

What in the Biogas World is Going on?

April 6, 2022

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Introduction

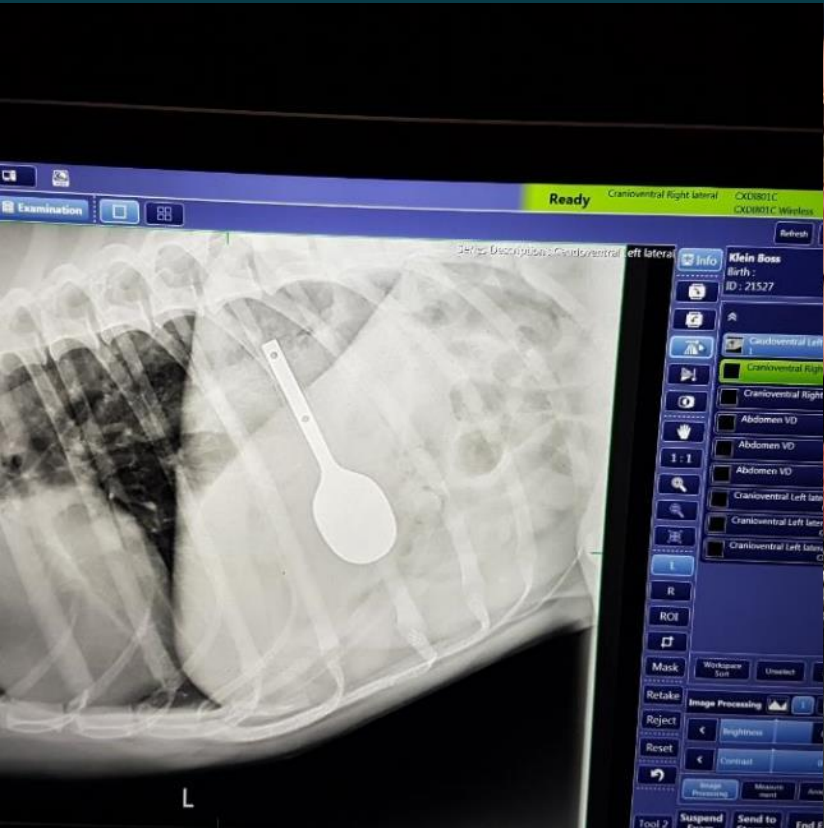


The History of DBO/P3

(2000-2014)



(2015-2022)



(2022)



The Path Forward

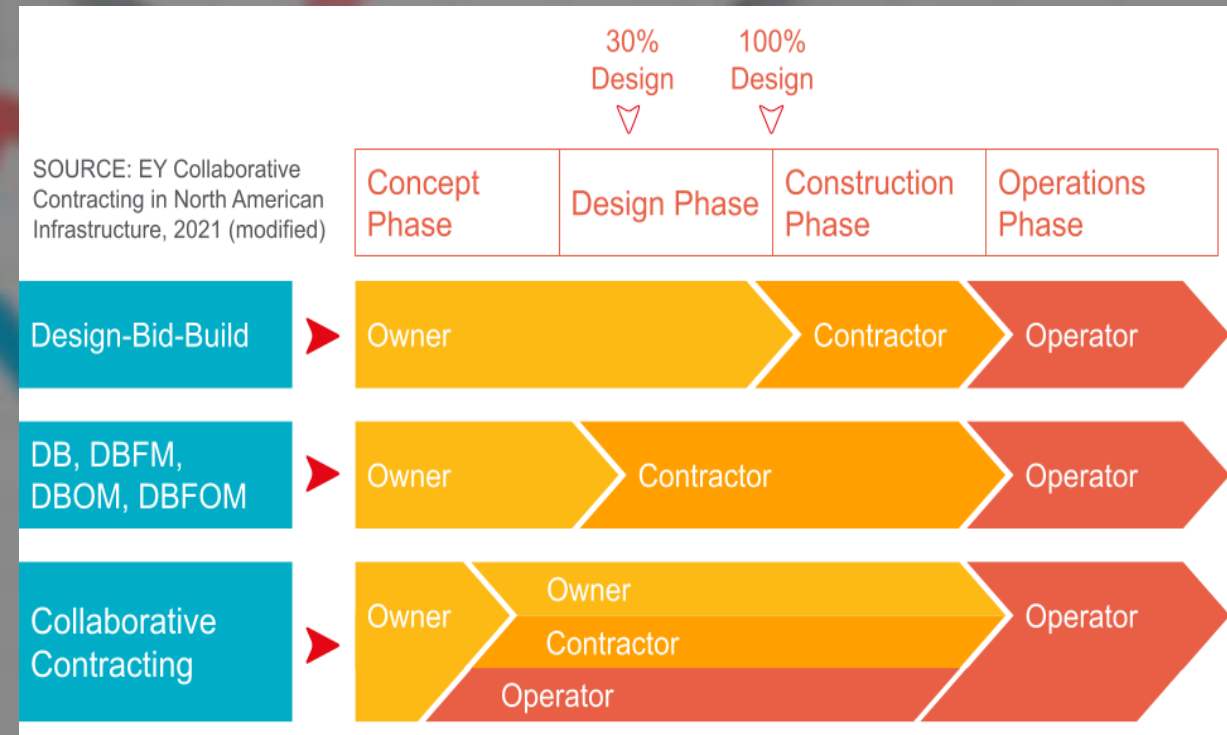
- Procurement is Evolving
 - Collaborative/Progressive DB
 - Merchant
- For this Study we Interviewed
 - 6 Municipalities
 - 9 Private Entities



