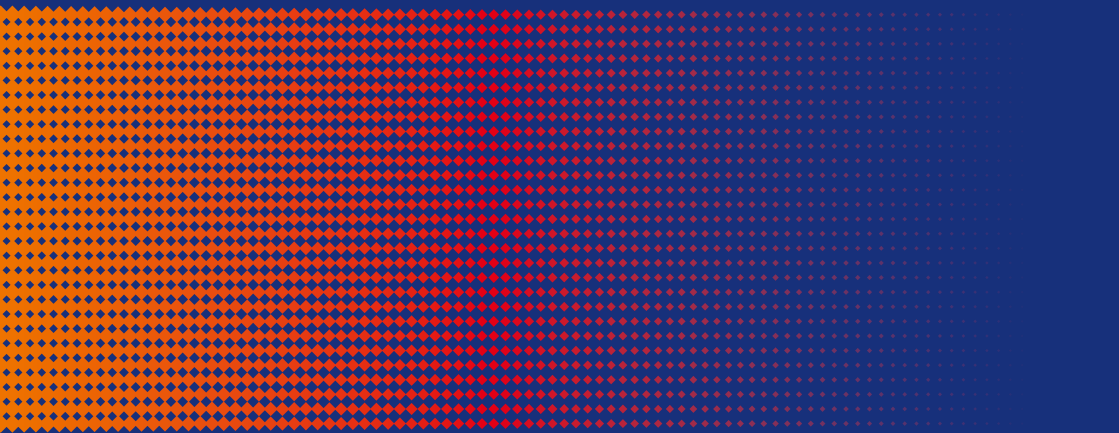


POWERING GREEN ENERGY INVESTMENT

Ask the experts. Our green sector specialists cut through the complexity of renewable technology and legislation to help your business unlock its financial, operational and environmental benefits.



FOREWORD



Over the last eight years, I've witnessed thousands of our customers reap the rewards of investing in green energy. I know the business case for such investment remains sound even in uncertain times. Renewable technologies offer an array of economic and environmental benefits for your organisation, whether it's in the commercial or public sector.

These benefits include savings on energy bills, increased profitability, energy security and contributing to a cleaner environment.

The financial and ethical arguments in favour of green energy are underpinned by the Government's target of seeing 15% of the UK's energy generated from renewable sources by 2020.

The Renewable Heat Incentive (RHI) Government subsidies demonstrate the support for investment in green energy at the highest level. We share this commitment – in fact, we were one of the very first companies to offer asset finance for green energy solutions. And now, eight years later, we're the leading provider in this sector.

At Lombard, we don't simply review our customers' capital expenditure plans, we also look at their existing spend on energy and identify what impact that has on their profitability. From there, we help explain and demonstrate the financial case for renewable technologies.

You may already have invested in green energy and be looking to go further, or you might have only just begun to explore it. Whatever your situation, we're here to help you find and fund the right renewable energy solution for your business.

Hiten Sonpal

Head of Specialist Sectors, Lombard

BOOST YOUR BUSINESS

For many organisations, the most compelling reason to invest in green energy is to save money.

And it's true, renewable and energy efficiency technologies can significantly reduce the cost of heating and lighting premises, and many other operational overheads. But there are other important benefits to consider too.

Future-proof your business



Since April 2018, all leased buildings in England and Wales that require an Energy Performance Certificate (EPC) have had to meet the Minimum Energy Efficiency Standard (MEES). If you're a commercial landlord, you can't let premises with an EPC lower than 'E'. Investing in energy efficient measures could well prove to be a necessity, not a choice.

Become self-reliant



Energy is business critical. A break in supply can do untold damage and have long term consequences. Generating your own supply reduces the risk of downtime and can help alleviate the impact of energy price fluctuations.

Cut carbon emissions



Every business and individual has a responsibility to do what they can to reduce their carbon footprint. Investing in green energy will enhance your organisation's environmental credentials and help meet Corporate and Social Responsibility (CSR) targets.

Create new revenue streams



A growing number of organisations are realising that green energy offers a relatively straightforward route to diversification. For example, between 2014 and 2017, the average uptake of renewables among NFU members grew from over a quarter of farmers and growers to nearly two-fifths (39%).

MAKE THE MOST OF AIA

The Annual Investment Allowance (AIA) allows your business to deduct the cost of certain assets from your profits before tax. From 1st January 2019 for two years, the AIA is set at £1,000,000 per tax year.

How is it relevant?

Many types of asset count as qualifying expenditure. You can claim AIA if you have a hire purchase (HP) arrangement which will lead ultimately to you owning the asset. You don't have to have paid outright for the asset, you get the AIA even though the rental payments are spread over the term of the HP agreement.

Taxable profits



up to a maximum of

£1,000,000



ENERGISE YOUR INVESTMENT PLANS

Green energy is an expanding and evolving sector and we're here to help your business harness its potential. We start by helping you identify which are the most appropriate energy efficient assets and renewable technologies for your needs.

There are plenty of options to choose from:

Biomass boilers

Biomass boilers generate heat by burning different kinds of feedstocks, which may include wood chips or pellets from sustainable sources. Installing a biomass boiler could cut both annual fuel bills and carbon emissions.

