



Energy sector
Business groups

A dedicated team of specialist advisors.

At UHY Hacker Young we have recognised the need for a dedicated team of specialist advisors to the energy sector.

In 2006 the Energy Information Administration (EIA) forecast that the world's energy consumption would grow by 44% in the years to 2030. The majority of this growth would continue to come from oil and gas reserves and renewable energy sources.

During 2009, the oil and gas industry invested £4.7bn of capex, £6.6m of opex and £1bn in the drilling of, exploration and appraisal of wells in the UK alone. The industry employs over 450,000 people in the UK and continues to provide over 20% of total Corporation Tax revenues.

Whilst UK production is falling (similarly to many of the other traditional oil production nations), many UK companies are proving the expertise gained in the hostile North Sea to develop deepwater drilling in areas such as South America, West Africa and increasingly

the Far East. UK companies are fast becoming international providers of services and at UHY Hacker Young we have recognised this through our involvement with the global network UHY and through the recruitment of specialists with international experience.

Additionally with the increase in energy prices and increasing environmental concerns, there continues to be renewed interest in the development of alternatives to fossil fuels. Renewable energy used for electricity production is projected to increase by an average of 2.9% pa, with its share of the market growing from 19% to 21% by 2030. The UK Government has also committed to reduce our reliance upon fossil fuels and reduce our carbon emissions.

As a result, investment in renewable sources of energy generation is required to help conserve fossil fuels and generate clean renewable electricity. We have recognised therefore that this growing industry, which is still in its infancy, requires a dedicated team



Providing a value for money service to assist energy companies.



of specialist advisors. Further, we recognise that the development of a renewable energy scheme represents a significant investment opportunity. Revenues are expected to reach £150 billion by 2016 from renewable energy and thus it is easy to see why many investors are starting to enter the market. In fact, the Government is actively encouraging the development of renewable energy schemes by offering income based on energy generated even if it is not exported to the grid. For smaller schemes, typically under 5 mW, the Feed In Tariffs (FITs) programme guarantees generators income for 20 to 25 years depending upon the type of scheme developed. For larger schemes, over 5 mW, the Renewable Obligation Certificates (ROCs) scheme is in place. Again, this increases the income of an energy/ electricity generator.

Our Energy Team provides a value for money service to assist energy companies, bringing creativity and expertise to bear on a wide range of issues:

- To provide a full range of corporate finance services to the industry, including due diligence and fundraising.
- To provide a full range of specialist taxation services to the industry, including EIS and capital allowance claims.
- To ensure that all regulations are complied with and that the appropriate environmental support teams are engaged at the right stage.

SERVICES WE PROVIDE

Backed up by an administrative team providing accountancy, VAT and other support services, the team covers a wide range of services to clients including the raising of equity finance, EIS funds and arranging long term bank finance.

The team has significant experience of advising corporates, banks and investors on the financing and acquisitions of oil and gas service companies, with particular knowledge around the sensitivity of the business to the oil price and cycle and the various nuances of working and/or investing in the industry. Working with our colleagues in the UHY network, we offer international expertise to UK businesses to assist them in maximising their own international growth opportunities.

The team also has required experience to carry out due diligence exercises on and the building, construction and operation of a wide range of renewable schemes, including wind, hydro and biogas, which are in the forefront of renewable development. In particular the team has a wide knowledge of all the regulations which control renewable developments.

Where necessary, UHY Hacker Young can arrange quotes for connections to the distribution system and to the transmission system. A good network of experienced lawyers can be introduced, who could review connection agreements and power purchase agreements on behalf of clients.

The team can also make introductions to a wide range of suppliers for marketing power produced, ROCs and levy exemption certificates as an example. The team is also experienced in locating manufacturers of equipment, project designers and local contractors.

The team can arrange to engage environmental support teams for the preparation of environmental statements and has experience of dealing with the relevant bodies including the Environment Agency.

The team maintains connection with the British Hydro Power Association and the Association of Electricity Producers to maintain up to date knowledge of all types of developments.

RETURNS

UHY Hacker Young has experience in various types of renewable energy schemes, most notably hydro, wind, anaerobic digestion (AD) and solar/ photovoltaic panels (PV).

Hydro

Approximately 35% of the UK's renewable energy currently comes from hydro projects. In 2010 the Department of Energy and Climate Change identified 1,692 sites and a potential output of 2,500 mW across England and Wales alone.





Renewable
energy
schemes.



Wind Turbines

Wind turbines are a known established low risk energy generator in the UK and can be best described as “tried and tested”. The UK is the windiest country in Europe, with 25% of the continent’s wind resource, and is currently generating 5,500 mW of electricity per annum.

Anaerobic Digestion (AD)

Anaerobic Digestion is the proven process of converting organic waste into electricity and various other products such as heat. Despite being relatively new to the UK, these plants have proved to be popular elsewhere in Europe, particularly in Belgium and Germany, with over 300 facilities currently in operation.

Solar/ Photovoltaic Panels (PV)

Despite our perceived inclement weather in the UK, our climate can utilise the sun’s rays for up to 1350 hours per annum. Many PV panels can be used to generate electricity or supply heating to properties.

Payback periods and IRR returns for typical schemes could be as follows:

	Size kW	Income £000s	Payback Years	IRR %
Hydro	450	166	9	13
Wind	800	240	7	20
AD	500	600	7	25
PV	9	4	12	12

There can also be significant investment and inheritance tax savings made depending upon the structure used in the development of the schemes.

For further information or advice please contact your usual partner, or visit www.uhy-uk.com.

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