



# Financing Energy Efficiency and Renewable Energy

This fact sheet provides information and examples of options available to farmers and businesses to assist with energy efficiency and renewable energy projects. It covers:

1. **Financing options (loans)**
2. **Funding options (grants or rebates)**

The Energy Savers Plus Program is funded by the Queensland Department of Natural Resources, Mines and Energy.



## FINANCING OPTIONS

Financing is where money is lent for the project and must be repaid over time – either in a conventional loan repayment schedule, or out of the energy cost savings for the projects.

There are several options for financing energy efficiency projects and the highlighted products are included in this fact sheet:

- **Energy Efficiency Loans**
- **Energy Services Agreements**
- Extension to commercial loan or property mortgage
- Traditional Equipment finance, including lease arrangements
- **Power Purchase Agreements (PPA)**

Each of these financing structures has advantages and disadvantages. The choice of product depends on the farm's specific requirements.

These products can assist in financing where there is an energy efficiency and productivity projects outcome, such as pumps, motors; and packaging, processing and refrigeration equipment.

## Energy Efficiency Loans

There are two main Energy Efficiency Loan products in this fact sheet and detailed in the Quick Reference Table on page 3:

1. The Clean Energy Finance Corporation (CEFC) provides support to commercial lenders to offer lower interest rate loans for energy efficient equipment and renewable energy technologies. These loans are essentially equipment financing with preferable rates or longer loan periods.

The CEFC is an independent Commonwealth Statutory Authority with a mandate to invest in renewable energy.

Further details of CEFC's investment focus are available at [www.cleanenergyfinancecorp.com.au/where-we-invest](http://www.cleanenergyfinancecorp.com.au/where-we-invest)

2. The Queensland Rural and Industry Development Authority (QRIDA) have Sustainability Loans that support Queensland primary producers focused on improving their profitability and productivity. Sustainability Loans are provided at a concessional rate with no fees and charges to encourage uptake of energy efficient and innovative technologies and processes. Producers are encouraged to link additional on-farm development work.

Further details of QRIDA's financing are available at [www.qrida.qld.gov.au/current-programs](http://www.qrida.qld.gov.au/current-programs)

### Advantages:

- Reduced upfront costs for the project
- Interest charges can have tax advantages
- Repayments are generally fixed and known in advance
- Finance is potentially at a discount to market rate and loan periods can be longer than otherwise offered

### Disadvantages:

- Interest rates are generally higher than mortgage interest rates
- There are limited number of firms offering these products

## Energy Services Agreements

An Energy Services Agreement (ESA) provider designs, constructs, owns and operates equipment. The end-user pays fees to cover operation and maintenance costs, including energy costs, and to repay the capital and implementation costs.

The fees are indexed to CPI, labour rates and in some instances can be decoupled to energy price escalation. A customer can typically purchase equipment at the end of the ESA term.

An ESA provides the end-to-end delivery of energy efficiency and renewable energy projects. Finance can be arranged using any of the finance options above, or can be provided by the ESA provider.

### Advantages:

- No or reduced up-front cost
- ESA is off balance sheet
- Payments can be tax deductible as operating expenses
- Implementation and operating risks may be transferred to the ESA provider
- The ESA provider is incentivised to maximise energy savings. They guarantee savings or the customer only pays for the output of the equipment.

### Disadvantages:

- Can be a higher cost than using other finance options in isolation, due to transfer of risks to ESA provider
- ESA suppliers will generally not undertake projects that do not require on-going maintenance
- Some providers may only consider ESAs for large projects.

### Providers

A number of providers include that have presented at QFF workshops include:

- Northquest – [www.northquest.com.au](http://www.northquest.com.au)
- Websters Group – Energy Efficiency Partnerships – [www.webstersgroup.com.au](http://www.webstersgroup.com.au)
- Verdia – [www.verdia.com.au](http://www.verdia.com.au)

## Power Purchase Agreements (PPAs)

Power Purchase agreements can be used to finance renewables on site where a provider might install the generator and sell you power under contract. This can apply to grid-connected and off-grid situations.

**GRID-CONNECTED:** A generator will be installed to supply power to off-set some of your grid power. Note that a provider may receive additional payment for excess power exported to the grid. You will have two power bills:

1. A new bill for the power sourced from the new generator, and
2. A bill from your retailer for grid-supplied power.

**OFF-GRID:** A generator will supply all the power for the site without grid backup. You will need to ensure that the generator will be able to supply power when required and that the contract allows for when you may not need the power that is being generated. Some energy storage or diesel/gas generation may be incorporated.

