

# Project due diligence for energy asset stakeholders



**CLIMATE CAPITAL**  
rebalancing nature and humanity

There has been a wave of investment by sophisticated investors into the renewable energy sector in Australia in recent years.

As more capital flows into the sector, investors are increasingly coming up the risk curve and taking on more project risk in pursuit of superior project returns.

Having originated in excess of 1,750MW of projects and currently developing as much as 450MW of projects around Australia, Climate Capital's multi-disciplinary team is expertly placed to assist investors assess and price risk appropriately via its suite of technical due diligence services.

## The case for robust due diligence

Greenfield and brownfield energy asset stakeholders need to understand and mitigate a variety of technical, legal and socio-environmental risks before committing to a project.

Risks that may impact a project's profitability usually manifest in the early stages of project development. Projects nearing the end of their planned life need assessment of risks of repowering/refurbishing/retirement.

Climate Capital's independent project due diligence service assists stakeholders in evaluating the technical feasibility of a project.

The process identifies the probability of risks occurring and their impact on a project.

The goal of project due diligence is to ensure the feasibility of a project is valid and supports the investment decision. It is also to ensure all factors have been accounted for in the development process.

Project due diligence consists of a thorough, independent review of all available project assets including development agreements, offtake agreements, engineering, procurement and construction ["EPC"] warranties, leases, insurance, resource data, technical due diligence process:

- » Initial review of available information and purpose of review to tailor scope
- » Agree technical due diligence scope with client
- » Undertake agreed scope
- » Review finds with client
- » Final report and presentation(s).

## Projects under development

- » Detailed review of plans, development permissions, development schedule, planned O&M schedules
- » Review of geological report and other site conditions
- » Generation asset evaluation with a focus on track records of tech model and class, certification status and site suitability
- » Review of predicted development and installation costs
- » Evaluation of net Annual Energy Production ["AEP"] for asset and aggregate yield from entire project

## Projects in operation

- » Asset inspection covering the main components of the generation assets and transformers
- » Inspection of control and protection systems, electrical systems, lifting equipment and safety installation
- » Assessment of actual track record of specific generation assets against predicted performance
- » Review of maintenance records, operations and maintenance ["O&M"] agreement and warranties
- » Net AEP vs expected output
- » Land leases, registered generator status

## Modelling and valuation implication

The value of any financial asset is a function of the timing and quantum of cashflows and the risk to those cashflow components. Unanticipated project delays and costs during the development stage negatively impact future project cashflows. Key project uncertainties, scenarios and sensitivities can be modelled to quantify the value of project risks and guide investment decisions.

Climate Capital's modelling process relies on multi-variant statistical analysis to analyse the value impact of project risks. Our team have significant experience in asset valuation for sophisticated investors with its team having valued in excess of AU\$1 billion of renewable energy projects in Australia.

## Clients

Climate Capital's project due diligence services are essential for stakeholders in energy projects and are used for:

- » Commercial and industrial embedded proposal review
- » Asset acquisition
- » Support M&A advisory process
- » Market entry for new participants
- » Bid assurance
- » End of life planning
- » Portfolio acquisition.

## Recent experience

Development of a project due diligence road map for an international strategic investor for the acquisition a 250MW greenfield wind farm in the National Electricity Market.

Identification and review of a portfolio of greenfield and brownfield solar and wind projects around Australia including detailed cashflow modelling to support an EPC investor's market entry strategy.

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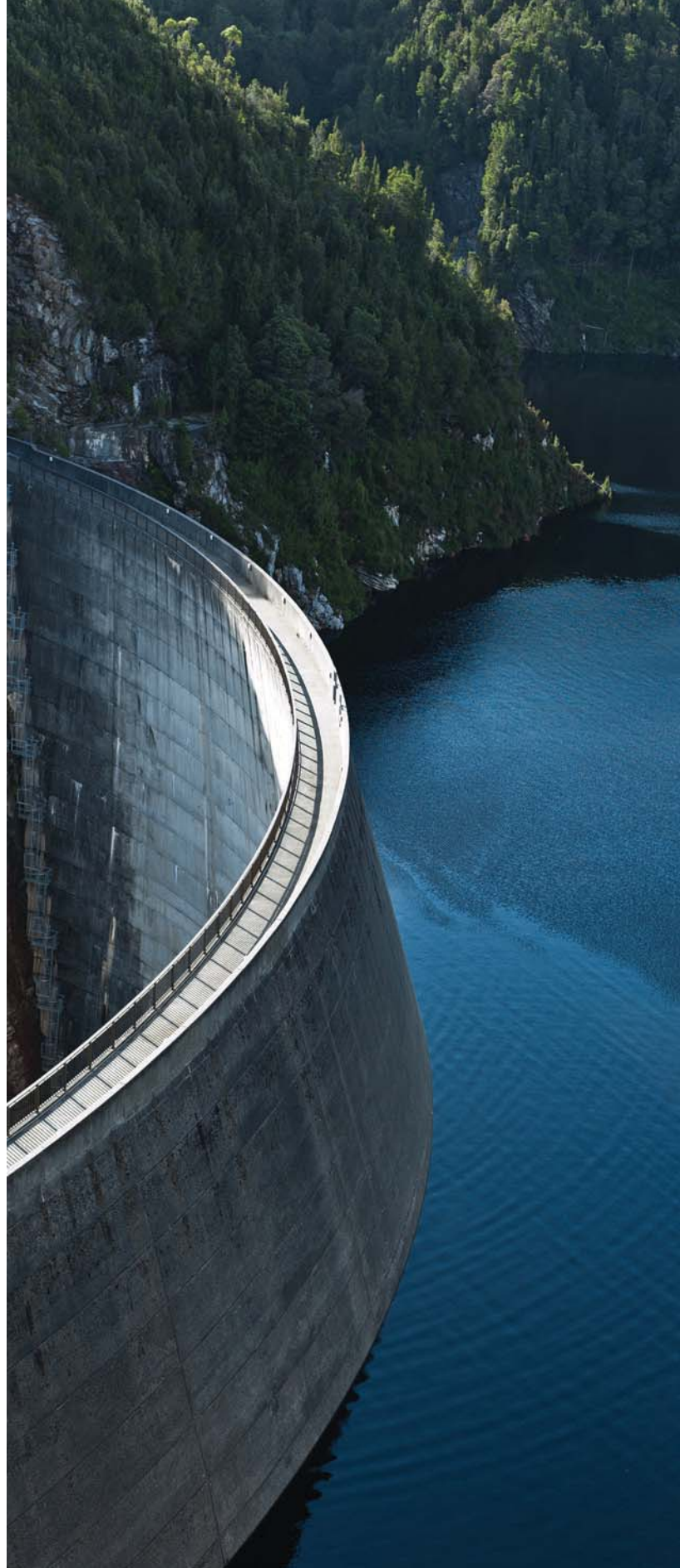
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