

Financing Sustainability

Tax



Investments in renewable energy, carbon and sustainability have grown rapidly in the last few years. The key drivers for this are regulatory and other policy initiatives, the introduction of tax incentives, the expansion of carbon markets, volatile fuel prices, energy security concerns and an increased demand to address climate change. Even with the credit crisis, investments in this area showed significant growth in 2008 and further growth is predicted for 2009.

At PwC, we have extensive experience of working with a wide range of clients investing in sustainability, from infrastructure and renewable projects, energy efficiency, clean development mechanism and joint implementation projects to carbon trading and offsetting schemes. We can advise on the latest developments in both the domestic and international tax arena. This means that we help clients maximise tax efficiencies and mitigate tax risks and leakage.

Our experience with clients includes:

- Fund structuring
- Advising on investor and financier tax issues
- Advising on the management structure and carry structuring
- Investment structuring, tax modelling and due diligence
- Asset finance / leasing
- Carbon trading and carbon offset schemes

Contact our UK financing sustainability tax team

Within the UK we have a recognised team of tax specialists with a wide range of experience in all areas of financial services, sustainability and climate change. We work across the firm with our Sustainability & Climate Change advisory team, legal colleagues, our in-house environmental lawyers, energy and utilities, mining and forestry specialists, and accounting colleagues to leverage their skills to provide solutions for you. If you would like to discuss any additional queries relating to areas other than tax, please ask us.

For further information, please contact one of our specialists.

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Renewable energy and sustainability

Your challenge

You may be looking at setting up an investment fund in the most tax efficient way possible, or you may need to execute a deal in the renewable energy or sustainability sector quickly and efficiently while facing complicated tax issues in developing countries. Alternatively, you may be an asset financier searching for tax efficient financing solutions or an operating company looking for tax efficient ways to finance renewable energy assets.

How we can help

We have in-depth knowledge of the international tax issues involved in fund structuring, structuring sustainability and renewable energy investments. Our global network of specialists can assist you with acquisitions/investments and divestments in this area.

We can help you understand the tax treatment of your renewable energy investments (e.g. tax depreciation) and of the financing of those assets (including international financing arrangements of those assets). We can also advise on implementing tailor-made leverage financing solutions, ensuring a robust solution for you and your clients.

Our experience

Our experience in renewable energy and sustainability includes: investments in wind, solar, hydro, geothermal, biomass, sustainable companies, energy efficiency, emission reduction and emissions capture projects, forestry, water infrastructure, 'green' tax credit offset arrangements, accelerated tax depreciation arrangements, leasing, securitisation and hedging.

Examples of our work

- We advised a major UK and Hong Kong based investment manager on developing a private equity style fund investing in carbon capture projects based in Asia. This involved the structuring of the fund, the financing and the various investments in the Clean Development Mechanism Projects.
- We advised a major European based investment manager on developing a renewable energy fund which was investing in wind farms and solar energy.
- A UK based investment bank set up a sustainability fund. We assisted the client by reviewing their trading strategy for UK tax purposes and helping them to obtain UK distributor status.
- We advised on the acquisition and financing of a large European wind farm. The work included advice in relation to the financing structure and due diligence.
- PwC has advised numerous clients looking to provide leverage or to lease assets to energy companies and infrastructure funds.
- PwC has advised in relation to the optimum fund structure for a number of infrastructure funds including carry planning.

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Carbon and energy trading

Your challenge

Your objective may be to ensure that the offset scheme or asset pooling entity is tax neutral. Alternatively, if you are looking at an off-shore trading structure, you may be looking to ensure that investment management and broker services performed in the UK do not result in the off-shore trading company falling under UK taxation.

How we can help

We have extensive capital market experience. This means that we can help you to develop carbon trading and offset schemes both on and off shore, whilst ensuring the most favourable tax conditions.

Our experience

Our experience in carbon trading includes: carbon credit trading, broker services, carbon offset schemes (e.g. for airlines), carbon asset pooling and investments in carbon credit generating companies.

Examples of our work

- We advised a carbon-emissions trader and investor in Clean Development Mechanism on their overall VAT position.
- We advised a new exchange specifically for trading in carbon-emissions contracts in relation to their overall VAT position.
- We advised numerous UK managed offshore carbon credit trading funds in relation to their UK permanent establishment position and the application of the UK Investment Manager Exemption.
- We advised numerous UK managed offshore carbon credit trading funds in relation to the structuring of their investments in carbon credit generating companies and projects including due diligence.
- We worked with a UK based bank identifying the various possibilities for creating carbon offset schemes for airlines.
- PwC has advised numerous clients on the tax treatment of derivative contracts in relation to carbon credits and carbon generating projects.

