



Unlocking hidden cash in wind energy projects

Words: Graham Beck, Innovation Funding Consultant at ABGI UK

Whether it's prototyping, development or experimentation with materials or physical production processes, there's a wide variety of disciplines involved in advancing wind energy science across all elements of the turbine lifecycle. Even though renewable energy businesses are spending staggering amounts on developing new technologies, very few are actually claiming the hundreds of thousands of pounds they are entitled to through R&D tax relief.



In the current economic climate, it's surprising that more wind energy businesses haven't already explored all of the tax incentives available to help lighten the burden by either reducing tax payable or securing a tax repayment. Especially now, as the offshore wind sector in particular must accelerate innovation in order to reduce the cost of energy production as we move towards net zero targets.

Introduced by the UK Government in 2000, the R&D tax relief scheme is designed to encourage innovation and global competitiveness by allowing companies to reclaim some of the money invested in qualifying research and development. As one of the government's most generous forms for tax relief R&D tax credits are generally considered to be one of the most attractive tax reliefs available, often resulting in significant cash repayments from HMRC.

It's available to all kinds of businesses, and has proven very lucrative in the past for companies in the process and manufacturing sector. For every £100 of qualifying R&D

expenditure, relief is available at £25.00 for profit-making SMEs and £33.00 for loss-making SMEs. For large companies the Research and Development Expenditure Credit (RDEC) scheme provides relief as a taxable credit set at 13% of the qualifying R&D expenditure.

A common misconception is that the scheme is just for companies with R&D departments and men in white coats. The fact is that any company that spends money trying to improve a product or service through a technological advance, using qualified staff and appropriate project controls, and where there's doubt about the project's success, is likely to be eligible.

The benefits of the programme include increased cashflow, which is especially important to innovative, developing renewable energy companies. It also encourages development of a corporate philosophy that embraces innovation and improvement.

Many businesses associated with the production of renewable energy, from wind to

hydrogen, push technological boundaries on a daily basis. There's a wide variety of disciplines involved in advancing the science responsible for energy production, all of which could qualify for substantial tax rebates.

There are many examples of incredible advances in the field of wind energy, spearheaded by innovative businesses making successful R&D tax relief claims. This includes companies which are able to safely enhance the yield of their wind turbines as well as those which have advanced the design of their rotor blades to improve reliability, structural resistance, aerodynamic properties and noise-related performance. Others are working on improving the maximum achievable output, increasing the reliability of instrumentation for use in high energy environments, as well as developing efficient energy storage devices at remote, offshore, renewable energy sites in extreme climates.

According to the top performing renewable energy sectors, as measured by how much they recovered in R&D tax credits from the government last year, here are just a few

examples of what can be claimed for. The list is by no means exhaustive, but provides an idea of the types of work in your sector that could well be eligible for R&D tax credits.

- Meeting higher efficiency targets, generating more power, safely, and delivering reliable electricity generation.
- Improving durability and robustness through minimising or eliminating premature component failure: caused by the high number of load cycles and operating conditions, and minimising wear associated with loads and vibrations. This applies to the gearbox, the drive train and bearings, the hydraulic system, the mechanical braking system, the electronic controls and so on.
- Advancing the design of the rotor blades for improved reliability, structural resistance, aerodynamic properties and noise-related performance.
- Reducing environmental issues affecting local wildlife.

Is your project eligible?

If you can answer 'yes' to most of these questions then, based on our experience across thousands of clients, you could have a successful claim:

- Have you developed new tools, products or services using technology?
- Have you tried to improve your existing products through technical changes?
- Have you had to resolve technical problems with any of your products?
- Have you found more efficient ways to produce your products or services?
- Have you experimented with new equipment or production techniques?
- At the start of a project, did you ever think 'I'm not sure of the best way to do this'?
- Have any of your projects failed for technical reasons?

Things to watch out for when making a claim

One of the problems involving claims for R&D tax relief is separating the routine parts of a project from the non-routine, especially when dealing with large, high-value, complex 'first-in-class' items.

