Financing Energy Efficiency and Renewable Energy

There are options available to fund or finance energy efficiency projects. Deciding which option is best for the farm operator will depend on the individual circumstances of the farm and the type of project that is being planned.

This fact sheet provides some information and examples of:

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

1. FINANCING OPTIONS

Financing is where money is lent for a 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:

- Traditional Equipment finance, including Lease arrangements
- Extension to commercial loan or property mortgage
- Energy Efficiency Loans
- Energy Services Agreements

Each of these financing options has advantages and disadvantages.

The choice of product depends on the farm operator's specific requirements.

These products can assist in financing productivity projects where there is an efficiency outcome, including but not limited to pumps and motors, packaging, processing and refrigeration equipment.

Below are examples of products in the following categories:

- Energy Efficiency Loans
- Energy Services Agreements

Energy Efficiency Loans

Energy efficiency loans are becoming more widely available in the market-place. These loan products are tailored to overcome barriers to energy efficiency implementation. In practice Energy Efficiency Loans are similar to equipment financing with preferable rates or longer loan periods.

Advantages:

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

Disadvantages:

- Interest rates for loans secured against the equipment are generally higher than mortgage interest rates
- There is a limited number of firms offering these products

This Fact Sheet provides specific details of two types of Energy Efficiency Loans:

- 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.

  The CEFC is an independent Commonwealth Statutory Authority with a mandate to invest in renewable energy, energy efficiency and low emissions technology or related or enabling technologies.

Further details of CEFC's investment focus are available at **www.cleanenergyfinancecorp.com.au/where-we-invest**

- The Queensland Rural Adjustment Authority (QRAA) Sustainability Loans that support Queensland primary producers focussed on improving their profitability and productivity

  QRAA is a specialist administrator of Queensland Government financial assistance programs relating to primary producers seeking to achieve a more productive and sustainable primary production enterprise.

Further details of QRAA's funding are available at **www.qraa.qld.gov.au/current-programs**

Energy Services Agreements

An Energy Services Agreement (ESA) provider will provide a "turn-key" solution. The provider designs, constructs, owns and often maintains 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
- Some providers might offer Type 1 energy audits up front to identify potential projects
- ESA can be off balance sheet
- Payments can be tax deductible (operating expense)
- Implementation and operating risks are 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 and to cover implementation and financing costs.

The Energy Savers Plus Program is funded by the Queensland Department of Energy and Water Supply

QFF ERGON ENERGY NETWORK Queensland Government

QUICK REFERENCE TABLE

	Energy Efficiency Loans				Energy Services Model
	Clean Energy Finance Corporation Co-Financing Partnerships (CEFC Clean Energy Finance Corp)			QRAA	Private Financiers
Program name	nab **Equipment Finance Energy Efficient Bonus**	CommonwealthBank **Energy Efficient Equipment Finance**	Westpac **Energy Efficient Finance**	**QRAA Sustainability Loan – Primary Producer**	**Energy Services Agreement or "Turnkey Solutions"**
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...	Sustainability Loans provide you with up to $1.3M to cover capital costs to achieve a more productive and sustainable primary production enterprise.	An Energy Services Company may design, install, commission, finance and maintain new energy efficient or renewable energy equipment, with service charges designed to be less than energy savings.
Benefit	Bonus 0.70% p.a. off your equipment finance rate, on qualifying assets for the life of the financing.	0.70% discount off standard asset finance rates.	You may be entitled to 0.70% p.a. discount on the interest rate when you purchase certain equipment.	Low interest rate fixed for 1, 3 or 5 years (Interest rates are subject to change in January and July each year).	Generally no up-front costs (Some providers prefer a partnership where the site makes a small up-front contribution of 15-20%), and asset is transferred to the land owner after agreed payback.
Conditions	For energy efficient, renewables and low emissions technologies that meet CEFC criteria.	For energy efficient, renewables and low emissions technologies that meet CEFC criteria.	For energy efficient, renewables and low emissions technologies that meet CEFC criteria.	If you meet QRAA's eligibility requirements.	Energy efficient equipment and renewables. Some providers have backing to finance certain products such as solar PV generation.
Range min–max ($)	< $5.0m	Minimum $10k-$5.0m	Minimum $15k-$5.0m	$0-$1.3m	Depending on provider. Generally above $50,000, but some start at $5,000.
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.	Satisfactory to QRAA with a value commensurate with the loan amount; this may include land, equipment or any other security QRAA considers appropriate.	Unsecured or secured on the equipment. Equipment may be owned by Service Company until completion of agreement.
Application process	Via NAB: **www.nab.com.au/eeb**	Via CBA: **https://www.commbank.com.au/business/asset-finance/energy-efficient-loan.html**	Via Westpac: **www.westpac.com.au/energy**	Via QRAA – **www.qraa.qld.gov.au/current-programs/Productivity-Loans/sustainability-loan/Sustainability-Loan-Primary-producer**	Direct to Providers such as: • Northquest • Websters Group • Verdia
Contract period	< 10 years	< 10 years	< 10 years	< 20 years	< Generally 3-10 years depending on energy savings.
Up-front payments	Typically $0 deposit, or as otherwise advised by NAB.	As advised by CBA.	As advised by Westpac.	No upfront payments or costs.	Not required by all providers.
Setup costs	As advised by NAB.	As advised by CBA.	As advised by Westpac.	$0	$0 (documentation fees may apply)
Statutory costs	As advised by NAB.	As advised by CBA.	As advised by Westpac.	$0	$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.	Some Energy Services Companies will take Performance risk.
Warranty and maintenance	Generally with the borrower.	Generally with the borrower.	Generally with the borrower.	Generally with the borrower.	Some Energy Services Companies will maintain and warrant until the asset is transferred. Maintenance costs covered in the Service Agreement.

