

Renewable Energy
Due Diligence Reporting
Prepared for Justin May
IDCM

The logo for Brown & Co. features the company name in a white serif font. The text is set against a horizontal bar that is green on the left and red on the right. The ampersand is stylized and overlaps the boundary between the green and red sections.

BROWN & CO

Residential. Commercial. Agricultural.
Property and Business Consultants
brown-co.com

BROWN&CO

About Us

Brown & Co is a leading provider of agency, professional & consultancy services across the whole range of rural, commercial and residential property, agriculture and the environment. The firm continues to expand its network of offices both within and outside the UK. There are currently 11 offices in the UK, covering East Anglia, the Midlands and the Yorkshire and Humber region as well as offices internationally in Eastern Europe and the Caribbean. However, from the UK we provide advice across the country including Scotland, Wales and Northern Ireland.

Agricultural and Rural Services

Brown & Co currently have a team of 36 Agricultural Business Consultants. This team carries out a range of consultancy services covering business appraisals, budgeting and benchmarking, Contract Farming Agreements, the Basic Payment Scheme and Renewable Energy.

In 2017, Brown & Co carried out over 1,300 Basic Payment Scheme applications covering more than 212,000 hectares of land across the UK. The firm has a large team of 58 land agents, who provide a number of land and property services including buying and selling, estate management, valuations, planning and development and land agreements. Therefore, the firm covers all aspects of rural consultancy and land management covering a range of specialities in order to provide specialist advice on all client needs.

Renewable Energy

Brown & Co continues to be involved in and at the forefront of the Renewable Energy Sector, with professional experts providing advice on large and small scale wind, solar PV, biomass and energy crops, anaerobic digestion and thermal power. Brown & Co assist in providing strategic advice and project management of AD projects from start to finish. This includes feasibility analysis, tendering on all aspects of the project, funding options, assistance in overseeing the project and planning the feedstock. Due Diligence reports are just one aspect of the firm's advice on AD projects and provide a full and comprehensive understanding of the ability to source the required feedstock for an AD plant.

Meet The Banbury Team

James Brown, Jim North and Andrew Kitchen make up the Brown & Co Banbury Agricultural Business Consultancy team.

James Brown has been working for Brown & Co since 2008, and leads the team in Banbury. During his career he has gained extensive knowledge and understanding of a range of agricultural sectors. He started his career in the King's Lynn office and soon took on project management work in the Caribbean for an extensive government based project. James progressed his career in King's Lynn before moving to the Brown & Co office in Banbury in 2014 to set up the Agricultural Business Consultancy department. He is a Divisional Partner in the firm and has worked to expand the Business Consultancy capacity in the Banbury office.

James has carried out a vast amount of AD project based work, working with investment firms and farmers in order to establish viability, potential success and assist in establishing successful AD plants. Due Diligence reporting is just one aspect of this renewable energy work where James completes a number of reports throughout the year.

Jim North has a broad knowledge and experience in agriculture after growing up and working on his mixed family farm in South Northamptonshire. He is now working out of the Banbury office within Brown & Co and has over 3 years of consultancy and farm management experience, giving advice to the agricultural sector throughout the South West of England, and more recently in the South Midlands.

Graduating from the Royal Agricultural College in 2014, Jim moved to the South West to a farm consultancy practice and carried out a full range of farm consultancy work mainly working within the livestock, arable and renewable energy sectors. This ranged from financial budgeting for retained clients all the way through to sourcing feedstock for on farm Anaerobic Digestion plants which has seen a huge up take for on farm AD plants being constructed over the past 18 – 24 months.

More recently, his work has been tailored towards the livestock and arable sectors of which his interests lie within. He has as a full range of interest and understanding within the dairy and pig sectors, contract farming agreements, due diligence within the renewable energy sector, along with various project work, basic payment, countryside stewardship and grant funding.

Andrew Kitchen comes from an arable family farming background in King's Lynn, Norfolk, where he has gained extensive knowledge and experience of arable growing systems.

