

Barriers for Energy Efficiency

Title:

Large investments are not attractive options in energy efficiency

Category:

Implementation

Summary:

Many companies do not prefer large investments and long term measures (above three-year pay back period) in energy efficiency and they would rather prefer investing in increasing the capacity of the production.

Back ground:

In practice short term and medium term measures gain more popularity in many of the industries. Normally short and medium term measures are low or medium investment proposals, which the management easily accept for implementation.

By and large long term measures falls under the following categories

- ☞ Replacement of old and inefficient equipment (such as boilers, large furnaces, large compressors, OLTC's)
- ☞ Use of latest technologies in the process
- ☞ Waste heat recovery
- ☞ Co-generation
- ☞ Larger energy saving retrofits
- ☞ Renewable energy utilization

To encourage the energy efficiency in long term measures, the government of India is giving 100% tax benefits on most of the product. In spite of these, the plants do not prefer the large investments.

Moreover, companies follow certain guide lines such as it will take up only measures which involve investment upto Rs. 10 lakhs or have maximum payback of 2 years.

In addition to these some of the companies are not very sure about the actual energy savings achievable hence they do not want to take risk. Now the ESCOs and performance contracting companies are boon to such large investments where these ESCOs and performance contracting companies take the risk of energy savings and investment

The main cause is when ever they have to make a large investment they compare with the cost of capacity enhancement (moderate to high). If these are comparable then plants prefer going for the capacity enhancement

Message learnt:

Large investments are should be popularized by the ESCOs and performance contracting companies since many plants have no interest in investing themselves.