to this transaction which builds on the long-standing leadership Parhelion has shown on climate finance. The Voluntary Carbon Market is an important part of the transition to net zero and with its growth, new risk management and risk transfer solutions are required. The insurance market is a \$3trillion pool of capital that needs to be mobilized in support of this. We are pleased to continue Parhelion's long history of carbon insurance solutions, and this is another excellent example of continued innovation."

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