

Use of Irrevocable/On-Demand Surety Bonds for Warranties**No.: DISTRICTENERGY-02**
Date: 2026-07-08**Purpose**

To inform all applicants about the qualification and submission requirements for the use of Irrevocable/On-Demand Surety Bonds (a “Surety Bond”), as an alternative form of security guarantee for Low-Carbon Energy Plant (LCEP) and Discrete Cooling Plant (DCP) warranties required by LIEC for district energy generation and utility infrastructure.

Background

On May 7, 2026, the Lulu Island Energy Company’s (LIEC) Board approved a program to permit the use of irrevocable/on-demand surety bonds as an alternative form of security for LCEP and DCP Warranties (the “Program”).

A Surety Bond is a three-party agreement between the developer, a surety bond insurer and the City. The agreement obligates the surety bond insurer to step in and pay the City, on-demand, the amounts owed by the developer required to repair or replace any damaged or defective equipment as part of the warranty guarantees agreed to by the developer.

A developer’s eligibility for the Program is subject to strict compliance with the qualification criteria and program limits as outlined in this Bulletin, a duly executed Surety Bond Agreement on LIEC’s standard form of agreement, amendments or a restatement of the existing legal agreements where applicable, and the payment of a processing fee (as per the City of Richmond’s [Consolidated Fees Bylaw 8636](#)).

Implementation**Program Scope**

Lulu Island Energy Company’s Irrevocable/On-Demand Surety Bond Program is limited to:

- Use of Surety Bonds as an acceptable form of security guarantee (in addition to cash and letters of credit) for LCEP and DCP warranties only.
- A Program cap of \$16 million for all warranty securities held in the form of Surety Bonds by LIEC.
- A first-come-first-serve basis, with a limit of no more than a total of four (4) Surety Bonds per developer regardless of secured amount.
- New securities and the replacement of existing securities, are subject to program limits and acceptable amendment or restatement terms to existing DEU covenants where applicable.
- Surety Bond Insurers are subject to the below qualification criteria.

Program Qualification Criteria

Lulu Island Energy Company’s Irrevocable/On-Demand Surety Bond Program requires that a surety bond issuer meet the following qualification requirements in order to be accepted as a surety for the Program:

- BC Financial Services Authority (BCFSA) registered;
- Listed as Primary Surety Writer members of the Surety Association of Canada; and
- A.M. Best Credit Rating of A+ or higher.

See over →

Application Form and Processing Fee

To apply for the Program for a new project, submit a [Surety Bond Application Form](#) to LIEC and pay the processing fee for each proposed security.

If a developer wishes to replace existing securities, please discuss with their assigned LIEC contact. Developments with DEU Covenants registered prior to June 1, 2026 will require Council approval to amend or replace the existing legal agreements and covenants registered on title. All amendments or restatements of existing DEU Covenants will require the applicant to adopt the current standard form of agreement.

Application Review Process

Once a Surety Bond Application Form is received, LIEC will review the application and confirm whether the applicant is eligible for the Program and if the proposed Surety Bond Insurer meets the specified qualification requirements for the Program.

If LIEC is satisfied that the requirements are met, the developer and the Surety will be required to enter into LIEC's standard form of [Surety Bond Agreement](#). If the developer and Surety do not agree to LIEC's standard form of agreement, use of a Surety Bond will not be permitted.

Surety Bond applications are accepted on a first-come-first-serve basis. Where an application is ineligible for the Program, the applicant must provide the required security by letter of credit or cash.

Should you have any questions, comments, or suggestions concerning this bulletin, contact info@LuluIslandEnergy.ca.