Private Sector

Private Sector | Trends

- ROI on Environmental Infrastructure Capital vs. Social Capital Projects
- Bidding Priorities are Changing
 - DBO/P3 is less Attractive
 - Collaborative Contracting (Progressive DB)
 - Merchant Facility (York Region)



Private Sector | Hurdles

Siting

- Regulatory timeframes for approvals
- Competing interests with Municipalities around siting

Financial

- Capital allocation concerns for Shareholders
- Competing time vs. money

Contracts/Risk

- Market sounding completed well in advance of procurement
- No one wants to own issues resulting in difficult contracts/project failure

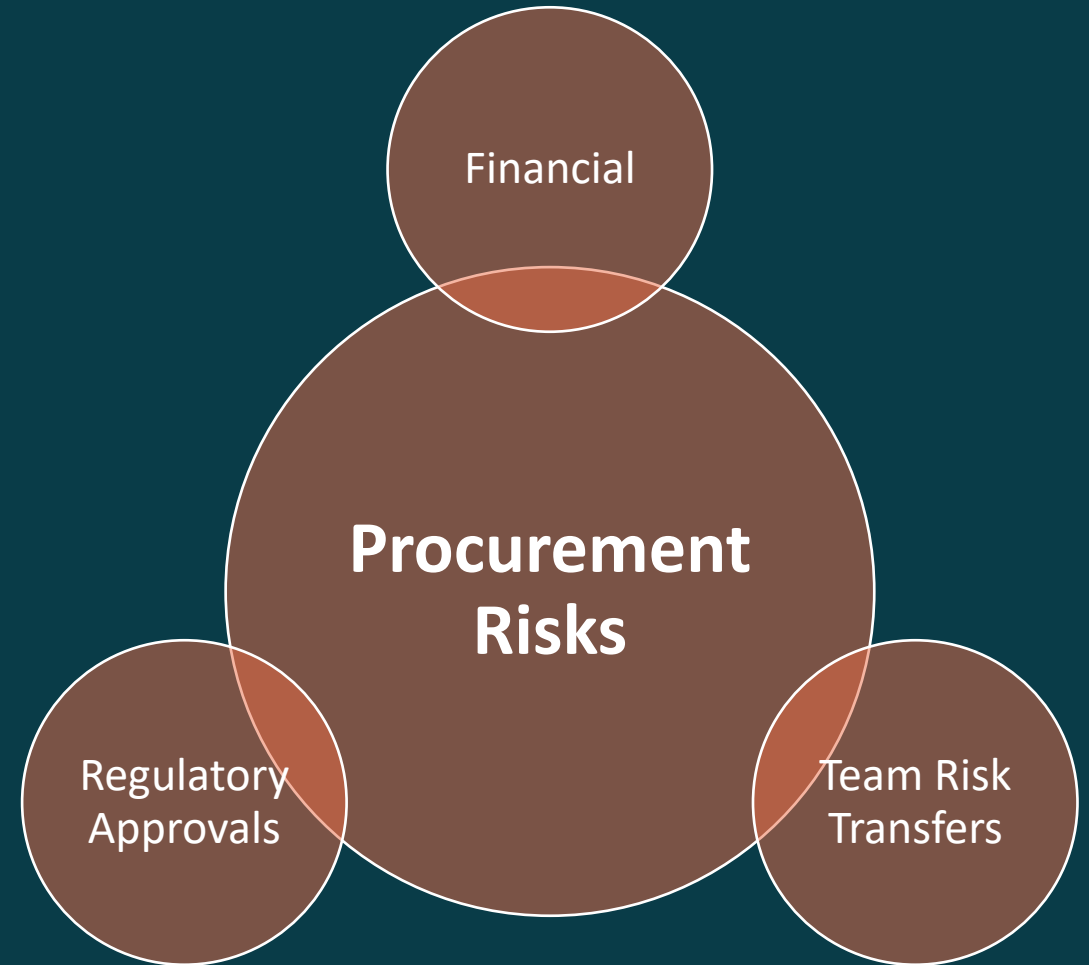
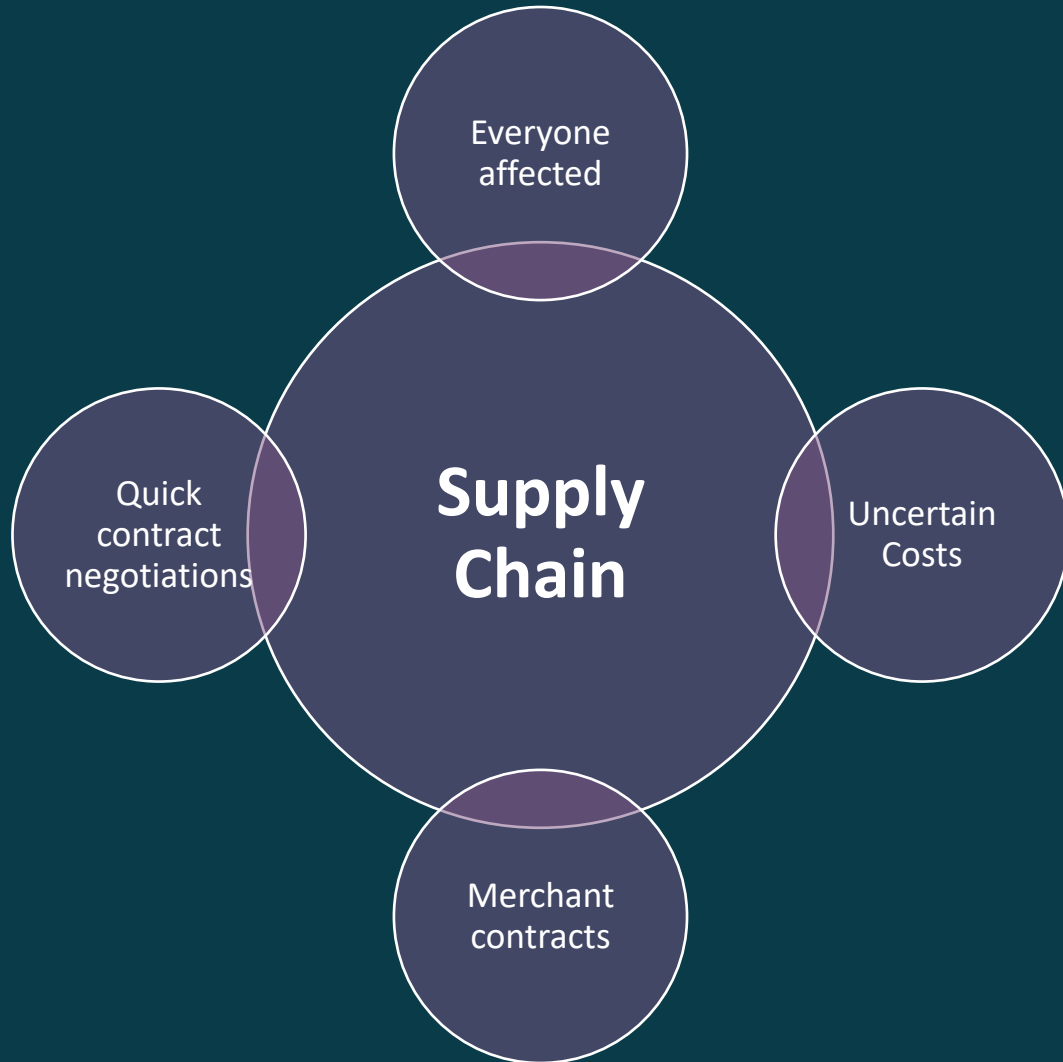
Municipal Review

