



# Government energy efficiency grants for Food Manufacturers – up to \$500k per company

Tips on producing a successful application – before time runs out

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## **Introduction**

Rising electricity prices have seen energy costs spike dramatically Australia-wide and more increases are on the horizon. The Australian Energy Market Commission estimates that nationally, the aggregated distribution network price will increase by 6 per cent annually, from 2013 to 2015. There are ways, however to hedge against these rising costs through a Government grant of up to \$500,000 for solar power systems.

Continually rising energy prices and tight profit margins highlight the logic of energy efficiency in the manufacturing and food processing sector – which typically consumes a lot of energy. Reducing energy costs through investment in energy efficient systems such as solar can make huge differences to your bottom line, minimising fixed costs and ensuring you remain competitive.

The Food and Agriculture Organisation (FAO) has emphasised the need for those in the food processing industry to focus on energy efficiency within their organisations, as concerns over fossil fuels increase and their price becomes more volatile. Improving production systems through the self-generation of power will help you remain cost competitive and also reduce price risks. Obviously renewable energies like solar, is key to such strategies.

The Australian Government is aware of the rising costs for manufacturers and the need for them to remain competitive. As a result the Government has developed a grant program to help manufacturers and food processors reduce their energy usage. One of the key strategies as part of this grant program is installing solar power. Installing solar can address both financial and energy concerns for your organisation. This paper outlines the steps to install solar for your organisation through the available Government funding; which will likely lead to a cash flow positive investment with little to no capital outlay.

## **Energy Efficiency Grants for Food Processors**

As part of the Government's greater \$1.2 billion Clean Technology Program, incentives for businesses are provided through several components such as the Clean Technology Investment Program (CTIP) – for manufacturers, and the Clean Technology Food and Foundries Investment Program (CTFFIP) – for food specific manufacturers.

These programs have allocated \$1 Billion in funding to support Australian manufacturers in reducing their energy footprint while stimulating the clean technology sector. The programs aim to provide grants for investments in energy efficiency and low emission technologies – and solar power is a key part of the strategy.

***At this stage, it is likely that the CTIP grant will be put on hold before the upcoming election, and may not be relaunched given its funded via the Carbon Tax which the opposition has vowed to repeal. Therefore the deadline to submit applications is approaching fast. More information is provided later in this paper (see appendix).***

For food processors/manufacturers there are only a few eligibility criteria, making it relatively easy for most food and foundry organisations to qualify. Organisations can install solar power to help reduce their energy costs as part of the program. With CTFFIP funding, your organisation may be eligible to receive a **1:1 grant of up to \$500,000** to assist you to install systems such as solar power on your premises. Your solar installation could be cash flow positive from day one, which will essentially guarantee your business 20 years of substantial energy cost savings potentially with no capital outlay.

*With respect to grants, there is no maximum capping the amount you can apply for, with the minimum amount being \$25,000. The grant ratio is dependent on the size of the grant and turnover of the applicant.*

Application criteria include:

- Turnover under 100M (above 100M means grant funding is reduced to 1:2)
- NO energy usage qualification
- Must be a company or Trust and registered for GST
- Must have been in business minimum 12 months

## **Benefits of solar for food processors and manufacturers**

Not only is installing power an important strategy against rising energy costs – it also has several key benefits that will enable your business to be more cost competitive, while differentiating you from your competition. Benefits include:

### Reduced energy costs

Estimates on ever-increasing electricity costs vary, yet indicate tariffs may double or triple over the next decade. Installing a solar power system allows your organisation to generate their own electricity and reduce energy expenditure by up to 50%<sup>1</sup>.

With the CTFFIP program, the solar system could be cash flow positive from the 1<sup>st</sup> Quarter (via a lease or CHP arrangement) or have a payback of less than 3 years (with a cash purchase). Installing solar under the program can cut your energy usage by around 50% instantly, with little to no upfront costs.

### High yield, low risk ROI

Unlike many other investments, solar power provides a guaranteed year-on-year output for up to 25 years. Solar requires minimal ongoing maintenance and is low

risk as it comes with long-term warranties. An installation will reduce your energy usage, enabling your organisation to save money for the life of the system, which can last up to 40 years. With solar, your savings increase over time as energy prices rise, rather than your costs rising each year without solar. Solar is a viable strategy to guaranteed reduced energy expenditure over 20 years and more for your organisation.

### Environmental

Differentiate your organisation from the others by installing solar. Achieve your CSR objectives with solar by utilising a clean, green energy source, which will significantly reduce your carbon footprint.

### **How to apply**

For those looking to apply for funding for the installation of solar, the application process with Todae Solar for the grant requires your organisation to sign a memorandum of understanding with a solar provider, provide relevant documentation, and prove your organisation's and project's eligibility.

Todae Solar have assisted dozens of organisations across Australia apply for funding, and according to insights are responsible for approximately **20% of all solar related grants under the program**<sup>2</sup>. Todae Solar will take care of the entire application process for your organisation and make it easy to take advantage of the funding

### **The end of incentives may be near, take advantage now**

It is expected these grants will be put on hold shortly, meaning the deadline to apply for funding is fast approaching. With a federal election on the horizon, it looks likely these programs will be cut sooner than later. While the CTIP and CTFFIP were initially expected to run up until around 2018 and 2017 respectively, a change in leadership could see their removal after the September election later this year.