Solar photovoltaics (PV)

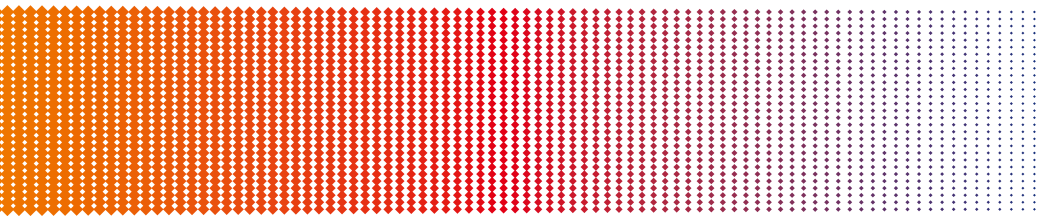
Roof-mounted or stand-alone solar PVs capture the sun's energy using photovoltaic cells which convert the sunlight into electricity. The cells even generate electricity on a cloudy day.

On-shore wind turbines

A wind turbine harnesses the power of the wind to generate electricity. The wind turns two or three propeller-like blades around a rotor. This rotor is connected to the main shaft, which spins a generator to create electricity.

Anaerobic digesters

Anaerobic digestion uses the methane-rich gas released by decomposing plant and animal materials to generate renewable heat and power. The material that's left at the end of the process – known as digestate – can often be used as fertilizer.



See how a solar system adds up

Solar 1mW system: food manufacturer/supplier with a rooftop system

Project cost

£565,000

Income in year 1

£115,000

(energy savings and Feed-in
Tariff* payments)



*All figures supplied based on tariff rate as of April 2018.

See how a CHP system adds up

CHP 999kW system installed on a farm premises

Project cost

£1,054,000

Total income

£283,000

(energy savings and subsidy payments)



All figures correct as of January 2017.

Combined heat and power (CHP)

CHP plants can be very energy efficient because they capture and utilise the heat that comes from the plant's engine during electricity generation. This means a single fuel source provides both the heat and the electricity for your site. As an energy generation process, CHP is fuel neutral.

Ground source heat pumps

A ground source heat pump circulates a mixture of water and antifreeze around pipework buried in the ground. Heat from the ground is absorbed into the fluid and then passes through a heat exchanger into the heat pump. Ground source heat pumps are suitable for heating and hot water systems.

Air source heat pumps

Air source heat pumps absorb heat from outside air and use it for radiators, underfloor heating systems, warm air convectors and hot water. This approach is particularly appropriate for commercial buildings as it is a low maintenance technology.

Light-emitting diodes (LED) lighting

LED lights are up to 80% more energy efficient than fluorescent or incandescent bulbs. They also last up to six times longer, which helps reduce maintenance costs. In addition to creating long-term savings, some LED installations qualify for the Annual Investment Allowance (AIA) which allows eligible expenditure to be offset against profits chargeable to tax. From January 2019 for two years, the AIA limit is £1m per annual accounting period.

See how an LED system adds up

LED lighting installed across a nationwide retailer's total estate

Annual cost saving

c. £1 million

Reduction in carbon footprint

1,000 tonnes

All figures correct as of 2018.



EARN INCOME FROM ENERGY



The Government offers financial incentives to encourage businesses to invest in renewable energy installations. The two main incentives are Feed in Tariff and the Renewable Heat Incentive.

Feed-in Tariffs

Payable over 20 years, the tariffs are paid in return for you generating your own electricity and selling any excess back to your energy provider. The renewable technologies that qualify for the Feed in Tariff include solar PVs, wind turbines, hydroelectricity, anaerobic digesters and micro CHP. (This incentive programme will not be open to new applicants from 31st March 2019).

Renewable Heat Incentive

This is also payable over 20 years, but unlike the Feed in Tariff the scheme is funded from general Government spending, not through the utility companies. The renewable technologies that qualify for the Renewable Heat Incentive include biomass boilers, air source heat pumps, ground source heat pumps, CHP and solar PVs.



GIVE GREEN ENERGY THE GREEN LIGHT

As the previous pages show, green energy could deliver a Return on Investment. But how do you fund the initial investment without over-stretching your working capital? The answer is asset finance. It enables you to lease or buy renewable energy technologies in a carefully planned, affordable way.

Asset finance offers many benefits:

Flexible options

We prepare tailored finance packages that help businesses to acquire assets without over-stretching their working capital.

Eliminate uncertainty

Budget is fixed for the length of the asset finance contract, so you can budget accurately.

Release cash tied up in existing assets

We could refinance equipment you have already purchased in order to release capital back to you.

Open up additional credit lines


Asset finance complements the cash resources you already have, as well as other bank credit lines like overdrafts and loans.

Access funds efficiently

The loan is secured against the asset, so we don't always need to look for additional security, so it should speed up the process.

Cut wasted spending

If you'll only use an asset for part of its life, the finance terms will reflect that.

