

## FEED-IN TARIFFS BRING RENEWABLE OPPORTUNITIES

Feed-in tariffs (FiTs), proposed to start from this April, will provide a guaranteed payment price for all electricity generated by small capacity (<5MW) installations.

Think of it like a subsidy per tonne of wheat, paid on everything you produce regardless of whether it is fed to stock at home or sold to a merchant, and note also that for some technologies the subsidy is significantly higher than the market price (e.g. 4 to 5 times higher).

### A few facts, figures & definitions...

Proposed FiTs	Wind 1.5 – 15kW	26.7 p/kWh
	Micro hydro 15-100kW	17.8 p/kWh
	Solar 10-100kW	31.4 p/kWh
	AD>500kW	9 p/kWh
Capacity	kW generated at any one time	
MW	1000kW	
Retail electricity price	8–12 p/kWh	
Wholesale electricity price	3.5–5.5 p/kWh	

### Wind & micro hydro - two that really pay

If you have a three phase connection and a site of average wind speed or above (say 5 m/s, which is something that can easily be checked), a small wind turbine, say 18m high (similar to a phone mast), could be an attractive investment. If you are fortunate enough to have land next to a water level drop (e.g. a weir) then a small hydro scheme using an Archimedes' screw also stacks up well with FiTs.

	Wind	Micro Hydro
Typical cost	£50,000	£100,000
Total annual electricity production	31,300kWh	160,000kWh
Income from FiTs	£8,357	£28,480
Other income		
Costs saved – say 5,000kW @ 11p	£550	£550
Balance sold @ 5p	£1,315	£7,750
Total income	£10,222	£36,780
Annual operating costs, est.	£500	£1,000
<b>Net annual income</b>	<b>£9,722</b>	<b>£35,780</b>
Return on capital	19%	36%
Cashflow after loan costs – 10 yrs 3%	£3,861	£24,057

### Solar - one to watch?

27kW of roof-mounted photovoltaic capacity would cover about half of one side of a typical 100' x 60' building, cost around £110,000 and generate about 22,500kWh per year. This would give a net annual income of around £8,240 or 7% return. However, if built with borrowed money, either a grant or a longer repayment period of 20 years would be needed to breakeven in cashflow terms. Also the weight, c.2.4 tonnes, must be carefully considered as structural improvement may be needed. As the technology improves so might productivity and power/weight ratio, making solar a more viable option as currently it is marginal.

### AD - Finalisation of FiT rates is the key to smaller schemes

Returns of 15-20% are possible with AD based on ensiled crops but the economics tend to favour larger plants costing over £3m, handling 20,000t of substrate and generally requiring bank or private equity funding. Early analysis of the recent (01/02/2010) DECC statement on FiTs suggests 11.5 p/kWh will be adopted for schemes <500kW with further incentives where heat is used. Higher rates for smaller plants will help to bring AD into the reach of the more average business and make it a serious proposal, particularly where livestock slurry handling is an issue, where surplus grassland exists and where maize can be grown with good results. If the idea interests you, don't let lack of capital put you off as many private investors are keen to enter the market. **Please contact William Tongue on 01604 782719 to discuss.**

## Wind farms - good income potential but beware the politics

Rents from developers in the region of £20-25,000 per turbine for large-scale wind farms are clearly very attractive income opportunities. However, feelings towards wind farms are very mixed, and expect significant local opposition if you choose to pursue an opportunity.

If it is something that interests you and you think you may have a suitable site, preferably a smooth exposed hill top or rise clear from obstructions and well away from military installations, then there is an easy way to investigate whether the opportunity exists without upsetting the neighbours - thus allowing you to make an informed decision. Send us a plan of your land, or ring and describe the location, and we can put it to several developers in confidence to gauge interest.

### How to take your own small wind turbine project forward

If you think you have a suitable site and you have a three phase connection within a reasonable distance, ring us for a check of the wind speed in your area and for more details. We can manage the project from conception to construction and can arrange specific site surveys which will give you a much better idea of the costs and likely income in your specific situation.

**Please speak to Jack Merry on 01604 782708.**

## Commentary

The wheat markets are still suffering from the massive production response to the higher prices of 07/08 and, whilst American planting figures, currency and politics may all have some effect on the market, it would seem that 2010 crop prospects may have a limited upside. However, significantly lower fertiliser prices should mean that margins for 2010 are higher than 2009 and in the longer term the bullish factors of food security, population growth, dietary change, climate change and so forth all paint a positive picture.

In the meantime there are always opportunities in agriculture. No two businesses are the same, hence the opportunities range from restructuring of labour and machinery through starting new agricultural enterprises to renewable power generation. At the time of writing Feed-in Tariff proposals have just been finalised and appear to offer enhanced opportunities to smaller generators to invest in the certain knowledge of a guaranteed income payment.

Grant funding is, unfortunately, a bit of a postcode lottery due to the restricted coverage of LEADER areas. However, the key message with any grant proposition is to follow the simple Expression of Interest (EOI) procedure and ask the question. If you don't ask, you don't get!

