

# MPACT

FINDING THE RIGHT ANSWER STARTS HERE



## GOING GREEN

### A BETTER WAY TO BUY

Could your business be a leaner, greener consumer?

### GREEN TEAMS

The 'ins and outs' of hiring eco-savvy employees.



Daryl Ritchie, FCA  
CEO, Meyers Norris Penny

## Going 'green' makes good business sense

For years, we've watched companies integrate environmental initiatives as part of their operations. Green building is on the rise, and leading consumer product companies and retailers are rigorously assessing the environmental impact of their products using sophisticated metrics.

MNP has always strived to be environmentally conscious. Since the inception of tax e-filing in 1991, we have electronically filed hundreds of thousands of returns. Over the years, we have incorporated numerous paperless initiatives as part of our

day-to-day activities and promoted telecommuting, which reduces drive times and emissions. The great news is that these environmental initiatives have also made good business sense, resulting in increased productivity and significant cost savings.

But there is much more to be done and every business continues to play a major role. The spring issue of MPact is our "green issue" and offers strategies you can integrate as your business looks for new ways to achieve a greater level of environmental responsibility.

As always, we hope you enjoy this issue of MPACT and welcome your comments and suggestions. Please feel free to e-mail us at [mpact@mnp.ca](mailto:mpact@mnp.ca).

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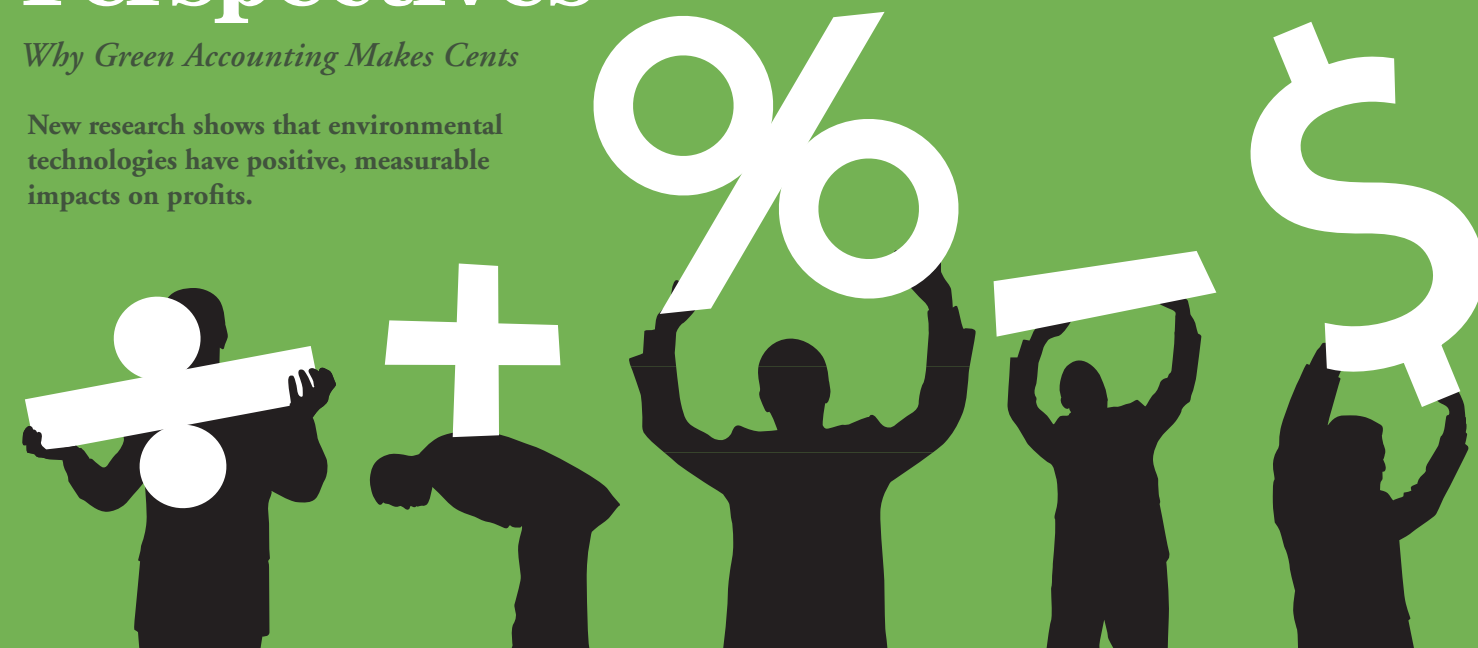
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# Perspectives

## Why Green Accounting Makes Cents

New research shows that environmental technologies have positive, measurable impacts on profits.



Adopting environmentally-friendly business practices is fast becoming part of corporate responsibility. For many industries, looking out for the environment is key to maintaining the social license to operate. Now, research is proving that going green is also good for the bottom line.

Dr. Vanessa Magness, Associate Professor at Ryerson University's Ted Rogers School of Business in Toronto, has been researching the field of green accounting for over a decade. In the past, she discovered that companies in the oil and gas industry were showing increasing profits as their pollution-per-barrel-refined decreased.

