

Case Study 4 – Vendor Due Diligence

Client: Golder Associates (UK) Ltd

Project: Technical Due Diligence of Landfill Gas Power Generation Portfolio

Project Outline:

The Waste Recycling Group (WRG) is a leading waste management company. One of its core operations is the generation of electricity in 204 reciprocating engines utilising the methane content of the landfill gas generated by the decomposition of waste deposited in its landfill sites.

WRG has restructured its electricity generation activities as an autonomous business unit within the Group, in preparation for sale of the assets to an external investor or listing of the Company on the Aim Market of the Stock Exchange.

As part of this process, Golder Associates (UK) Ltd were engaged to undertake the Vendor's Due Diligence and review the Company's business plan.

Renewable Energy Consultants Role:

Renewable Energy Consultants was employed by Golder Associates to undertake the Technical Due Diligence of the power generation assets and provide an opinion on the condition, suitability and future potential of the fixed generating assets, the nature and suitability of the operational organisation to sustain the business and the adequacy of the management information systems to provide accurate data. Assessment of a pilot bio-mass wood gasification scheme and bio-fuel (tallow) combustion in two medium speed dual fuel engines was also included.

The work was undertaken in the following phases:

Data Mining at WRG's Head Office

Examination and assessment of available asset data, examination of records of power generation and plant availability and initial review of the management information available through the Central Control Room and the outage database.

Inspection Visits to Generating Sites

Visits to the 'Top Twenty' sites identified on the basis of their EBITDA contribution to future earnings out of a total of 82 sites considered suitable for power generation.

The purpose of the visits was to:

- Verify the accuracy of information on the central database.
- Assess the condition, adequacy of records and standard of maintenance of the generation plant.
- Observe engine performance, including power output and consumption of landfill gas.
- Assess compliance with Statutory Regulations, including SH&E, CDM, DSEAR, control of asbestos and exhaust emission monitoring.

Analysis and Preparation of Due Diligence Report

Based on the findings of the above activities, Renewable Energy Consultants analysed the Company's business plan/forecast to verify the assumptions and predictions made by the Company. The findings of this analysis were presented in the form of a Due Diligence Report.