

Renewable Energy Asset Valuations & Market



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Energy Now Expo
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Renewable Asset Valuations & Asset Markets

- Why do we value assets?
- What influences values?
- Renewable Asset Market



Why Do We Value Renewable Assets?

- New Finance
- Re-Finance
- Transactions – Sales & Aquisitions
- Accounting
- Overages
- Taxation issues



Key Factors Affecting Value

Capital cost

- Equipment – *new v. second hand, warranties, O&M provisions etc*
- Grid connection – *DNO costs*
- Site infrastructure – *electrical & civil BOP works*
- Legal costs
- Planning costs – *discharging conditions*



Key Factors Affecting Value

Energy production

- Hydro – *head and flow of water*
- Wind – *average wind speed*
- Solar PV – *irradiation levels*
- AD – *type of feed stock, type of plant*
- RHI – *type of biomass*

Financial Revenues

- Support mechanism – *ROCs v FITs v CfDs etc*
- Accredited rates & rules (sustainability etc)
- Power sales
- Green gas certificates



Key Factors Affecting Value

Land Occupation

- Landlord & Tenant arrangements
- Flexibility to expand/adapt
- Security of Tenure
- Access & Risk of stranded assets
- Planning conditions – compliance, need to re-instate etc
- Wayleaves



Methods of Valuation

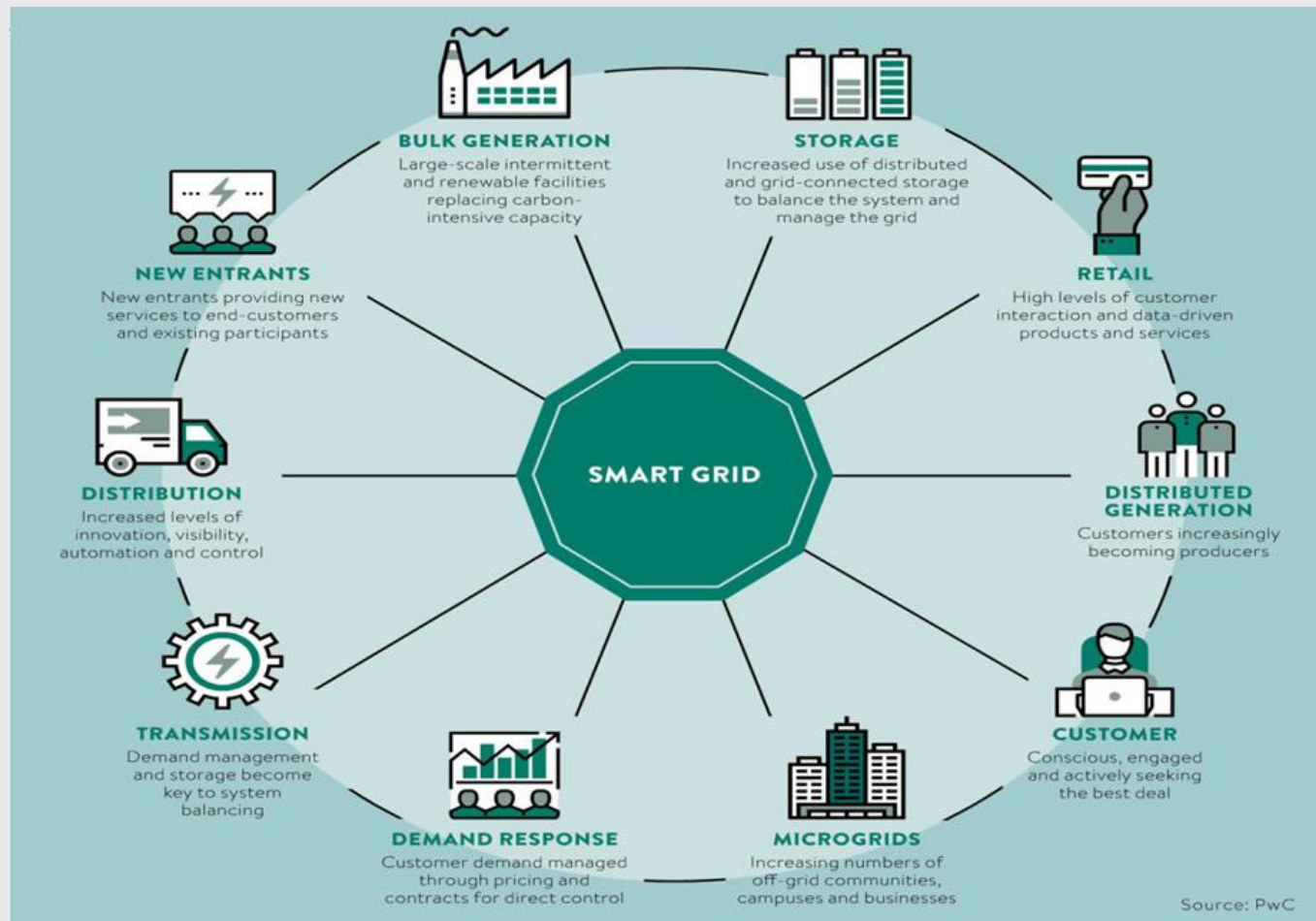
- Direct comparables
- Investment method
- Profits methods
- Depreciated replacement cost
- Residual method
- Discounted cash flow

Values will therefore vary according to what the remaining subsidy is until any replacement is known



Market Drivers: Future Trends

- The UK energy system is changing from a model of large centralised generation and transmission, to a more flexible and more decentralised system built round a new “smart grid”.



Market Drivers

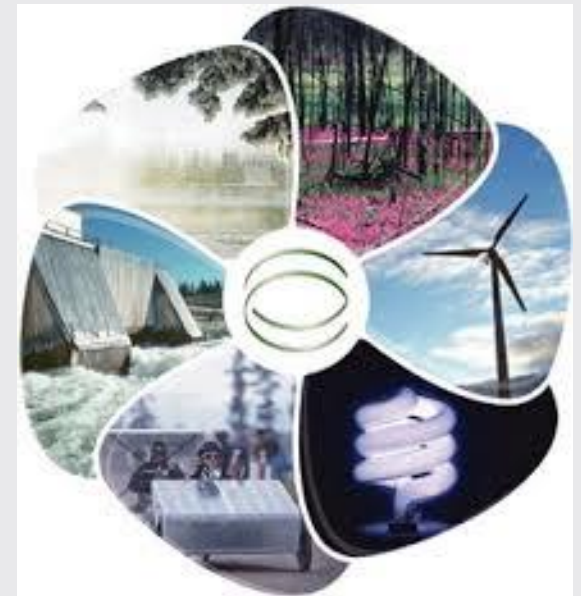
- Investment funds seeking safe and reasonably consistent returns
- Ethical investors
- Infrastructure funds
- Shortage of new “onshore” projects in most sectors for variety of reasons
- Scarcity of assets in secondary market
- View that demand for renewable generation will grow
- Opportunities to add value to assets



Market Drivers

However there is wide variance in the market;

- Yields low on some assets so little value to be had
- Underperforming assets may be worth less than the capital cost incurred whether due to overspend or underperformance, or both
- Remember are depreciating assets
- Greater risk for new projects with less support payments
- Plan carefully to maximise future value



Your Speaker



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