These programs are being funded by revenue raised by the carbon tax, which looks likely to be removed should the Coalition be elected in September. Recent reports reiterate this sentiment, with Tony Abbott announcing his intentions publically. (See Appendix A for more information)

These programs will be placed on hold on issuance of the Writ on August 12, under the 'caretaker' conventions of the constitution. Given the Liberal-NP commitment to roll back the carbon tax, it is very likely the program will not return after the election. As the last Grant Approval Committee before the program is placed on hold is likely due to be held in July, time may be limited for organisations to secure the opportunity. With a lengthy lead-up process before the application is presented for

approval, applications for the grants should be lodged as soon as possible.

## ROI For Your Organisation

Below is an example of the ROI for a food processing organisation installing a 100kW solar system under the CTFFIP grant (comparing a cash purchase with a lease arrangement):

	Govt. Funded Cash Purchase	Govt. Funded Lease
<b>System Size (kW)</b>	100	100
<b>Gross System Cost</b>	\$252,941	\$252,941
<b>Govt. STC Rebate Value</b>	\$64,263	\$64,263
<b>Govt. Grant Monies</b>	\$94,339	\$94,339
<b>Net System Cost</b>	\$94,339	\$94,339
<b>Yearly Lease Costs</b>	N/A	\$34,868
<b>Year 1 Energy Output (kWh)</b>	155,270	155,270
<b>Year 1 Energy Cost Saving</b>	\$28,771	\$28,771
<b>Bill Coverage</b>	61%	61%
<b>20 Year Saving</b>	\$844,253	\$814,668
<b>20 Year Carbon Abatement</b>	2962 tonnes	2962 tonnes
<b>Payback Year</b>	Year 3	Year 0
<b>IRR (20 year)</b>	58%	N/A
<b>Levelised Cost of Electricity<sup>3</sup></b>	\$0.07 /kWh	\$0.07 /kWh

Solar is an attractive and unique investment with high yields and low risk ROI's. The CTFFIP makes solar even more accessible to your organisation by cutting your overall expenses – by up to two-thirds in some cases.

For example, with the CTFFIP providing funding for an installation of a 100kW solar system, your organisation could pay for around one third of the entire cost (see table above). You will significantly reduce energy bill and save hundreds of thousands of dollars over a 20 year period. Cash payments for the system could have a short payback period of three years or less; while leasing can be cash flow positive from the first quarter.

## **Conclusion**

Rising electricity prices and tight profit margins provide a solid case for energy efficiency within the food processing and manufacturing industries. The CTFFIP is an excellent opportunity for organisations in this sector to reduce their energy costs and become more efficient. Using this grant to invest in solar gives you a guaranteed energy saving with minimal upfront costs.

The time frame for applying for CTFFIP may be closing as we approach the next federal election, meaning deadlines for applications may be even closer. The benefits of installing a solar system will allow you to be cost competitive and differentiate your organisation from the rest. With the CTFFIP, you could potentially only pay one third of the cost for a solar power system and save hundreds of thousands of dollars over a 20 year period.

Time may be running out to take advantage of the grant. Todae Solar experts can assist you with eligibility requirements, applications, and any general enquiries you may have.

**To contact Todae Solar – call 1300 467 652 or visit  
[www.todaesolar.com.au/business-solar-power](http://www.todaesolar.com.au/business-solar-power)**

## References

1. Savings dependent electricity rates, size of solar system and electricity usage. Savings may not be achievable for all organisations – Todae Solar will provide information on potential savings. 2. Based on Todae Solar’s clients under the CTIP/CTFFIP in relation to the number of approved grants as advised by AusIndustry who administers the grant. 3. Based on Todae Solar’s calculations and understanding of energy usage and system generation.

<http://eex.gov.au/industry-sectors/manufacturing/food-and-beverage/>

<http://www.fao.org/docrep/014/i2456e/i2456e00.pdf> FAO report page 3

<http://eex.gov.au/industry-sectors/manufacturing/food-and-beverage/opportunities/>

<http://theconversation.com/why-australians-are-getting-a-raw-deal-on-electricity-prices-13296>

## Appendix A

The latest Morgan Poll released April 8 shows that if a federal election were to be held now the Liberal-NP would easily win the election. The Liberal-NP vote is 46.5 per cent, still clearly ahead of the ALP at 31 per cent. If all the polls of the last year are correct, it is likely Australia will have a new government soon.

CTIP and CTFFIP are being funded by revenue raised by the carbon tax, which is likely to be axed if the Coalition is elected. General media sentiment paints a picture dooming CTIP’s future. Tony Abbott recently stated on February 1 at the National Press Club in Canberra: “When I say there will be no carbon tax under the government I lead, I am telling the truth.” A report in the *Herald Sun* on April 4 also reiterates Mr Abbott’s intentions to axe the carbon tax straight away if the Coalition is elected, while [The Sydney Morning Herald](#) reported May 4 that Mr Abbott is looking more likely to repeal the Tax. The newspaper states that an analysis of Senate seats up for election indicates they could fall into conservative hands if present voting trends continue.

Refer to [www.todaesolar.com.au/ipad-offer.php](http://www.todaesolar.com.au/ipad-offer.php) for full details.