"But I never got to the bottom of why," she says. "If your profits are going up, either you're making it up and just changing the numbers or there's cash flow in there, in cost savings or new revenues."

Using public documents, Dr. Magness looked at the cash flow associated with three emissions or pollutants that had previously gone into the air or water but were now being captured by oil and gas companies using new technology and sold to new markets. She found new revenue as well as savings through reduced energy

costs, which went down by at least one third, a significant decrease in an industry where energy costs are exorbitant.

The findings are important. "I think most companies, particularly companies in the energy industry are interested in being sensitive to the environment and are willing to contribute," says Doug Baker, Chairman of the Board at the Canadian Institute of Chartered Accountants and Managing Director of Thoroughbred Energy Ltd. in Calgary.

But, he explains, businesses also have obligations to shareholders. "Any finding that indicates that environmental sensitivity has positive financial results helps companies meet both objectives," he says.

The findings are important on a larger scale as well, contributing to policy development that affects business and the economy as a whole. Doug points to California, which recently established a method of assessing the carbon footprint of oil sources. Alberta, not surprisingly, believes California is calculating carbon footprints incorrectly.

"We need consistent and accepted ways of measuring impact; it's critical to getting the right policy in place," says Doug. "Any research on the impact of climate change on financial reporting and results is very helpful because when you make a change, you have to measure impact. And that's what financial reporting does."

Dr. Magness wants to conduct more research, delving deeper into the increased profits companies are seeing upon the adoption of environmental management technologies to find out exactly what actions are contributing to higher profit. In the meantime, she urges business owners to consider refining their management accounting systems so they can find the information they need.

"When the environmental movement started, it was layer upon layer of legislation that companies had to deal with and all it was really doing was adding costs that got buried in your accounting system," she says.

Those costs need to be unearthed to measure the impact of environmentally sustainable activities and make balanced business decisions that are good for stakeholders and Mother Nature.

# A BETTER WAY TO BUY

COULD YOUR BUSINESS BE A LEANER, GREENER CONSUMER?



What could be greener than an acai berry? Historically, they grew wild in the Amazon rainforest, without fertilizer and pesticides. Then came Sambazon, widely credited for popularizing the health benefits of the berry. Sambazon's business has revolved around harvesting the berry from the wild—a green, sustainable and organic practice.

But not everyone is so environmentally conscious. New players are reportedly clear-cutting large areas of jungle to plant acai palms. Some of them may even use pesticides and fertilizer. "It may sound organic and green but in order to create something that is organic, someone may actually be deforesting something else, which is not necessarily green," says Pradeep Narayanaswamy, Practice Leader, Supply Chain, in MNP's Vancouver office.

Welcome to the complications of sustainable procurement, a process in which organizations make purchasing decisions based on more criteria than

just cost. Goods and services must make sense on a social, ethical, environmental and financial level too.

On an environmental level, sustainable procurement means buying goods and services that have less impact on the planet than other choices. Before buying a supply, for example, procurement departments might ask the following:

**What is it made of?**

**What is the expected lifespan?**

**How much energy will be required to get it into our hands?**

**How many emissions will be created?**

**What will happen to it when it is no longer useable?**

## HOW GREEN WILL YOU GO?

"What a company does when it comes to green procurement will depend on its particular strategies, its scale and the products and services offered to consumers," says Pradeep.

An automotive manufacturer might need to build sustainability right into the car, buying recyclable materials and components from suppliers, whereas a service-oriented organization might focus on buying refurbished equipment rather than new.

Organizations can also make the procurement process itself more sustainable. Changing from a paper-intensive method of communicating with suppliers to an Intranet-based, self-service system in which suppliers log on to see electronic requisitions and purchase orders is one example.

Mega-corporations like Wal-Mart, which has a well-publicized global greening initiative, have the clout to demand all suppliers build sustainability into their supply chain. Most organizations can't just demand their suppliers go green. "But they can start with a few baby steps and obvious things, see if they can cut some unnecessary steps out of the process and at the same time, make the process green," says Pradeep.

## MONEY TALKS

Everyone wants to do right by the environment but in the business world, actions have to make a positive economic impact. "In this economy, businesses and employees can't go down this path for altruistic reasons alone," says Nancy Loo, an MNP Management Consultant in Vancouver. "They need to have a business case for green procurement."

Nancy encourages clients to first look at their procurement practices from an economic standpoint, making improvements that will help the organization meet its financial goals.

"Lean procurement and lean supply chain practices tend to be more green," Nancy says. "They're more efficient and have what I consider a side benefit of being environmentally sustainable. So you can achieve a higher level of efficiency, better financial results, and at the same time, protect the environment."

Initially, there may be higher costs attached to sustainable procurement as new processes and systems are put in place. But these costs can usually be factored out of the equation due to increased revenues and goodwill resulting from improvements to the organization's brand or image as well as to cost savings arising from changes in the procurement process.