# RDPE grant funding: update & what's eligible

At the outset of the Rural Development Programme for England the message was loud and clear - single beneficiary projects were out and collaboration was the key to unlocking grant assistance. Or so it seemed...

We are now 2 years into the programme and it would appear that more grant aid has been allocated to single business projects than was expected.

Below are some relevant examples of projects that have received grant funding in the East Midlands:

- Water storage reservoirs
- Rainwater harvesting systems
- Processing and packing plants
- Holiday lets
- On farm composting enterprise
- Canal side marina
- Farm meat processing plants
- Investment in innovative machinery

Unfortunately this doesn't mean that if you have a project that falls into one of the above categories you will definitely receive grant funding, but it does mean that you should definitely now be asking the question.

The majority of these projects included large elements of innovation or the use of renewable technology. Whether it be ground source heat pumps for underfloor heating, rainwater harvesting and recycling for milk cooling, biomass boiler heating systems or photovoltaic cells, each project had key measures that set it apart from competitive bids.

To complicate matters, the RDPE is still delivered on a regional basis and the Regional Development Agencies follow their own in-house guidelines for delivery. However, across the board each RDA still has a method of enquiring as to the eligibility of a project before submitting a full application known as an Expression of Interest (EOI), whether it is by simple form or telephone enquiry. There is little to be lost by completing an EOI and we would always encourage this as a first step.

**If you have a project that you think might be eligible for a grant or would like to discuss an idea in more detail, please contact Guy Banham on 01604 782727.**

## Snippets...

- *Latest RPA guidance states that not filling in the Soil Protection Review will incur a 5% penalty to your payment in the first instance or 15% if a repeated failure.*
- *Please contact us if you are a miscanthus grower who has been affected by Bical going into administration and need advice on how best to proceed.*

# LEADER In your area\*...

**North Northants (NNRAP)** - covers areas around Wellingborough, Kettering and Corby, and aims to improve the North Northamptonshire region through economic gains in tourism, farm diversification and rural improvement.

**Greensand Ridge** - includes areas surrounding Leighton Buzzard, Flitwick, Ampthill, Shefford, Sandy and Pottton, with objectives including increasing green tourism, encouraging farm diversification particularly carbon reduction and supporting local services and enterprises.

**Aylesbury Vale and Rural Milton Keynes** - the rural areas surrounding Leighton Buzzard, Aylesbury and Bletchley. Priorities include increasing the quantity of locally produced food sold, energy projects, small-scale infrastructure projects, new businesses and /or production lines and clusters established for tourism supply and marketing activities.

**Chilterns** - around High Wycombe, Amersham, Tring and Dunstable. Priorities are to foster the social and economic well-being of local communities, conserve and enhance the natural beauty of the Chilterns and promote understanding and enjoyment of its specialist qualities.

**South Oxfordshire** from south of Oxford to Wantage, including the areas surrounding Faringdon and Thame. The group seeks to encourage enterprise and business innovation, improve tourism in rural locations and enhance heritage and landscape.

**Eastern Plateau** - covering the rural areas around Baldock, Bishop's Stortford, Hertford and Saffron Walden, the group aims to reduce the carbon impact of the area through innovative farm diversification, rural business practice and a collaborative approach to tourism.

**Fens Adventurers** - stretching from Peterborough east to the A10, aiming to improve the competitiveness of the area through sustainable food and farming, rural business development and sustainable rural tourism.

**Worcestershire** - south-west of Birmingham to Great Malvern, the group's targets include community engagement, access to facilities, social inclusion and realising the full potential of the environment.

**Central Warwickshire** - between Rugby and Nuneaton and Coventry and Warwick, the aims of this group are to link the rural community with rural businesses.

**North Warwickshire** - North-East of Birmingham in the M6-M42 triangle, this group aims to improve access to services for rural communities and improve communication with rural communities.

On the face of it North Northants, the Greensand Ridge and Aylesbury Vale sound the most promising and tangible, and analysis of the maps is necessary to determine your position in the 'postcode lottery'. However, like mainstream RDPE funding, the EOI process exists and is simple to use and should always be considered as a means to screen your project, even if only at the idea stage.

**For more information or to discuss an idea, please ring Guy Banham on 01604 782727.**

\*Please note the areas listed are just those in central England and do not cover the whole country

## FOOD SECURITY POLICY

Food 2030 provides some peace of mind that Government has recognised the need for food security. The emphasis on the activities of the rural sector is to increase production in a sustainable manner.

Environmental stewardship schemes will continue to be at the forefront; however, it is still unknown what will happen to SPS after 2012. The Government plans to double spending on agricultural research to £80 million per year by 2013 to enable the creation of affective policies whilst aiming to create an industry free of subsidies.

Government is keen to reduce emissions from agriculture with the use of anaerobic digestion to generate clean energy, suggesting agriculture needs to cut CO<sub>2</sub> emissions by 3 million tonnes by 2020. Food 2030 raises the importance of competitive business, emphasising the grant aids available to develop individual businesses.

If you would like further information about renewables, stewardship, grants or farm budgeting, please contact William Tongue on 01604 782719.

## CONTACTS

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