

Barriers for Energy Efficiency

Title:

Cost of energy is too small when compared to production cost

Category:

Contract negotiations

Summary:

In many of the industrial and building establishments, creating interest regarding energy efficiency services is very difficult since the cost of energy is too miniscule when compared to the cost of production or operation.

Back ground:

Energy audit is targeted to reduce the cost of the energy by implementation of various energy saving opportunities in any establishment. The saving potential could be up to 30%. In spite of high saving potential, available even in the best run units, convincing the management to go for the energy audit services is difficult sometimes due to very low energy cost.

We can see some of the examples

- ☞ The sectors where the energy cost is low as a percentage of production cost include pharmaceuticals, engineering (heavy and light), value added products, assembly units, automobile units, machine shops, fabrication units, electronic units, appliances, garments, etc. In these units the energy cost is normally lesser than 5% of the total production cost. Though there is potential about 20% savings in total energy cost the cost of production can be reduced by maximum 1%. This makes the management not to venture for the energy audit services.
- ☞ In case of office buildings though more potential exists, the energy component is less and more over the operating hours are very limited for economic feasibility of the measures.
- ☞ In case of domestic applications the energy tariff is too low when compared to industrial rates and by nature Indians at home are more conservative in spending the energy.
- ☞ In case of the agriculture sectors, in most of the states energy is provided at the free of cost or provided at subsidized cost. A huge saving potential in agriculture sectors exists due to inferior quality and inefficient equipment employed.

Apart from the above there are several other industrial units where the energy cost is low.

Lesson learnt:

Though the energy cost is low in many cases, the energy audit services will certainly benefit the establishments since the cost of the services are a fraction of the cost savings achievable. This message needs to be spread.