The key is to analyze opportunities ahead of time using life-cycle costing and other methods before making a decision. "If more business owners knew the financial benefits of buying green, they'd be doing it," adds Nancy.

**For more information on green procurement strategies, contact Pradeep Narayanaswamy at 604.637.1566 or Nancy Loo at 604.637.1565 or your local MNP office.**

## 3 WAYS TO BUY GREEN

- 1 Buy products and materials made of recycled materials or designed to be kinder to the environment, such as energy-efficient or refurbished equipment.
- 2 Choose products and services that use renewable energies or produce less waste such as those produced locally or with less packaging.
- 3 Talk to suppliers about how they have minimized the impact of their own supply chain on the environment and include their actions when making your buying decision.



Paul Liddy, Managing Director for Cedar Road with MNP Business Advisor Meryl Chahley.

## A POWERFUL IDEA

### CEDAR ROAD TAKES ELECTRIFYING STEPS TO TURN DANGEROUS GASES INTO AFFORDABLE ELECTRICITY.

For Paul Liddy, there's nothing more satisfying than being in the dumps. That's because his newest venture, Cedar Road LFG Inc. in Nanaimo, B.C., has its first biogas project up and running at the Regional District of Nanaimo landfill site. It's turning the methane naturally produced by decaying garbage into a steady, reliable and clean source of power.

The \$3.6-million, 1.3-megawatt power plant is the first of its kind in Canada. It's getting rid of methane, which is

21 times more damaging to the ozone layer than carbon dioxide, producing electricity and will eventually serve as a demonstration project for new distributed technologies. And, it's proving that clean electrical generation makes financial sense too.

Cedar Road's technology can be described fairly simply: engines are used to destruct methane and generate electricity, which is sent to B.C. Hydro's grid. But don't let the simplicity fool you. As Managing

Director, Paul has worked extremely hard to create a process that meets the needs of the Regional District of Nanaimo, is economically attractive for the consumer and generates profits for Cedar Road.

"We came forward with a concept that incorporated a modular unit that you could put onto a 45-foot transport truck and drop in modules, depending on your gas reserve and your needs," Paul says, discussing the early stages of the project. "We then designed

it to interface with the utility grid in a way that allowed it to be easily moved from one utility jurisdiction to another without having to redesign the electrical connects and hardware."

The modular concept allows for phased expansions of power plants, giving landfill operators the opportunity to add 633-kilowatt modules as needed.

It's an ingenious solution to the problem of greenhouse gases—as well as to the problem of providing a stable, affordable alternative to fossil fuels—from a man who thrives on innovation.

"I believe that in order for Canada to compete internationally we have to be able to commit a substantial amount of resources and effort to innovative processes," says Paul. "My career has always been driven by innovation and research and development."

Alternative energy has also been a big part of his career. Cedar Road is actually a subsidiary of the Suncurrent Group, a group of companies founded by Paul that have been engaged in different types of renewable energy for the past 30 years.

In that time, the green energy sector has grown. In fact, three decades ago, the sector didn't actually exist. "At that time, there was no policy or regulation that supported the alternative energy sector, no structure or sector to speak of," remembers Paul. "It was a matter of feeling your way around."

And it was exciting. "You could turn your idea or intention into policy, regulation and a business sector," he says.

The challenges and excitement still exist. Although technology is relatively well developed and fairly well known, projects like Cedar Road's plant are still perceived as high risk by lenders, something Paul attributes to a lack of long-term regulatory and policy commitment.

"We need to sort out the commitment over a long-term policy direction and put in the proper regulations that support the risk profiles that the lenders have in looking at this industry and realizing that the risk is reasonable and can be managed," he says.

Charles Addison, Senior Vice President and Director of MNP Corporate Finance Inc. in Vancouver, acknowledges that perceived risk was an issue when trying to secure \$1.6 million of bank financing for Cedar Road, and not just due to regulatory issues. "We got involved knowing it would require some innovative thought to complete, but it was worthwhile because the project is good for all parties," he says.

Paul first engaged MNP for assurance services in 2005 when he moved to Nanaimo from Alberta and incorporated Cedar Road. Meryl Chahley, a business advisor and Partner in the Assurance Services group in the Nanaimo office, found the power project interesting. When she realized that Paul was going to need assistance raising capital, she introduced him to Charles, even though that meant having to pass the assurance services to another firm to avoid a possible independence issue in the event of a future audit requirement.

"We're proud to be part of this initiative to help protect our environment by reducing greenhouse gas emissions," she says. "I think it's going to be a big initiative in Nanaimo, a project people are going to look at as a business model, and I wanted to see it succeed. I knew Charles could help."

The key to securing bank financing lay in how Cedar Road was presented. "We were able to present the story in a way the bank could understand and worked with the bank to put together a structure that helped them

mitigate some of the risk in a start-up situation," Charles explains.

Months later, the bank asked Cedar Road to put additional equity in place. MNP Corporate Finance Inc. did the financial modelling and Paul secured \$400,000 from a new partner, the B.C. Bioenergy Network.

