

To: Barry Towe[Barry.Towe@moypark.com]
From: Barry Towe
Sent: Fri 5/2/2014 12:01:02 PM
Importance: Normal
Subject: FW: Biomass versus LPG
MAIL_RECEIVED: Fri 5/2/2014 12:01:03 PM

From: Janet McCollum
Sent: 10 April 2014 08:00
To: Ian R. Bowers; Helen Glennie
Cc: Alan Gibson; Mike Mullan; Keith Irvine
Subject: Re: Biomass versus LPG

Ian,

Thank you for presenting the risk assessment in relation to the Biomass proposal , with particular attention to future LPG prices.

I fully support the recommendation to implemnet the Biomass proposal.

Janet

From: Ian R. Bowers
Sent: Wednesday, April 09, 2014 10:30 PM
To: Janet McCollum; Helen Glennie
Cc: Alan Gibson; Mike Mullan; Keith Irvine
Subject: Biomass versus LPG

Following the last exec we have carried out a further review on the Biomass proposal. This has included our independent energy consultants NUS who have reviewed both the Energy impacts and contracts:

Background:

- This proposal covers £1.3m (13.5%) of our £9.6m LPG spend
- The benefit, based on current prices, is £0.33m per annum on energy price and a further £0.42m per annum related to performance benefits of biomass energy in the houses
- Reduced carbon emissions amount to 5,300t pa.
- The raw material pricing for biomass is linked to RPI. Pricing increases every year by 90% of RPI.

Three areas of potential risk were identified:

- What happens if the supplier goes bankrupt?

- The supplier has 6 months to find an agreeable (to us) alternative after which they have the right to remove the equipment and make good.
- We are therefore no worse off than today and could decide to buy the equipment.

- What happens if the government reduces RHI (a government subsidy paid to the supplier for reusable energy)?
- This risk is with the supplier not us.

- What happened if LPG prices fall significantly compared to RPI?
- As part of our total portfolio the opportunity lost is minimal.
- Even if LPG prices halve (which they are extremely unlikely to do), our annual spend would reduce by £4.2M and the lost opportunity of locking in to this contract is only £0.3M (annually).

In summary, we believe that this represents an excellent opportunity for Moy Park as part of an overall balanced gas risk management strategy. Both Keith and I have reviewed and fully support the proposal.

I have attached some detailed slides and would be happy to go through them should you want further clarity.

Kind regards

Ian