



Place-based case study

Energise Business



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PROGRAM NAME	
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TPOLOGY	<p>State Government, Local Government, Non Government Organisations</p>
KEY STAKEHOLDERS	<p><i>Energise Business</i> was an initiative of the Victorian Government's Greenhouse Strategy and was delivered by ICLEI Oceania.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div data-bbox="711 961 870 1062">  </div> <div data-bbox="922 919 1208 1108">  <p>Australian Government Department of the Environment, Water, Heritage and the Arts</p> </div> </div>
FUNDING PARTNERS	<div style="display: flex; align-items: center; margin-bottom: 10px;">  <div data-bbox="927 1171 1208 1310" style="margin-left: 10px;"> <p>Department of Sustainability and Environment</p> </div> </div> <p>The Victorian Government's 2005 Victorian Greenhouse Strategy Action Plan Update included funding to develop a project to improve energy efficiency in small-medium sized enterprises (SMEs). Specifically, the project objective was to investigate "Energy Performance Contracting" as a means to promote energy efficiency investment in this sector.</p> <p>The Department of Sustainability and Environment (DSE) provided funds to ICLEI Oceania to develop an innovative pilot project to explore this objective over 2006/07 and extended this to 2007/08. This project, known as <i>Energise Business</i>, engaged 114 SMEs across four municipalities over two years to assist them to reduce their energy and increase their financial bottom line.</p>

BRIEF PROJECT DESCRIPTION	<i>Energise Business</i> was designed to create an on-going service that would be widely applicable to local governments and their communities of SMEs. The 2005 Victorian Greenhouse Strategy Action Plan Update reinforced the aim of the <i>Energise Business</i> as to demonstrate "the potential of energy performance contracting to deliver energy efficiency measures for small businesses".
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Background

Energise Business was designed to assist SMEs reduce greenhouse gases and boost the bottom line of small-to-medium sized enterprises. The project used 'energy performance contracting', as a means to recommend how this efficiency could be achieved within a specific timeframe. It also used local government as a conduit to reach the local business community.

Energy performance contracting is a measure often employed by large scale operations and this project aimed to demonstrate how the model could be adapted for SMEs to provide a clear business case for investment in energy efficiency.

Energise Business was piloted in partnership with Moyne Shire Council in Port Fairy, a coastal town in southwest Victoria, in 2006/2007.

In the 2006 pilot, 40 SMEs were engaged to participate in the pilot project from a variety of sectors including hospitality, professional services, retail and industrial. The total pool of eligible businesses in Port Fairy was approximately 90.

In 2007/2008 the pilot was extended to three local government areas - Ararat Rural City, City of Kingston and City of Yarra. The 2007/2008 program was developed with a view to its future roll-out as a state-wide program.

This next stage differed as it engaged an energy services company¹ (ESCO) to provide energy performance contracting services to participating businesses. This model was well-received by participants during the pilot phase.

A total of 74 businesses were engaged across the three councils. Of these, 26 were in Ararat, with 24 in each of the remaining councils. Participation was focused on businesses with an annual energy spend of greater than \$5000. Participants included a diverse array of businesses such as bakeries, retail outlets, aged care facilities, accommodation, pubs, and factories. The largest participant employed 350 staff

¹ Energy Conservation Systems - <http://www.ecsaustralia.com/company.php>

Early Results

The *Energise Business* pilot clearly achieved the aim of the 2005 Victorian Greenhouse Strategy Action Plan Update, delivering considerable greenhouse abatement by giving SMEs access to energy performance contracting – a service normally available to large businesses only.

Actual implementation from the SMEs in 2007/2008 is difficult to quantify. Whilst implementation of actions occurred, no participants elected to engage the project's energy services company (ESCO) to undertake implementation work through the EPC model.

Of the 40 businesses that received audits in stage 1, 17 went on to implement efficiency actions through the project. Actions included installation of efficient lighting, occupancy detectors, refrigeration controls, and cooling tower fan controls. The project also involved energy source substitution and the installation of flow restrictors in hot water taps – an initiative that will save both energy and significant amounts of water.