B.C. Bioenergy, Cedar Road and the Regional District of Nanaimo plan to establish a Collaborative Development and Demonstration Centre to bring technology suppliers, municipalities and innovators together to further the development of bioenergy technologies. The centre will help advance the sector in B.C. but will also allow Cedar Road to fulfill its mandate as a commercial and pilot demonstration facility.

As Cedar Road moves forward, Paul is appreciative of everyone on his team from the leadership provided by the Regional District of Nanaimo, to the sector support provided by B.C. Bioenergy Network. He also appreciates having MNP on his side and in his community, calling the firm a good match for innovative businesses.

For their part, Charles and Meryl look forward to watching the impact of Cedar Road's powerful project in Nanaimo, the ozone layer and B.C.'s growing bioenergy industry.



# GIVING CREDIT

## THIRD PARTY VERIFICATION AND THE CARBON CREDIT MARKET

In Alberta, major producers of greenhouse gases must cut their emissions by 12 per cent a year or pay a tax on excess carbon emissions. As an alternative, they can also purchase carbon credits from other organizations. That's presenting a major opportunity for many in Alberta and across Canada as other provinces consider following suit—especially for agricultural producers.

Numerous agricultural activities can be used to cut carbon emissions in farming

operations, including growing crops that can be converted to biofuels, using biodigesters, and reducing tillage.

"Farmers may be eligible for carbon credits without even realizing it," says Andrew Stibbard, a Partner in MNP's Assurance Services Group in Winnipeg. "Those carbon credits can go back as far as 2002 for most and even further for reduced tillage—and they represent cash."

Producers document and track carbon reduction activities and receive

one carbon credit for every tonne of emissions that don't go into the atmosphere. Major greenhouse gas emitters in sectors such as power generation, oil and gas and forestry, then buy the credits, either directly from the farmer or from companies that have taken it upon themselves to serve as intermediaries between buyers and sellers.

It's potentially a win/win situation with one big problem. Carbon credits don't actually exist.

### Enter The Third Party

"A carbon credit is, essentially, a representation of an activity that decreases greenhouse gas emissions by one tonne of carbon and they can be in the form of offsets or reductions in carbon emissions," explains Anand Pandarinath, Senior Manager, Forestry Services, in MNP's Edmonton office. "The credit represents a tangible asset and can be valued and traded within a market system."

As MNP's clients enter the carbon credit market in various capacities, so has the firm, supplying third party carbon credit verifications for buyers, sellers and intermediaries. "Like everyone else, we're new to this," says Anand. "But there is a general agreement that the accounting assurance model can be used to verify carbon credits. It's a proven method, it has transparency and it has the right framework to address tangible actions with less tangible measurements."

The purpose of third party carbon credit verifications is to ensure organizations are accurately reporting carbon reductions. The verification process tells all parties that the greenhouse gas emission reduction activities that generated the credit have been reviewed by an independent agent. This objective review ensures the greenhouse gas emission report is in accordance with specified criteria for that jurisdiction.

The verification process works something like this: business activities (such as technology upgrades or soil management activities) are recorded, calculations are done using scientific principles to determine the reduction in carbon emissions, and the information is translated into a general ledger of what goes in and what goes out.

"The accounting model is very strong in accounting for financial inputs and

outputs. This is simply another form of inputs and outputs," says Anand. In many jurisdictions, carbon credit verifications are performed by either a chartered accountant or a professional engineer but industry knowledge on the part of the team is absolutely critical.

"I have the experience and knowledge to provide assurance," explains Erin Wallish, Senior Manager of Assurance Services for MNP in Edmonton. "And our industry specialists understand the opportunities for reductions and operational considerations that might arise in the specific industries."

Erin and Anand recently teamed up to provide a greenhouse gas emission baseline verification for a client in the Alberta forestry industry as part of the Alberta government proactive approach to mitigate provincial greenhouse gas emissions. "Anand fully understands the industrial and scientific process, and the parts of the process that might be emitting greenhouse gases. Consequently, during the verification he was able to pose the right questions to the right people," explains Erin.

For her part, Erin had to delve into Alberta Environment's guidelines for conducting a verification. She then put the information together with her accounting background to answer the ultimate question: how could she provide the client and the government assurance regarding the carbon credit numbers?

Andrew agrees that industry specialists are a necessity for this new type of review. "We're providing assurance on our client's processes and procedures but we also have to ensure that the original agricultural producers selling their credits, are doing what they claim to be doing," he says. Andrew adds that MNP agricultural specialists visit producers to verify claims as part of the review process.

