

## **Barriers for energy Efficiency**

**Title:**

Poor Payment terms for energy audit services and no standardization of payment terms

**Category:**

Contract negotiations

**Summary:**

There are no standard practices in payment terms for audit services like any other services. These poor payment terms many times leads either delays or non-receipt of the payments.

**Back ground:**

Some of the examples are

☞ **Case # 1:**

- ◆ 40-70% payment before start along with the order
- ◆ remaining 60-30% after submission of final report

In this case payment terms are simple and the audit firm is at least sure of 50% payment in advance. Here the audit firm get the payment after completing the field study, draft report preparation, presentation of report, incorporation of comments and final report submission.

☞ **Case # 2:**

- ◆ 100 % payment after submission of final report

Though the payment terms are simple, in this case it will be difficult to mobilize the funds to start the study since it involves the travel, lodge and boarding expenses during the field study. Not many consultants favor these terms.

☞ **Case # 3: (typical example)**

- ◆ 10% payment before start along with the order
- ◆ 30% after the completion of the plant study
- ◆ 30% after submission of the draft report
- ◆ 30% after presentation and submission of final report

These terms are complicated and require continuous follow up

☞ **Case # 4:**

- ◆ 50% payment before start along with the order
- ◆ remaining 50% after implementation of the measures

In this case payment terms are simple and the audit firm is at least sure of 50% payment in advance. But the final payment is depending up on the implementation.

In almost all the cases there is no binding on the client side for the payment. The company may or may not pay for the final payments. The final payment will be purely depend up on the

- ☰ Expectations achieved by the audit in the coverage
- ☰ Energy saving potential
- ☰ **If the audit has found out some of the mistake and the plant personnel feel that the audit resulted as fault finding.**

The last one is the most important factor for not receiving the final payment

**Message learnt:**

Simpler and standard payment terms and with simple will help the audit firms and the companies in simplifying the actual practice. The companies should not think audits are as faultfinding missions.