Future Biogas

In May 2010, Downing’s VCTs invested a total of £3.8 million into a company that is developing a 1.4MW self-contained biogas plant in Norfolk. The company will farm its own maize on nearby land rented on 5-year agreements; the maize will then be fed into the biogas plant and through a process called Anaerobic Digestion (“AD”) will produce biogas which will be used to generate electricity. Under the Feed-In Tariffs introduced in April 2010 by the UK government for small scale renewable energy operations, the minimum payment for electricity produced from renewable sources is fixed for 20 years with an annual increase in line with the Retail Prices Index. The use of maize as a biogas plant feedstock is not expected to impact on food production as maize is widely used as a break crop, which is essential in farming as it prevents over-fertilisation, resistance to pesticides and herbicides and soil degradation.

The plant is being manufactured by a German company with over 25 years’ experience in the construction and maintenance of biogas systems. AD is a proven technology and widely used in Germany and Holland where there are over 4,000 plants producing over 1,600MW of electricity. The electricity generated by the biogas plant should be sufficient to provide power for more than 3,000 homes, 24 hours a day.

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Technology
The process of AD takes place in biogas fermenters (large containers) where methane is produced and converted into electricity, by powering a gas generator, and then fed to the national grid. AD is a natural process of decomposition and decay that takes place in the absence of oxygen and by which organic matter is broken down. The AD process can be used to turn energy crops, residues from livestock farming, food processing industry waste, wastewater treatment sludge and other waste organics into biogas. The biogas is used to generate heat and/or electricity.

Management
The management team is led by Philipp Lukas who, prior to Future Biogas, was chief operating officer of TMO Renewables Limited. He is supported by a team who collectively have experience in every aspect of the biogas process, including farming and biotechnology. The management team has been involved in the project at the biogas plant for several years and prior to Downing’s involvement had obtained planning consent together with all environmental licences for the plant, in addition to securing the 1,000 acres of land required for growing the maize.

Risk Management
Downing’s VCTs have a first legal charge over the assets of the company, comprising mostly plant and equipment. Unlike typical Downing “asset-backed” investments, the VCTs do not have security over freehold property. However, the power purchase agreements, supported by Government backed minimum price guarantees, provide predictable revenue streams from financially sound customers, in line with the strategy set out in each prospectus.

Downing Corporate Finance Limited
Downing Corporate Finance was established in 1986 and specialises in the structuring, promotion and management of tax efficient investment funds, including Venture Capital Trusts (VCT), Enterprise Investment Schemes and Inheritance Tax mitigation funds.

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