### A Growing Game

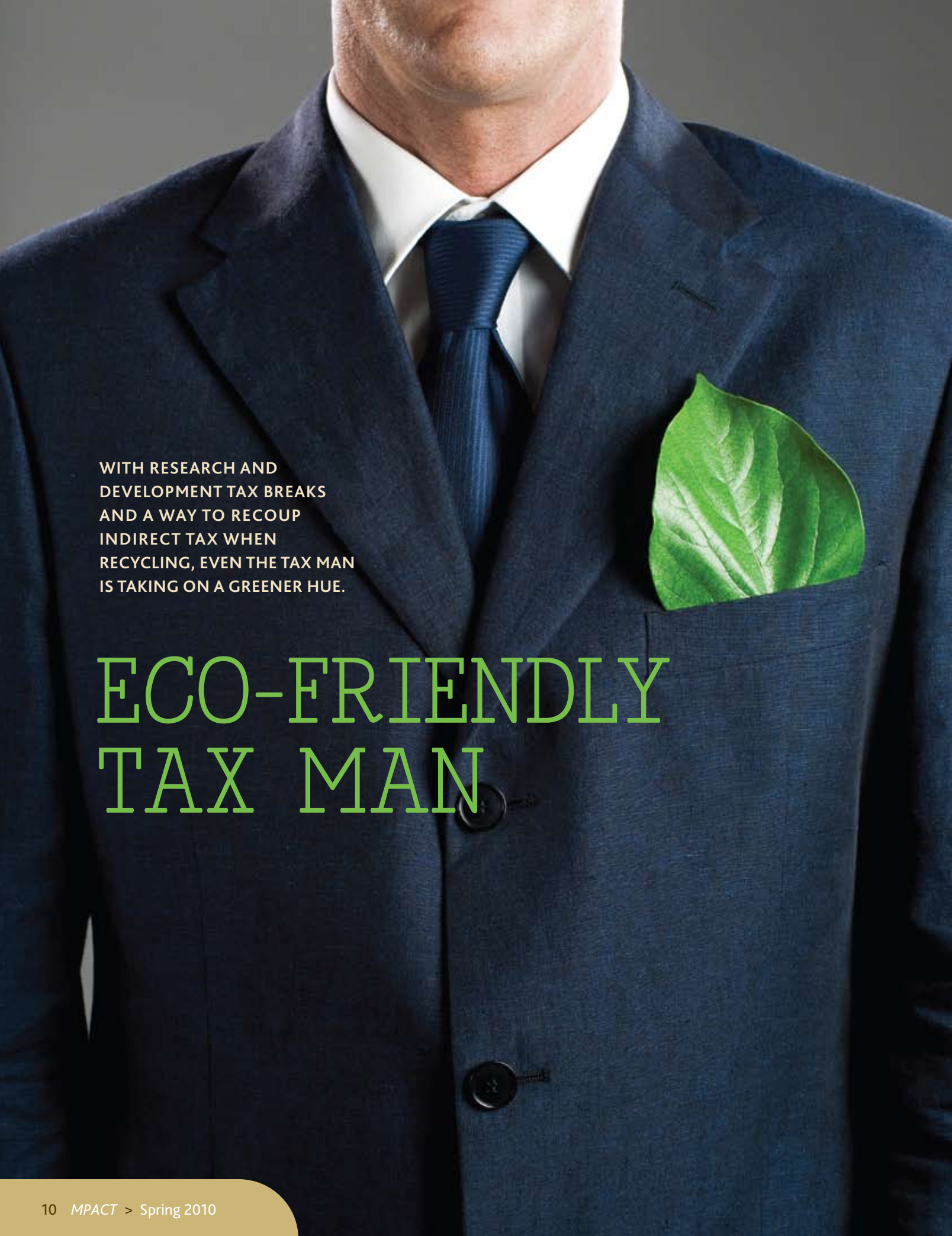
Climate change and carbon cutting are hot topics in Canada and around the globe. Currently, the government focus is on large-scale emitters to reduce greenhouse gas production but as the carbon credit market evolves, mid-market businesses will also be expected to decrease their emissions. If they're unable or unwilling to do so, they'll be looking for credits to buy.

Agricultural producers should start preparing to enter the market sooner rather than later, especially in Alberta. It is likely that other provinces will follow Alberta's lead in the next few years. "Producers should talk to our agriculture experts about the activities and actions they can undertake that will reduce emissions and ultimately put cash in their pockets," says Andrew.

On the other side, large greenhouse gas producers also need to find out how to reduce their emissions and track reductions to avoid paying tax. Whether they're in oil and gas, power generation, or forestry, having industry experts to calculate reductions and credits will ensure the job is done right.

"Each verification is going to be different. We have a baseline of what's expected from the Alberta Government but our procedures and process are scalable and tailored to each jurisdiction, individual clients, and their industry," says Erin.

For more information on carbon credits and third party verification, contact Andrew Stibbard at 204.788.6097, Erin Wallish at 780.969.1473, Anand Pandarinath at 780.969.1452 or your local MNP office.



WITH RESEARCH AND DEVELOPMENT TAX BREAKS AND A WAY TO RECOUP INDIRECT TAX WHEN RECYCLING, EVEN THE TAX MAN IS TAKING ON A GREENER HUE.