- Are the Owner's/Owner's Reps diving deep enough to credibility check financials (NPV)
- Communications between staff and Politicals

Private Sector | Procurement Costs and Willingness

Procurement Model	Average Cost to Pursue	Percentage of Legal Fees	Willingness to Pursue
Traditional P3/DBOM	\$3-4 Million	25-50%	<ul style="list-style-type: none">• 2 of 9 are willing to pursue today• 7 of 9 will <u>never</u> pursue this again
Collaborative/ Progressive DB	\$150,000-\$200,000	10-15%	<ul style="list-style-type: none">• 7 of 9 are willing to pursue today
Merchant Capacity (Outcomes Based)	\$50,000-\$75,000	10-15%	<ul style="list-style-type: none">• 9 of 9 are willing to pursue today

Private Sector | Fixed Prices and Risk Management





Public Sector

Public Sector | Drivers of Ownership

Drivers of Public Ownership

Demonstration of leadership and concrete action

Retain ownership of renewable energy and other attributes to achieve climate change goals

Low risk tolerance - minimize risk

Drivers of Private Ownership

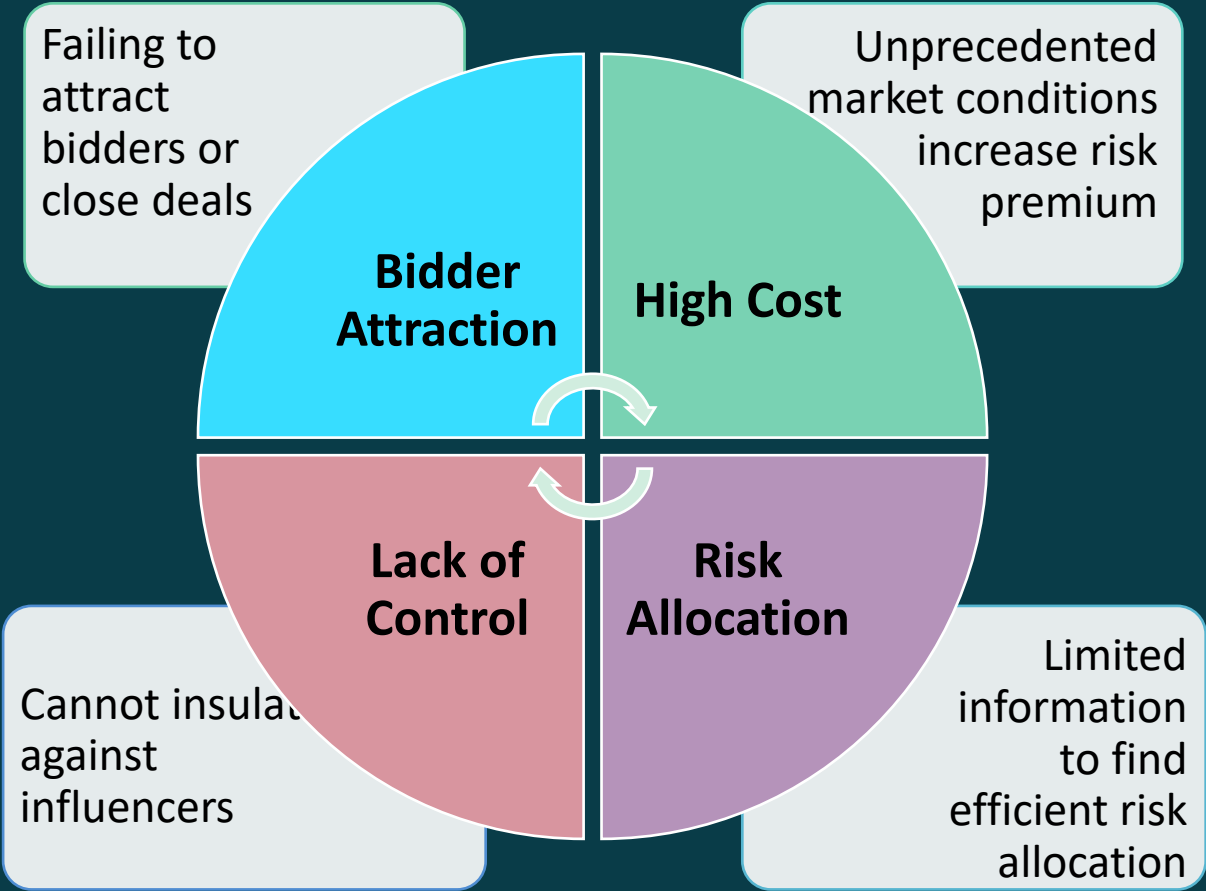
Achieve best value for money

Limited number of performance requirements

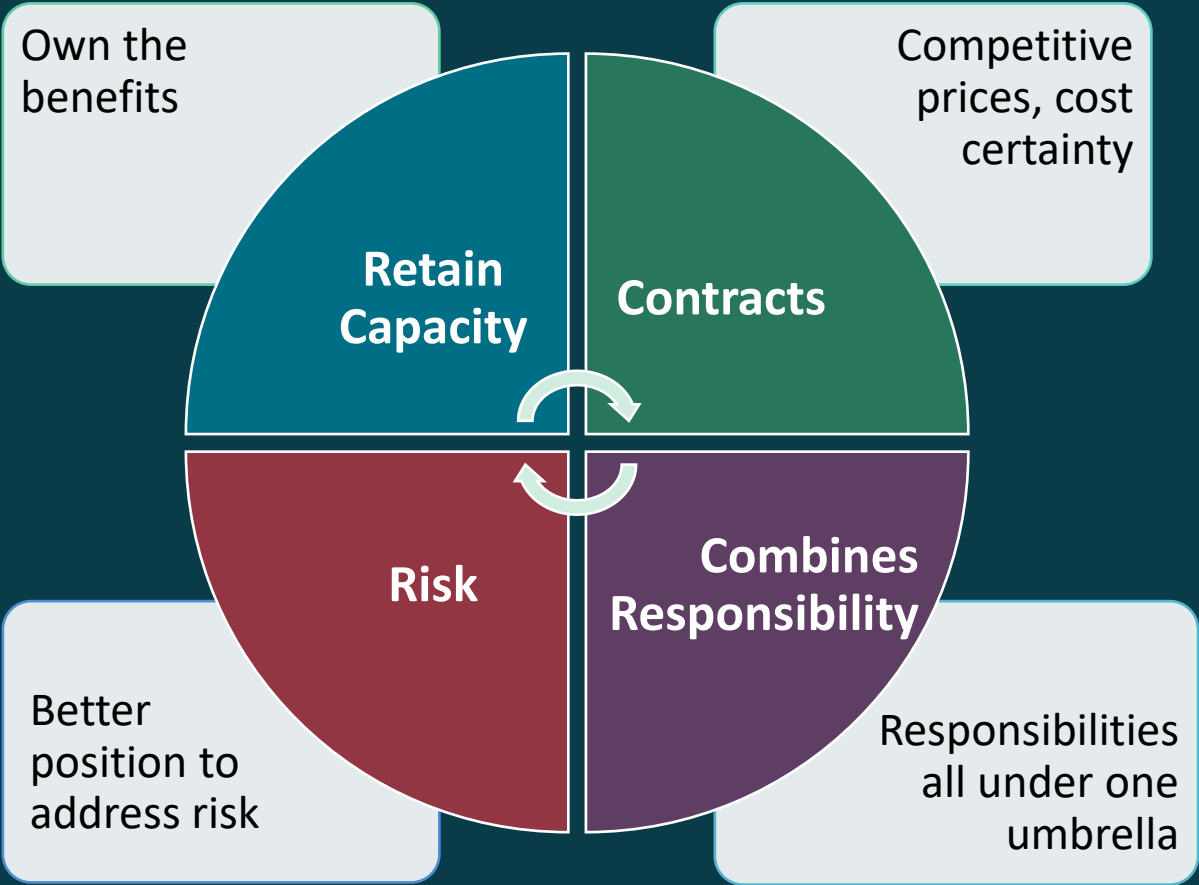
Risk acceptance – mitigate risk

Public Sector | Traditional Approach

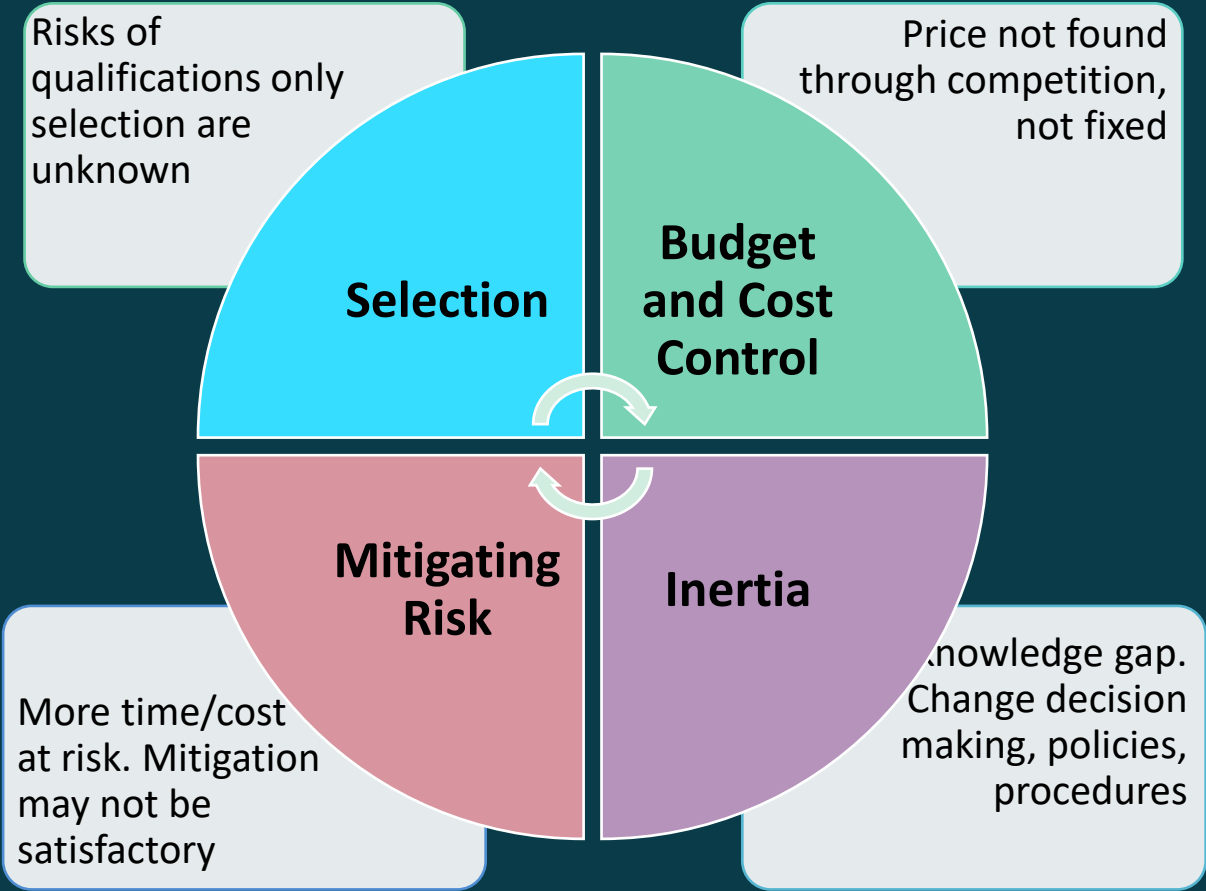