He has worked on a range of farming businesses, covering the livestock, arable and horticultural sectors. Andrew studied Agriculture at the University of Reading, graduating in 2016. He moved to start his career with Brown & Co in Banbury in October 2016. After working for Brown & Co for a year, he has assisted James Brown in all aspects of Agricultural Business Consultancy and continues to further his knowledge in the agricultural sector. During this year he has gained experience carrying out farm consultancy services covering; renewable energy, the basic payment scheme, business appraisals, grant funding and business monitoring and budgeting.

Due Diligence Reporting

Brown & Co have undertaken a number of Due Diligence reports for the bio-energy sector. These reports provide a basis for understanding the productive capacity and ability of a holding to supply the required feedstock for an Anaerobic Digester plant in the first year, a normalised year and the implications of the investment company entering the local market place to source the feedstock. A site visit is carried out by Brown & Co to get a full understanding of the holding and to ensure that an informed and realistic report is created. These reports take a standard structure in order to develop a comprehensive report which can be presented to all parties involved.

Summary of the Proposed AD Plant

The size of the plant is reviewed, as well as its location and the preferred feedstock mixture needed in order for the plant to operate at maximum output, providing a basis for the calculation of the holdings capacity to grow and source the required feedstock. This includes both crop and non-crop feedstock elements. A brief introduction is made to the holding itself in order to give an understanding of the farming operations.

The feedstock agreement between the investor and the land owner is summarised to show whose responsibility it is to source the required feedstock or source additional feedstock if there is an under supply. This provides an idea of the security of the holdings ability to provide the feedstock.

Production of the Required Feedstock

The area of land required in order to produce the required feedstock is calculated. To allow for a full and realistic assessment of the lands productive capacity to produce the feedstock, the following is taken into consideration, based on a normalised year:

- Land type and climate of where it is located
- Crops required in the feedstock
- Average yields of each crop, collated by Brown & Co
- Crop dry matter content of the crop

A summary is made of the total land area available to the farm, and under what agreements this land tenured if not owned. Therefore, an assessment is made to show if the land is owned, rented or under any other farming agreement. This highlights the risk and security associated with the land on the holding and therefore, the holdings ability to supply the feedstock throughout the whole operational term of the Anaerobic Digester plant.

In addition to cropping, if any of the feedstock is proposed to be waste materials or crops that are not or cannot be grown on the holding, then an assessment of the local market is made to give an indication of the ease to source the required inputs locally.

A conclusion is then made to give an overview and decision to the holdings ability to supply the required feedstock. This includes an assessment of the risks that the holding may face in producing the feedstock such as weather or disease pressures.

Sourcing the Feedstock from the local market

This section of the report primarily focuses on the potential viability, risks and implications of the investor entering the local marketplace to source the feedstock or growing the feedstock through numerous agreement options. The location of the Anaerobic Digester plant considerably affects its potential to source the feedstock locally. This comes from both different land types surrounding the plant and differing agricultural systems operating in that particular area.

An overview of the agricultural commodity market is given to show how the economy, world crop stocks and seasons create fluctuations in the price that may be paid to source feedstock in the local marketplace. The financial implications are also assessed for the investment company to source differing levels of feedstock, from 5% to 20% of the required stock. Other options, away from buying the feedstock per tonne, are explored to give a full assessment of options available to the investment company. These options include Farm Business Tenancies, Crop Option Agreements and Cropping Licences.

Sourcing the feedstock this way requires considerable planning, management and manpower, and therefore all of these should be taken into consideration by the investor.

Further Considerations

The report will also look at any factors which may impact upon the viability of the project including:

- Brexit
- Weather Events
- Planning Conditions/Restrictions
- Geographical Location

Commentary will be made on these throughout the report produced.

Carrying out a Due Diligence Report

A vast amount of information is needed in order to produce a Due Diligence report in this manner. However, a considerable amount of this information is sourced during the site visit at the holding and from the investors.

Taking all of the information collated into consideration, along with specialist bio-energy knowledge, Brown & Co produce a Due Diligence report following the standard structure outlined above.

An estimated charge for Brown&Co to carry out a full Due Diligence report is £3,500 plus disbursements and mileage.

AGRICULTURAL BUSINESS CONSULTANCY

Brown&Co are unique in having one of the largest land agency and agricultural business consultancy teams in the country. We are a very practical, down to earth firm who have always taken real pride in our clients' success and our team's professionalism.



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