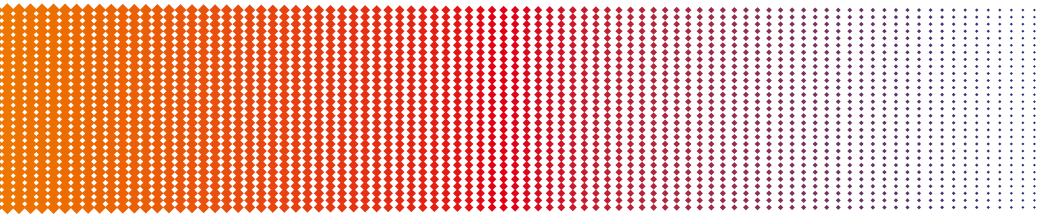
A row of wind turbines silhouetted against a sunset sky over the ocean. The turbines are arranged in a line, receding into the distance. The sky is a mix of orange, red, and blue, with the sun low on the horizon. The water is dark, and the foreground shows a dark, rocky shore.

Green energy is the way ahead, and asset finance helps your business be part of it.

FLEXIBLE REFINANCING

The UK renewables sector has invested billions in a variety of technologies. In the early days, asset finance was not widely available for these types of projects, but as understanding of the technology, energy savings and associated government incentive schemes has grown, so too has confidence in the sector.

This increased insight, along with actual (rather than projected) performance data enables us to offer refinancing of already operational installations. So, if you've previously invested in green energy with another funding provider, we may be able to refinance your existing arrangement on more favourable terms. This might be at a lower interest rate for example, or a shorter repayment period.



Refinancing certain existing assets you may have – green or otherwise – can be useful in a number of ways, including:

- Replenish cash resources for re-investment elsewhere
- Release land or building which has been used as security to fund other assets; we would use the refinanced asset itself for security
- Replace third-party investor funding



FORWARD PLANNING

There's a lot to consider when embarking on an investment of this scale. In order to ascertain what level of funding you'll need, you should seek professional guidance from suppliers and installers on the suitability of specific renewable energy installations for your needs.

They will arrange for a site audit and produce a feasibility study to help you assess the pros and cons of any potential installation, including costings and projected income.

Considerations may include:

- Planning permission
- Location of the installation
- Access to your site
- Current and future Government subsidies
- Supply of feedstock (for anaerobic digestors, biomass and CHP)

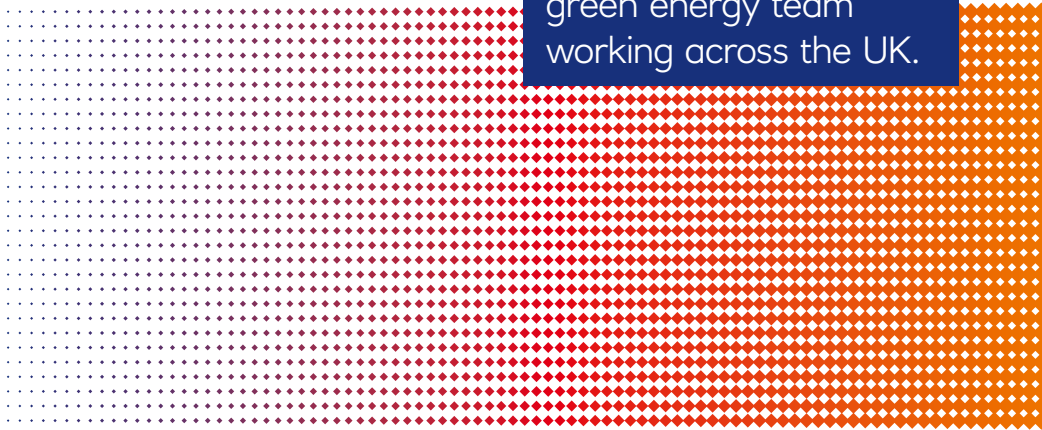
We work with our colleagues at Royal Bank of Scotland and NatWest to get you the best possible solution.

GET UP AND RUNNING

At Lombard, our appetite for lending is second to none; it's all we do, and we've been doing it for over 150 years. We provide asset finance for businesses of all shapes and sizes, from small family concerns to large commercial enterprises.

Increasingly we're helping UK businesses capitalise on renewables projects and increase their energy efficiency with double-digit growth since 2010.

We have a dedicated green energy team working across the UK. Their knowledge of renewable technologies and their relationships with manufacturers and installers in the sector will help you plan your green energy investment. Our dedicated specialist relationship managers will create a bespoke finance package based on your circumstances and the renewable technology itself.



We have a dedicated green energy team working across the UK.

LET'S GET STARTED

If you would like to find out more about how we can help you invest in green energy:

Call us on **0800 502 402**

Visit us at **lombard.co.uk**

 **@LombardAF**

 **Lombard**



Security may be required. Product fees may apply. Finance is only available for business purposes.

Lombard North Central PLC. Registered in England & Wales No.337004.
Registered Office: 250 Bishopsgate, London EC2M 4AA.

All information featured in this guide is for illustration only. All statements concerning taxation are based on our best understanding of current legislation. Levels and bases of taxation can change at any time. The contents of this guide do not constitute legal, tax, financial planning or any other advice. You should always discuss your choice of finance product with your accountant.

