

# Success in Renewables

Glossary of Terms  
Investment and Renewables



If you're new to renewable energy or investment, then it can be a minefield of new language and terminology. What seems totally normal to a finance expert can be entirely indecipherable if you aren't familiar in this area.

To help you make sure you get the right type of investment for your project, we've compiled this glossary of common terms from the world of investment and renewable energy – ensuring you make the right decisions to make your project a commercial success.

## Types of finance

### Private equity

is an injection of funds by specialised investors into a private company with the aim of achieving high rate returns. A private equity investment will generally be made by a private equity firm, a venture capital firm or an angel investor. Each of these categories of investor has its own set of goals, preferences and investment strategies; however, all provide working capital to a target company for a range of reasons including investing in renewable energy.

### Venture capital

is financial capital provided to early-stage, high-potential, high risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in. Venture capital is a subset of private equity. Therefore, all venture capital is private equity, but not all private equity is venture capital.

### Private or Angel investors

provide capital for a business start-up, usually in exchange for convertible debt or ownership equity. Angels typically invest their own funds, unlike venture capitalists, who manage the pooled money of others in a professionally-managed fund. Private or "angel" investors fund 20 - 30 times more businesses than the venture capitalists.

### Unsecured debt

is any type of debt or general obligation that is not guaranteed by specific assets of the borrower in the case of failure to meet the terms for repayment.

### Banks

provide loans, usually to existing customers, on renewable energy projects which they deem to be low risk. Banks we know have invested in renewables on a large scale are CO-OP, Triodos, Investec, Barclays, HSBC

## Other ways of financing renewable

Family office	a private company that manages investments and trusts for a single wealthy family
Asset Finance	is typically used to buy a specific asset and the loan will be secured against it. For example when financing AD projects, a CHP unit is often funded by asset finance.
Retail bond issues	is an alternative means of raising capital, offering individuals the chance to invest in a bond that could realise a competitive annual return, while also engaging with customers, employees and members of the general public
Mezzanine	is a form of debt that often includes rights to convert to equity in the event of default. Mezzanine finance is often quite expensive (compared to other forms of debt) as is it typically unsecured and ranking lower to senior debt providers.
Shareholder Loan/ Loan notes	a debt-like form of financing provided by shareholders

## Other finance terms

Equity dividends	is the annual cash flow that an equity investor receives.
Due diligence	is an investigation of a business, person or project prior to signing an investment contract, undertaken with a certain standard of care. Finance providers will typically undertake their own due diligence.
Fixed term return	is a guaranteed minimum return at the end of an agreed investment term.
Index linked	is the coupling of payments such as the Feed in Tarrif and Renewable Heat Incentive to the retail price index in order to make sure that the income from them in line with inflation.
EBITDA	is an acronym for earnings before interest, taxes, depreciation, and amortization. The EBITDA of a company gives an indication on the operational profitability of the business, i.e. how much profit does it make with its present assets and its operations on the products it produces and sells, taking into account possible provisions that need to be made.
Special Purpose Vehicle/Entity - SPV/SPE	A corporation can use such a vehicle to finance a large project without putting the entire firm at financial risk.
Internal rate of return (IRR)	is used to measure and compare the profitability of investments.
Senior and Junior debt	In the event the issuer goes bankrupt, "senior" debt theoretically must be repaid before other creditors receive any payment. "Junior" debt is of a lower priority.
Subordination	the process by which a creditor is placed in a lower priority for the collection of its debt from its debtor's assets.
Non recourse finance	A loan where the lending bank is only entitled to repayment from the profits of the project the loan is funding, not from other assets of the borrower.
Recourse finance	If a loan is 'with recourse', the lender has the ability to fall back to the guarantor of the loan if the borrower fails to pay.

## Renewable energy terms

The Feed-in Tariff (FiT)	gives index linked payments for all the renewable electricity you generate for 20 years. It will also give you extra payments for any electricity you generate that is then exported to the grid. Tariffs differ depending on the technology type and size.
The Renewable Heat Incentive (RHI)	gives index linked payments for useful heat generated from renewable sources for 20 years. Tariffs differ depending on the technology type and size.
The Renewables Obligation (RO)	is currently the main financial incentive for the development of large-scale renewable energy electricity generation. Support is guaranteed for 20 years, therefore balancing the need to provide investors with long-term certainty, whilst keeping costs to the consumer at a minimum.
Energy Service Company (ESCO)	is a commercial business providing a broad range of comprehensive energy solutions including designs and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management.
Renewable Energy Guarantees of Origin (REGOs)	is an EU scheme to promote and increase the contribution of renewable energy sources to electricity production across the EU. REGOs provide a guarantee that the electricity is from a renewable energy source.
Levy Exemption Certificates (LECs)	Electricity produced from renewable sources is exempt from the Climate Change Levy and is entitled to Levy Exemption Certificates (LECs) which can be bundled with the power when sold to a supplier.
Power Purchase Agreement (PPA)	is a contract between two parties, one who generates electricity for the purpose of sale and one who is looking to purchase electricity. Negotiating a PPA can ensure you receive a higher payment for your renewable energy than from the FiT.

## How we can help

Many organisations could make money by generating their own energy from renewable sources. Thanks to government incentives like the Feed-In Tariff and the Renewable Heat Incentive, you could generate an income as well as energy; from anything from solar and wind to biomass boilers. Larger anaerobic digestion and energy from waste projects are also increasingly financially attractive. Our technical team has experience supporting all of these types of systems and more.

Unlike many companies, we aren't trying to sell you a particular type of technology. We're independent, so we'll only recommend the solutions that will give you the best financial return.

Financial help as well as expert technical advice

We can help to fund your project, too. We have invested millions of pounds in a variety of renewable energy projects. So if your renewable energy project will be 45kW or bigger, and if you need financial support to make it happen, then we might be able to help.

If you're thinking about this for the first time, you might find it useful to have a read of our short guided tour of the different technologies and the various government incentives. You might be pleasantly surprised by some of the payback periods that some of the technologies can deliver. Your finance director might even crack a smile, too.

We can take your project from feasibility through to installation; offering support and guidance along the way, or project managing the whole process. We can manage grid connection, fuel supply contracts and more to ensure your project runs smoothly.

For a full, independent assessment with cost and income estimates based on a detailed review of your premises, contact us today. Email [talk2us@co2sense.co.uk](mailto:talk2us@co2sense.co.uk), call 0844 887 2202 or visit [www.co2sense.co.uk](http://www.co2sense.co.uk) for more information on how we can help turn your renewable energy project into a commercial success.