### Advantages:

- No upfront costs for the generator
- Long-term prices and escalation are generally fixed and known in advance
- Operation, maintenance and performance of the equipment will be the responsibility of the provider.

### Disadvantages:

- Check the conditions on your contract to ensure so that you are aware of any 'take-or-pay' clauses or other conditions that might lock you in to paying for power
- There are a limited number of firms offering these products, particularly for off-grid PPAs.



### Case studies

To see how other businesses are saving energy and costs, go to [www.qff.org.au/energysavers](http://www.qff.org.au/energysavers)



MUNDUBBERA  
QUEENSLAND  
HORTICULTURE FARM



IMPLEMENTED

54%

actual energy savings



GOLD COAST  
QUEENSLAND  
AQUACULTURE FARM



IMPLEMENTED

19%

actual energy savings

# QUICK REFERENCE TABLE

## Energy Efficiency Loans

Clean Energy Finance Corporation  
Co-Financing Partnerships



Queensland Rural  
and Industry  
Development  
Authority (QRIDA)

Program name	<b>Equipment Finance Energy Efficient Bonus</b>	<b>Energy Efficient Equipment Finance</b>	<b>Energy Efficient Finance</b>	<b>Energy Efficient Asset Finance</b>	<b>QRIDA Sustainability Loans</b>
Description	Simply apply for an Equipment Loan, Hire Purchase or Finance Lease from NAB – if the equipment meets CEFC criteria for energy efficiency, 0.70% will be deducted from the finance rate	Partnering with the Clean Energy Finance Corporation, the CBA provides discounted financing to help businesses fund energy efficient vehicles, equipment and projects	Westpac is helping Australian businesses reduce their energy costs and environmental footprint by providing financial solutions for energy efficient equipment	ANZ is helping Australian businesses cut energy costs and reduce carbon emissions through innovation by making it easier to invest in energy-efficient and renewable technologies	Sustainability Loans provide you with up to \$1,300,000 to cover capital costs to achieve a more productive and sustainable primary production enterprise
Benefit	Bonus 0.70% p.a. off your equipment finance rate, on qualifying assets for the life of the financing	0.70% discount off standard asset finance rates	You may be entitled to 0.70% p.a. discount on the interest rate when you purchase certain equipment	Get an additional 0.7% p.a. discount on the standard asset finance rate for eligible energy efficient assets	Low interest loans with fixed rates available over 1, 3 or 5 years, interest only periods available
Conditions	For energy efficient, renewables and low emissions technologies that meet CEFC criteria	For energy efficient, renewables and low emissions technologies that meet CEFC criteria	For energy efficient, renewables and low emissions technologies that meet CEFC criteria	For energy efficient, renewables and low emissions technologies that meet CEFC criteria	If you meet QRIDA's eligibility requirements.
Range min-max (\$)	< \$5.0m	Minimum \$10k-\$5.0m	Minimum \$15k-\$5.0m	< \$5.0m	\$0-\$1.3m
Security: secured on...	Typically the equipment, however could include other security NAB considers necessary	Typically the equipment, however could include other security CBA considers necessary	Typically, Westpac will require security over the equipment	Typically, ANZ will require security over the equipment	Satisfactory to QRIDA with a value commensurate with the loan amount; this may include land, equipment or any other security QRIDA considers appropriate.
Application process	<a href="http://www.nab.com.au">www.nab.com.au</a>	<a href="http://www.commbank.com.au">www.commbank.com.au</a>	<a href="http://www.westpac.com.au">www.westpac.com.au</a>	<a href="http://www.anz.com.au">www.anz.com.au</a> or speak to your local Agribusiness Banker	<a href="http://www.qrida.qld.gov.au">www.qrida.qld.gov.au</a>
Contract period	< 10 years	< 10 years	< 10 years	< 10 years	< 20 years
Up-front payments	Typically \$0 deposit, or as otherwise advised by NAB	As advised by CBA	As advised by Westpac	As advised by ANZ	No upfront payments or costs
Setup costs	As advised by NAB	As advised by CBA	As advised by Westpac	As advised by ANZ	\$0
Statutory costs	As advised by NAB	As advised by CBA	As advised by Westpac	As advised by ANZ	\$0
Equipment performance	With equipment vendor and warranty. Not related to financial arrangements.	With equipment vendor and warranty. Not related to financial arrangements.	Please speak to the vendor or energy consultant you used to procure your energy equipment. Generally not related to financial arrangements.	With equipment vendor and warranty. Not related to financial arrangements.	With equipment vendor and warranty. Not related to financial arrangements.
Warranty and maintenance	Generally with the borrower	Generally with the borrower	Generally with the borrower	Generally with the borrower	Generally with the borrower

# FUNDING OPTIONS

There are currently a number of options to gain some funding or rebates for energy efficiency and renewable energy projects.

