Australian Government
Department of Industry and Science

Ethnic Communities' Council of NSW inc.

BEST
BUSINESS ENERGY SMART TIPS

The business case for energy efficiency upgrades in small business

The cost of supplying electricity (the network charge) has on average increased by 64% over the last seven years and this has been passed onto small businesses through costs in electricity. Gas prices are also on the rise. Low and no cost energy efficiency actions will reduce business energy costs by up to 10%. See the BEST checklists for further no cost and low cost tips at www.eccnsw.org.au/best.

Further savings are often found by renegotiating the electricity contract with the energy retailer. Compare prices at **www.energymadeeasy.gov.au**

When equipment breaks down and needs replacing or the business is renovating longer term savings can be made by replacing with more energy efficient equipment.

Energy efficiency upgrades are a business investment

Businesses use electricity when equipment, lighting and other fixtures are turned on. Energy efficient products and practices keep energy running costs lower providing the same service or function and in some cases, such as lighting, the quality of lighting may improve.

An energy assessment conducted on a business identifies where and how energy is used . It provides recommendations with a cost benefit analysis that can help to decide whether an energy efficiency upgrade is financially viable.

If finance is required by a business to purchase energy efficiency equipment, then bank/credit union finance applications can benefit from including the cost benefit analysis findings from an energy assessment, including payback periods and return on investment.

The costing of energy efficiency upgrades for a business provides payback periods and return on investment (ROI) for identified energy efficiency recommendations.

FACT SHEET

A payback period is the length of time required to recover the cost of an energy efficiency upgrade, based on energy savings received from the upgrade. A return on investment (ROI) is the savings achieved each year against the initial cost outlay for energy upgrades undertaken, used to evaluate the efficiency of an investment.

The following are some energy efficiency savings for restaurants, butchers, general retail, bakers, convenience shops, grocery shops, takeaway and community meeting venues.

Lighting upgrades

Lighting costs are on average around 14% of these business and there are many opportunities for savings.

As an example, one grocery spends $3800 on lighting each year. They can replace 57 36 Watt fluorescent lights at a cost of $2900 with 20 Watt LED lights. After 19 months the replacement will be paid back and the business makes savings of $1814 each year.

Refrigeration upgrades

Refrigeration is a big cost to many businesses averaging around 40% of electricity costs.

As an example one restaurant spends $3200 each year on electricity for refrigeration. If $4900 was spent to replace drinks fridges and freezers with more energy efficient models the business could save $1521 each year after a pay back period of 3 years.

Financial assistance for energy efficiency upgrades for your business

Currently funding for energy efficiency upgrades in small businesses has been reduced in national and state funding programs. There may be future programs available.

Other options are to lease equipment to avoid upfront costs and to manage energy efficiency projects within the business budget.

There may be tax incentives to purchase new equipment. Please see your accountant or the ATO for further information.

Businesses have the opportunity to use energy efficiency in their business planning to save money, reduce impact from their operations on the environment, and tell their clients and staff about the good news story regarding their sustainability focus. This all has a positive impact on the profitability of a business. Energy efficiency should be a part of business planning to maximise the opportunities.

This Activity received funding from the Department of Industry and Science.
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