# ECO-FRIENDLY TAX MAN

## GET CREDIT FOR GOING GREEN

Trying to “Go Green” by making environmentally friendly improvements to your processes or products? You’re probably eligible for the Scientific Research and Experimental Development (SR&ED) tax credit program and may not have realized it.

Introduced in 1985, the SR&ED program is a federal tax incentive offering over \$4 billion annually to encourage the development of new or improved products and processes. Businesses can earn Investment Tax Credits in the form of cash or tax reductions for projects that include Research and Development (R&D) and are intended to advance or improve a process or product through innovative means.

Making an existing product or process more environmentally sustainable is one way of improving it.

“From a technology perspective, going green means making changes that will improve efficiencies or reduce waste, and there are SR&ED credits available for that,” explains Ryan Mackiewich, MNP’s SR&ED Practice Leader in Kelowna.

Ryan and other members of MNP’s SR&ED team have seen a huge variety of green activities qualify for the program. “We’ve worked with companies in almost every area you can imagine that have some sort of green application to what they’re doing,” he says.

Examples include manufacturers reducing energy use on the production line, oil companies finding ways of minimizing hydrocarbons in drill cuttings, and trucking companies developing Information Technology software that minimizes the wear on long haul trucks

and maximizes loads and backhauls. Involvement from all sectors isn’t surprising. Increasingly, businesses are discovering that environmentally friendly improvements also cut costs. Reducing energy use and waste means less impact on natural resources and funnels more money into company coffers.

There are several steps involved in successfully claiming SR&ED credits. Documentation is key and the appropriate support materials must be compiled during the earliest stages, when the research and development began. You also need to put forward a well-written, strong and defensible claim to the Canada Revenue Agency.

“The best time to come and talk to us is at the start of a project. The second best time is when you’ve recognized that you’re having difficulties accomplishing the technical goals of a project,” says Ryan.

Ryan offers an example of the second scenario. Suppose an organization budgeted \$1 million to implement changes in a process in order to reduce carbon emission—and the changes did not work. The organization would then bring in specialists, go over budget, and try new things. This is when the project would enter the realm of research and development.

“When those signs are encountered, they should talk to us to help them start putting together the information they need to make an SR&ED claim,” adds Ryan.

## RECYCLING THE COMMERCIAL MODEL

Whose responsibility is it to ensure materials are recycled? There are a couple of theories but only one makes sense from a business perspective.

John Jeninga, Senior Manager, Commodity Taxes, in MNP’s Winnipeg office discovered that when recycling organizations moved from a not-for-profit business model to a commercial business model, they fared much better. This is due in part to their ability to recover the GST incurred while recycling.

“Not-for-profits are typically not engaged in commercial activity and so are not entitled to input tax credits,” he says. “Even though consumers pay a levy on the product and pay GST on the levy, the recycling agency incurs GST costs again when doing the recycling and has no means of recovering it.”

John helped Manitoba’s oil industry set up a commercial recycling model and obtain a favourable GST/HST ruling for that model. Now the oil industry is responsible for clean up, instead of the government. The industry imposes a levy on each container of oil, much like the deposit the consumer pays on pop bottles. The revenue from the levy is used by industry, with legislative support, to recycle the used oil.

Using a commercial model results in a more efficient tax structure, especially in provinces where federal and provincial sales taxes have been harmonized because the GST rules apply to harmonized sales tax.

“The real benefit is that you’ve got industry taking on the responsibility for recycling or safely disposing of its products, which makes the model more tax efficient but also ensures the funding is always there,” says John.

**For more information, contact Ryan Mackiewich at 250.979.2577 or John Jeninga at 204.336.6124 or your local MNP office.**



# GREEN TEAMS

THE 'INS AND OUTS'  
OF HIRING ECO-SAVVY  
EMPLOYEES

Mega-corporation Google is renowned for recruiting the best of the best. With programs like subsidies for employees who buy hybrid vehicles, fully subsidized bus transit to and from work, on-site composting and a commitment to using green energy, it's obvious the company has its sights on a subset of superstars: the environmentally conscious.

According to Catharine Dunnett, a Partner in MNP's Organization and People Consulting practice in Toronto, there are good reasons for targeting the environmentally aware in your recruitment efforts. "Being environmentally conscious is part of being socially responsible," she explains. "Socially responsible employees benefit the organization because they're not just focused on doing their job. They look at the bigger picture and how their actions impact others."

Companies that have a strong environmental conscience and weave their commitment into their corporate values will naturally attract, hire and

retain employees who share a belief in being green. But, says Ken Curtis, a Partner in MNP's Management Consulting practice in Regina, "It's important for most companies to have some level of green insight when it comes to the type of people they are hiring."

Any organization will benefit from having socially conscious staff, not only due to their big picture thinking but also because waste reduction can significantly cut costs, thereby increasing profits.

## GREEN RECRUITMENT

The best way to attract the eco-friendly is to build environmental friendliness into your brand. Doing so means leaders must take a strong stance and demonstrate their concern for the environment by developing an environmental policy and imbedding eco-consciousness into the organization's values. Such actions must also be communicated to the public on the company's website, and by other means if possible, so people are aware of them.