Key Challenges



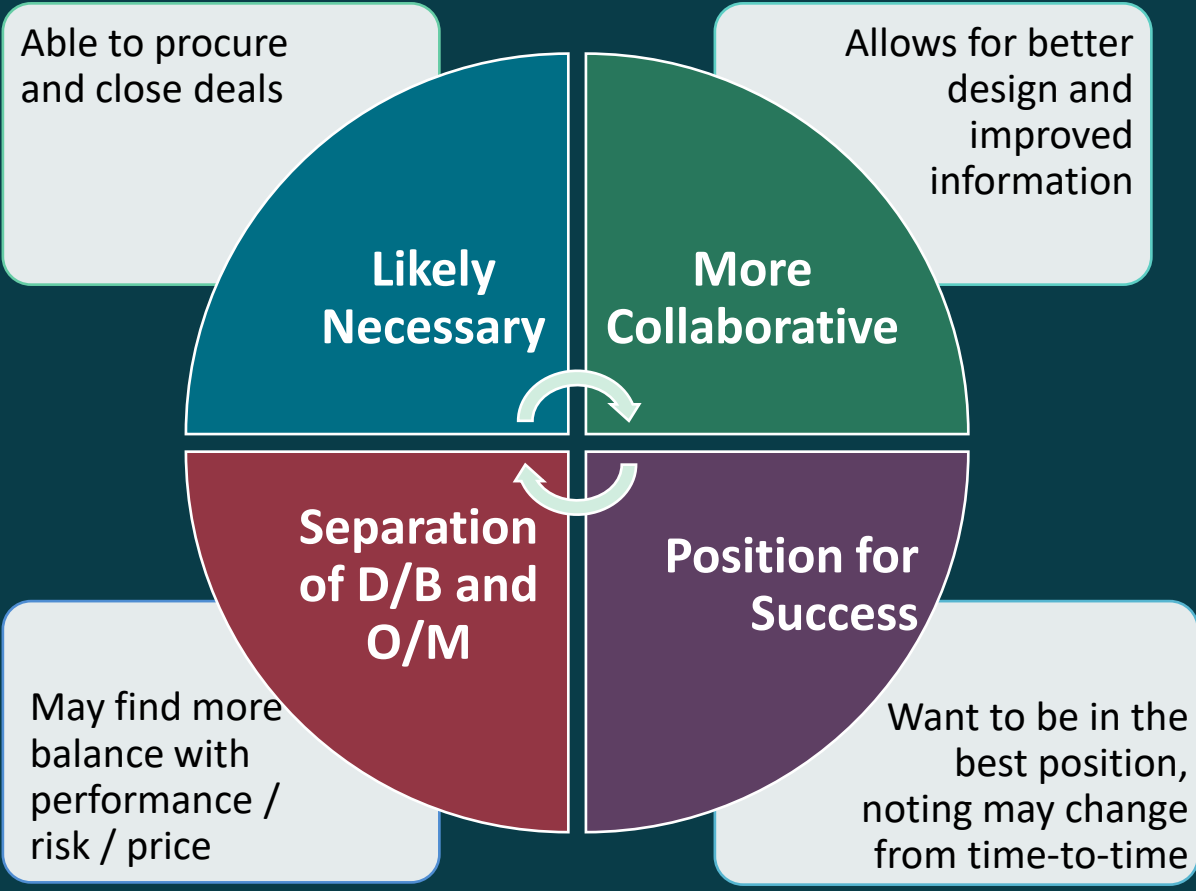
Opportunities



Key Challenges



Opportunities



A photograph of an industrial facility, likely a biogas plant, featuring large cylindrical storage tanks and a complex network of pipes and walkways. The image is overlaid with a semi-transparent teal filter. The text "How Do We Come Together?" is centered in white.

How Do We Come Together?

How Do We Come Together?

- Shared view that traditional approach is failing – no bids or risk premium makes projects unaffordable
- Mutual interest in finding better ways to deliver public ownership projects but expectations may not align – shrinking municipal knowledge gap is starting point
- Public and private ownership are viable approaches with very different drivers. Ownership can be a component of either Collaborative/Progressive DB or Merchant Capacity contracts
- Size of Municipality matters and feedstock changes your position dramatically
- Guiding Objectives need to be established early on and Municipal decision making staff need access to better trade-off information up front
- Procurement tools reflecting a realistic and unbiased point of view are needed to motivate change
- The Owner's Representative role is evolving

Thank-You

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