- Business Energy Savers Program in Queensland.
- Demand Management and Power Factor Correction Incentives
- Australian Renewable Energy Agency (ARENA) grants
- The Emissions Reduction Fund (ERF)

## Business Energy Savers Program

The Queensland Government is providing audits and implementation bonuses for business including:

- An additional 200 on-farm energy audits with up to \$20,000 in funding to assist with implementation; and
- 30 audits for large customers (over 100 mega watt hours per year MWh/year) with up to \$250,000 funding to assist with implementation.

Further details are at the Queensland Government website <https://www.business.qld.gov.au/running-business/energy-business/energy-saving/business-energy-savers>

## Demand Management and Power Factor Correction Incentives

There may be some financial assistance for farmers and businesses in certain areas to reduce peak demand and improve power factor.

Energy Queensland (formerly Ergon and Energex) offers incentives to reduce peak demand in selected areas. The websites below outline the eligible areas, suitable projects, and how to go about claiming the incentives.

### Regional Queensland

Ergon is currently offering incentives for businesses to reduce peak demand in a number of areas near Emerald, Cairns, Mackay, Townsville, Chinchilla and other areas. For more details visit Ergon's Regional Incentives website <https://www.ergon.com.au/network/manage-your-energy/incentives/incentives-programs>

### South-east Queensland

Energex is currently offering incentives for businesses to reduce peak demand in selected areas in South East Queensland. For more details visit Energex's Business Incentives page <https://www.energex.com.au/home/control-your-energy/positive-payback-program/positive-payback-for-business>

## Australian Renewable Energy Agency (ARENA)

ARENA is the Australian Renewable Energy Agency, a commercially oriented agency established by the Australian Government on 1 July 2012. ARENA has two objectives:

1. improve the competitiveness of renewable energy technologies
2. increase the supply of renewable energy in Australia.

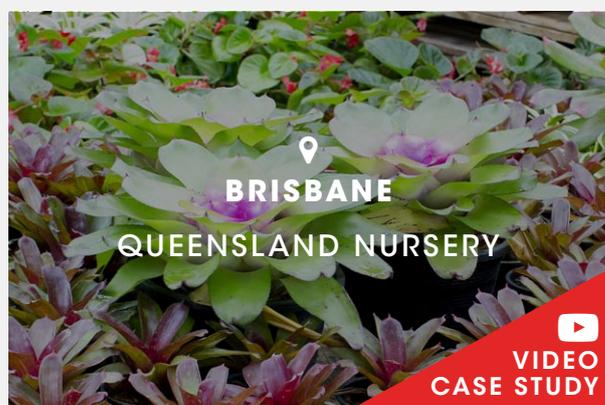
ARENA provides funding grants along the innovation chain from research in the laboratory to large-scale pre-commercial deployment activities. There are a number of priority areas for ARENA investment and details are provided on the ARENA website <https://arena.gov.au/funding/>

## Emissions Reduction Fund (ERF)

The Emissions Reduction Fund is the Australian Governments market-based mechanism to encourage the reduction of greenhouse gas emissions. Individuals and Businesses can create "Australian Carbon Credit Units" (ACCU) by implementing projects with verifiable carbon emission reductions.

ACCUs can then be sold in regular reverse auctions or on the voluntary market. Projects with a minimum carbon abatement of 2,000 t CO<sub>2</sub>-e per year can participate in reverse auctions. Projects can consist of a large energy efficiency project on a single site, or a group of aggregated projects.

Details on the Emissions Reduction fund are in the Government's Publication: **Want to participate in the Emissions Reduction Fund?** <http://www.cleanenergyregulator.gov.au/ERF/Want-to-participate-in-the-Emissions-Reduction-Fund>



✔  
IMPLEMENTED

28%  
actual energy savings

## Energy Savers

The Energy Savers program aims to assist farmers reduce energy costs by supporting the accelerated adoption of improvements in on-farm energy use.

The Program is funded by the Queensland Department of Natural Resources, Mines and Energy, and implemented by Ergon Energy in partnership with Queensland Farmers' Federation.

The program includes case studies and energy resources available at [www.qff.org.au/energysavers](http://www.qff.org.au/energysavers)