HMRC recognises that 'first-in-class' items can entail a significant level of innovation, and that the production of such an item can involve one or two R&D projects. However, HMRC doesn't expect the entire build cost of

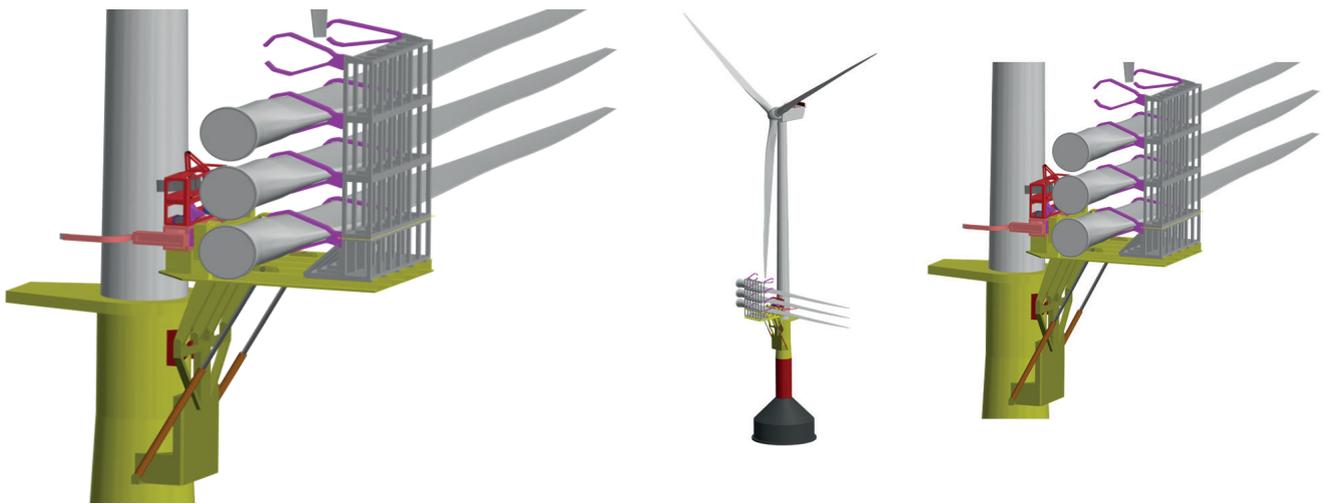


Graham Beck

the item to qualify for R&D tax relief. It's very important that companies identify and assess which parts of the 'first-in-class' items contribute towards eligible expenditure. It's always wise to seek professional advice before undertaking a claim.

Involving a specialist adviser will help you submit your claim in the most efficient way possible, and support you to demonstrate





which of your activities qualify under the scheme; open up a new revenue stream to fund further R&D projects; and learn how to make the best use of the scheme going forward.

Make sure you investigate your eligibility. R&D tax relief can be complex and time consuming, but with careful consideration, R&D tax credits can provide significant financial rewards to companies performing a broad range of activities.

Case study

BlackFish Engineering Design, which provides innovative engineering design for offshore renewable energy, from initial concept stage, right through to a verified solution, recently benefitted from an R&D tax relief claim.

Tim Warren, Director at BlackFish Engineering Design, said: 'The R&D tax relief boosted our cashflow and that enabled us to reinvest in new conceptual ideas to help overcome some industry challenges. During the last six months, we embarked on at least three commercial projects that wouldn't have otherwise been possible. These included the development of new tooling to enable the replacement of wind turbine blades without the need for a crane, as well as a hydraulic clamp mechanism used to significantly reduce the time taken to assemble a wind turbine tower on site.

'Enlisting professional support to assist with

claiming R&D tax relief was undoubtedly the right decision for us. We were allocated a technical consultant who was professional and represented good value for money – ensuring the process was quick and easy, which meant we could accelerate the development of these new ideas for the wind industry.

'The scheme is a no-brainer for innovative businesses looking to enhance technology for the benefit of the wider sector.

Grant funding

Following the government's commitment to 'building back better and greener', the Department for Business, Energy and Industrial Strategy (BEIS) has a number of grant funding schemes in place to the tune of around £177 million.

A further £2 million is available through the Defence and Security Accelerator (DASA) competition that is seeking proposals from business that can provide future offshore wind farm mitigation for UK Air Defence surveillance.

Designed to support and encourage innovation in renewable energy, with a particular focus on innovative technologies and collaborations designed to reduce the cost of energy, it's definitely worth watching out for new funding streams becoming available.

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About ABGI

ABGI-UK's large team of technical analysts have specific scientific and technical backgrounds and years of industrial experience which have resulted in an extremely high success rate in securing R&D tax relief and grant funding for clients.

The team has also recently been supporting manufacturers of offshore wind components to make the most of the Offshore Wind Investment Programme. This was announced earlier in the year by the Department for Business, Energy and Industrial Strategy (BEIS) to support the delivery of manufacturing investment in the offshore wind supply chain following the government's commitment to 'building back better and greener'.

ABGI UK is part of the ABGI Group which secures more than £1bn in tax credits and grant funding every year for many of the world's best-known brands including the global digital industrial company General Electric.

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