You can show potential recruits that the company values being green through small but important actions throughout the hiring process. Taking computers to recruitment fairs so people can fill in applications online rather than on paper and ensuring company handouts are printed on recycled materials and on both sides of the paper-- are two examples of actions that are easy to do and say a lot.

Interviewing provides an excellent opportunity to display the organization's stance on the environment as well as ascertain the position of the interviewee. Again, the small things count.

"When you go into an interview, you don't have to print the resume. If your recruitment team has properly reviewed the resume, they should be able to speak to it without having it physically there," says Catharine.

During the interview process, questions related to the environment can help differentiate eco-friendly candidates. (See 'Green Screening')

## GREEN RETENTION

"Going green engages both our intellect and our emotion," says Ken. "Those who are engaged with environmental friendliness at an emotional level will relate to and feel a sense of a fit with the corporate values of a green company."

Alignment with corporate culture and values is, adds Ken, one of the strongest retention features in an organization.

But companies can't just talk; they have to walk the talk. Whether your corporate green initiative is all encompassing like those at Google, or composed of a number of smaller activities, leadership must illustrate the importance of those activities by modeling behaviour and correcting those who don't conform. Some smaller activities you can start with are ensuring paper and other materials are recycled and encouraging employees to turn lights and computers off at night.

Organizations should also solicit input from employees for ideas on making the working environment more environmentally friendly. "Getting input from employees is important because it allows your employees to have a voice," says Catharine. "You'll also reap other benefits. Employees at all levels have great ideas and the younger generation tends to be more green."

Lastly, keeping environmentally conscious employees on staff may not happen if you aren't communicating your green activities. This should be done when you undertake large green initiatives, such as switching to eco-friendly suppliers, and in ways that remind the employees of your expectations, such as emailing or posting reminders on the company's electronic bulletin board to turn off the lights.

For more information on hiring eco-savvy employees, contact Catharine Dunnett at 416.413.1356 or Ken Curtis at 306.751.7968 or your local MNP office.

## GREEN SCREENING

Interview questions you should be asking

### FOR ANY LEVEL:

- What strategies do you employ on a day-to-day basis to help our environment?
- Why is it important for an organization to have an environmental policy?

### FOR SENIOR LEVELS:

- What do you predict the impact on our business would be if we implemented a company-wide green strategy?

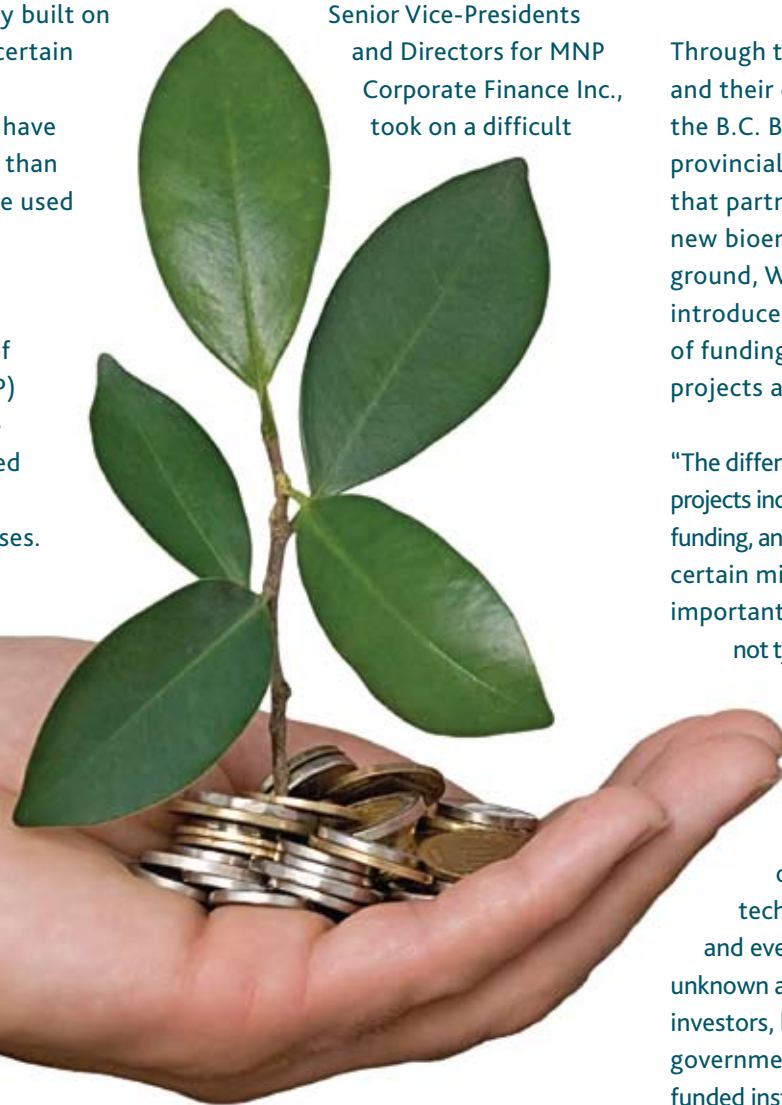
# FINANCING ALTERNATIVES

Sustainable energy projects must take a different approach when seeking capital.

