The Business Case for Going Green

In recent years, many companies have undergone comprehensive cost-cutting plans to conserve cash and reduce overhead. As they seek to further reduce costs without sacrificing the quality of goods and services and their ability to grow, finding new ways to save can seem like a daunting challenge. However, there is one area of investment that can actually lead to long-term savings, while enhancing a company's overall image and appeal.

"Green financing" can help companies become more sustainable while boosting the bottom line.

Energy efficiency and renewable investment offers robust opportunity for economic rewards. While total energy use is falling, renewable energy generation is a growing sector, with technologies producing wind, solar, geothermal and similar energy sources representing the largest single source of new capacity growth in 2012, according to Bloomberg's Sustainable Energy in America 2013 Factbook.[1]

There is good news for businesses serious about energy efficiency and renewable investment, which includes implementation of equipment or infrastructure that allows them to reduce their dependence on energy or reduce their energy use. Specialized financing options could reduce their long-term overhead, while such projects could qualify for tax credits, rebates, or other federal, state, or local programs that could reduce the cost of these improvements.

Qualifying Projects

A wide range of projects could qualify for so-called green financing. A good place for businesses to start looking for opportunities is to review their biggest sources of energy and resource usage. For example, lighting, water management, or heating, cooling, and ventilation systems could be upgraded or redesigned to be more effective and energy efficient. Next, look at the building itself. Possible upgrades might include white roofing, energy-efficient windows or window treatments, or building wrap to help conserve energy. Other types of projects that might qualify:

- Solar panels
- Wind turbines
- Energy-efficient manufacturing equipment
- Biomass-based fuel sources
- Energy-efficient vehicle fleets

> We can't emphasize enough that this is an area of opportunity where, historically, businesses and building owners have not realized the benefits. In addition to being a great way to control costs, research shows that customers prefer to work with companies that have sustainable practices.
>
> **– Joe Paterniti,**
> **VP and Enterprise Manager, Energy Efficiency & Renewables at KeyBank**

Many other types of projects may qualify as well, if they serve to reduce energy consumption.

A 2014 ACEE study[2] found that a business can typically reduce its energy bill 50%-60% by making facility-wide enhancements. As customers continue to demand more socially responsible practices from the companies they work with, making investments in sustainable practices makes good business sense.

"It's absolutely a motivating factor. Customers want to work with companies that have values and are not just looking for the transaction," Paterniti says.

Financing, Rebates and Credits

Green financing packages are typically equipment loans. They may include conventional term loans, capital equipment lines of credit, capital and operating leases, and real estate loans. If you are considering a project, it's a good idea to meet with your banking representative, who can discuss the parameters and develop a structure that fits with your objectives.

In addition to competitive financing rates, some programs might qualify for tax credits, rebates, grants, or other financial advantages available from federal, state, or local governments, utility companies, or other entities. These programs change frequently, but a good place to start looking is the Database of State Incentives for Renewables & Efficiency website[3], which also has information about federal tax credits. The Small Business Administration (SBA) also devotes a page on its website to various tax advantages for energy efficiency improvements and investments[4]. Your local electric and gas companies may also offer programs and incentives for investment in energy-efficient and renewable products.

Ongoing Savings

After reducing your capital expenditure through incentives and grants, the typical goal is for the overall energy savings to be greater than the debt, providing for immediate cash savings. The savings then increase once the debt is paid off. As with lean manufacturing processes and other ways of reducing operating expenses, companies will save money on overall energy and operations. According to Energy Star, small businesses that invest in energy-efficiency improvements can achieve significant savings on their utility bills annually. Clean Edge estimates that energy savings could generate $34 billion per year for U.S. businesses.

> To best maximize your immediate and long-term savings, it's important to have a plan that outlines your goals and the types of improvements and investments you'll make.
>
> **– Joe Paterniti**

For the best results, work with a relationship manager to create your plan, tapping the knowledge of a representative who is experienced in green financing. Experience is important because it will help you understand how to define and evaluate your improvements and investments for the best short- and long-term financial advantage for your business. By lowering expenses, taking advantage of tax and other credits and rebates, and fostering goodwill among customers who may be willing to pay more for sustainable products and services, companies can become more fiscally fit while becoming more environmentally sound.

1 www.bcse.org/factbook/pdfs/BCSE_BNEF_Sustainable_Energy_in_America_2013_Factbook.pdf
2 2014 ACEE Summer Study on Energy Efficiency in Buildings
3 www.dsireusa.org
4 www.sba.gov/content/federal-tax-credits-energy-efficiency