2. FUNDING OPTIONS

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

- Grants by the Australian Renewable Energy Agency (ARENA)
- Emissions Reduction Fund (ERF)
- Demand Management and Power Factor Correction Incentives

Australian Renewable Energy Agency (ARENA)

ARENA is the Australian Renewable Energy Agency, a commercially oriented agency. It was established by the Australian Government on 1 July 2012 by the *Australian Renewable Energy Agency Act 2011*.

ARENA has two objectives:

- improve the competitiveness of renewable energy technologies
- 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 including:

- **integrating renewables and grids**
- **renewables for industrial processes** such as heating and cooling
- integrating renewables to supply industrial processes and communities in **off-grid areas**
- alleviating the need for network augmentation on **fringe-of-grid and network-constrained areas**
- developing innovative business and financing models and self-reliance in **community energy projects**
- **advancing commercial deployment of renewable energy and enabling technologies** across a range to technologies.

Further details of ARENAs investment focus are available at 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_2-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: The Emissions Reduction Fund – what it means for you **https://www.environment.gov.au/climate-change/emissions-reduction-fund/publications/what-it-means-for-you**

Demand Management and Power Factor Correction Incentives

There may be some funding assistance available for farmers in certain areas to implement measures that reduce demand during the stated peak demand periods. This can be through modifying existing; or installing more energy efficient equipment, improving power factor, or moving consumption outside of peak demand periods.

Refer to the QFF Energy Savers Information and Resources web page for current information **http://www.qff.org.au/projects/energy-savers/information-resources/**

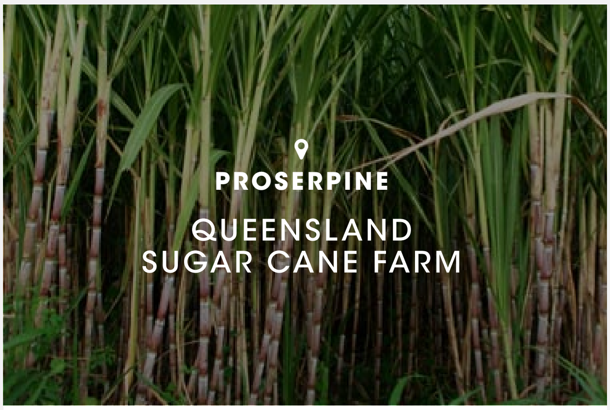
IMPLEMENTED | **19%** *actual energy savings*

IMPLEMENTED | **54%** *actual energy savings*

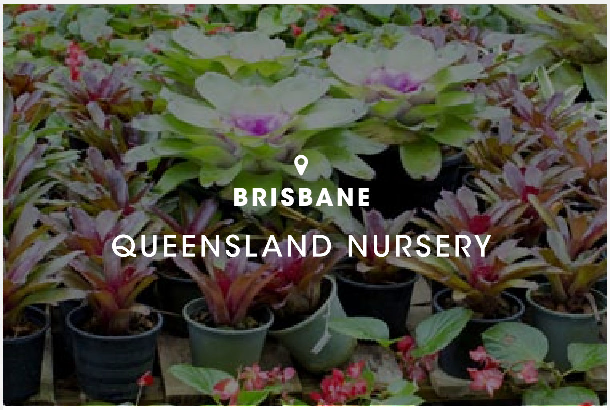
CASE STUDIES OF **ENERGY SAVINGS**

IMPLEMENTED | **30%** *actual energy savings*

IMPLEMENTED | **40%** *actual energy savings*



IMPLEMENTED | **30%** *actual energy savings*



IMPLEMENTED | **28%** *actual energy savings*

Case studies | To see how other businesses are saving energy and costs, go to **www.qff.org.au/energysavers**

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 Energy and Water Supply, 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**