Green energy projects face unique challenges when it comes to raising financing; they are typically built on new technologies, face uncertain government policies and regulatory issues and may have a different business model than banks and other lenders are used to seeing.

Recently, MNP Corporate Finance Inc., a subsidiary of Meyers Norris Penny (MNP) has seen an increase in the number of clients interested in sourcing capital for alternative energy businesses. While it's a new area for

In MNP's Vancouver office, Charles Addison and Wade Hodgins, Senior Vice-Presidents and Directors for MNP Corporate Finance Inc., took on a difficult



everyone in the industry, MNP's professionals are quickly discovering how to help these green businesses achieve their financing goals.

project—helping Cedar Road LFG Inc., a start-up venture in Nanaimo, secure \$1.6 million in bank financing for equipment needed to get the business up and running. Cedar Road turns methane produced at the Nanaimo

landfill into electricity and then sells it to B.C. Hydro (see client profile in this issue).

Through the success of this project and their due diligence work with the B.C. Bioenergy Network, a provincially-funded organization that partners with companies to get new bioenergy technologies off the ground, Wade and Charles have been introduced to a number of sources of funding for these cutting-edge projects and business opportunities.

"The different sources of capital for green projects include private equity, government funding, and limited bank financing—upon certain milestones," says Wade. "The important thing to remember is you're not typically going to be able to rely on just one source."

Green energy projects are start-ups in two ways: in terms of their operations and in that the technology they are using and even developing is relatively unknown and may, in the eyes of private investors, be unproven. As a result, the government, through government-funded institutions, is often going to be the key capital provider.

Government support can be obtained at the federal, provincial and municipal level and may come directly through

funding sources such as the B.C. Bioenergy Network, the 9 Points Fund in Alberta and the Sustainable Development Technology Corporation, a federally funded organization. It's important to remember that provincial opportunities vary; although each province has some type of funding procedure to develop clean technology, some provinces are further along than others.

Each level of government may provide capital in the form of grants, loans or tax incentives. "If the technology can be developed with this money, it can then be applied to potentially create new jobs in the region when new facilities are built, as well as providing overall environmental benefits for the region," says Charles.

But, as Wade explains, most companies will need to engage in multi-stage financing. "You're going to have to find some friendly financial institutions at some point as you carry it through," he says.

Companies will have to tailor proposals to financing sources, ensuring the project is presented in such a way that the lender can meet its goals while helping the borrower move forward. For example, government departments and funding institutions typically have a social or political objective to meet and may reject projects when the proposal does not clearly illustrate how the project fits the government's mandate.

Across the country, MNP's professionals are gearing up for what is expected to

be a new wave of sustainable business ideas, learning all they can about the sector and its specific challenges and goals.

"It's highly specialized, almost like oil and gas production type projects," explains Jeff Llewellyn, President and Managing Director of MNP Corporate Finance Inc., in Calgary. "You need a very high level of specialized expertise and there is a lot more due diligence involved from our perspective."

For more information on sourcing capital for alternative energy businesses, contact either Charles Addison at 604.637.1551, Wade Hodgins at 604.637.1551, or Jeff Llewellyn at 403.537.7676 or your local MNP office.

## STEPS TO FINANCING SUCCESS

Although it can be more challenging to find financing for green energy projects, it can certainly be done with the proper preparation. Here are MNP's tips to securing financing from one or more types of capital providers:

**Cover the front end.** Ensure you have sufficient capital to cover the front end costs involved in project development.

**Get an agreement.** A long-term supply agreement for the material you'll need to produce power is important so buyers know they won't be caught short.

**Line up your buyer(s).** Ensure there is a market for your product through power purchase agreements, a long-

term contract from an interested purchaser, or by determining that the product can be profitably sold through an established market.

**Prove it's viable.** Prepare a well-thought-through financial model in assessing the viability of the project, with appropriate timeframes.

**Know what you're dealing with.** Work closely with the equipment suppliers for the project so you understand cost and timing.

**Make a sound choice.** Choose a project that has technology that government funding sources will help to support and that can be a showcase for further projects using this technology.

**Start small.** Design your project so it can be scaled, or added on to, as each

stage is developed and financed to help manage risk.

**Plan, plan, plan.** Prepare a clear understandable plan for your project that can be used to raise capital from either government or private sources. Evaluate the risks. When considering the capital structure for your project, remember that the type of capital available will depend on the risks and size of the project.

**Keep talking.** Communicate effectively with your funding sources as the project is being developed.

**Go long.** Consider long-term, take-out financing for your project once it is in operation.

**Be realistic.** Under promise and over deliver on expected results.



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