



Energy efficiency: It's for business, not being cool

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Energy efficiency is being recognized in many quarters as more than just a "feel good," environmentally-beneficial business activity, but as a positive financial investment goal itself. After all, what is an investment? It is spending money so that you get that money back and a lot more. Investing in energy efficiency is an effective way of making money through reduced long-term costs and other financial benefits.

How do we define a good investment? Making the most money within a risk - reward paradigm. There are "safe" investments, which you will not likely lose, but you'll sacrifice interest or yield. And there are riskier investments that could make you more money, but risk losing the investment. Smartly investing money in energy efficiency projects is the best of both worlds. The risk is low. The technologies are known; if implemented correctly, they will work in lowering your energy use. A lower wattage light bulb uses less electricity than a higher one. Period. And if a particular technology fails, the vendor will replace or repair it. And if designed right, provide you with many benefits.

And the cost savings are potentially great. LED lights in many cases produce the same light using less than half the electricity of current conventional lamps. In addition, these new technologies last longer than those replaced, saving the building much in O&M costs and allowing management to reassign workers to other more pressing tasks. Also, there is less risk with fewer trips up the ladder to replace lights. I recently performed an evaluation of a large light replacement project. The client's investment was found to have a rate of return of 14% per year over 7 years. And with no risk (the lights work). What investment on Wall St. results in such a return with no risk? Really! Tell me one. Many other strategies - if planned well for your particular building - will result in similar or better yields and benefits.

Some say: "This is great, but where do I get the upfront capital to buy these new technologies?" Given the high rate of return and low risk, many financial institutions would be happy to lend money at low interest knowing their risk of default is low. Now, several government agencies, such as NYCEEC in NYC and Energize-NY in the rest of the State, have set up low-interest loan programs geared to energy upgrades, designed so that buildings have only positive cash flow in these projects. Money is paid back only when energy cost savings are achieved.

The organization The American Council for an Energy Efficient Economy (www.aceee.org) has compiled many financial studies and case studies on energy efficiency upgrades. See the following graph comparing the risk-reward of a typical energy upgrade with that for other monetary investments.

See how energy efficiency projects - again, if designed and implemented professionally - has a low risk index, yet high annual rate of return.

CCES can perform an energy evaluation and manage the implementation of energy efficiency projects you select for your buildings and operations to maximize your financial benefits. Contact us

today at 914-584-6720 or at karell@CCESworld.com.

Marc Karell, P.E., CEM, EBCP, is the president of Climate Change & Environmental Services, LLC, Mamaroneck, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540