Businesses invested \$107,875 in energy efficiency measures during the *Energise Business* pilot program, with expected abatement of approximately 310 tonnes of CO₂ per annum, representing an average emissions reduction from stationary energy of 12%, and expected financial savings of approximately \$131,000 per annum – a significant gain for a small, regional community.

A close up of Ararat Rural City, Victoria

Ararat Rural City was one of three municipalities selected for participation in ICLEI Oceania's *Energise Business* project in 2007/08.

Clyde Humphries, Economic Development Manager at Ararat Rural City, commented, "As a council in provincial Victoria, we have limited means to bring new business and investment to the local economy. That makes it all the more important for us to help our local businesses to cut their operating costs. It is an immediate and effective way to boost the competitiveness of local enterprises."

24 businesses joined Ararat's program.



Implementation and Approach



Image: Clyde Humphries (centre) with representatives of AME Systems celebrating their opportunities to save greenhouse emissions and money. AME Systems is Ararat's largest employer, and stands to cut its emissions by more than 350 tonnes per annum.

Clyde Humphries
Manager – Economic Development Unit
Ararat Rural City
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Energise Business used local government as a conduit to the local business community. By building a critical mass of closely located businesses the project reduced the transaction costs associated with energy performance contracting – costs that would otherwise be prohibitive.

Ararat used its close links with the business community to build fast support for the program. In addition to media releases and mail-outs, Council used its existing business networks to promote the project. Word of mouth spread quickly and recruitment was supported with face-to-face and telephone contact.

Importantly, Council developed a database of local businesses, which allowed it to identify their target group of businesses quickly and easily. Ararat had approximately 120 businesses that were eligible for the program.

Energise Business Project Manager, Michael Cann, commented on the impressive commitment and enthusiasm of Ararat businesses. "Despite having a small number of eligible businesses," he said, "Ararat successfully recruited roughly the same number of participants as the larger councils taking part in the project. The business community in provincial Victoria can be proud of its openness to new ways of doing business."

Conclusion

The *Energise Business* project was designed with the aim of creating an on-going service that would be widely applicable to local governments and their communities of SMEs. Instead, the project revealed that energy performance contracting is recommended for only a small but significant group of larger medium-sized enterprises.

The results of efficiency audits on participating SMEs reveal extensive opportunities for energy conservation measures with financial savings significantly greater than commercial interest

rates. The project therefore illustrated widespread market failure in delivering efficiency to SMEs.

SME Diversity

Given the diversity of small-to-medium enterprises with respect to geographic dispersion, owner-occupied or tenant, industry status, premises type and size, energy efficiency projects should rarely, if ever, be directed to SMEs as a whole. Instead, a meaningful segmentation of the SME market must be undertaken.

SME Recruitment

Personal connections between business owners seem important in motivating participation. Informal social networks with business owners in related fields were more influential than formal networks such as business associations. ICLEI Oceania recommends that energy efficiency projects incorporate a strategy to utilize and develop local business-business networks. Local governments can play an important role in such networks.

On-site discussion of a Draft Proposal

Energy conservation measures would be more likely to be taken up if a project incorporated an on-site discussion of a draft proposal with each business before a final proposal was delivered. In this way, businesses could be more engaged in and satisfied with the development of proposed energy conservation measures.

Local Government Knowledge of SMEs

Councils' existing knowledge of their business community is crucial in the recruitment of businesses. The quality of councils' databases is an indicator of early success.

Key Influencers

It would be useful for governments to document key influencers in each of the SME segments. For example, some SMEs are heavily influenced in their purchasing decisions by consultants such as office fit-out designers. Identifying these key influencers could be invaluable in the design of effective energy efficiency programs for certain SME segments.

References

ICLEI Oceania, 30 July 2008, *Energise Business, Two Years of Energise Business: An Investigation into the implementation of energy efficient programs and energy performance contracting for small-to-medium sized enterprises*, Melbourne, Aust.

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