

How an office tenant saved \$130,000 a year in energy costs



Environmental Upgrade Agreements (EUAs)

When Government Property NSW approached their landlord Australian Unity Investments about helping fund a full lighting upgrade using an Environmental Upgrade Agreement at 10 Valentine Avenue, the landlord was immediately interested.

Government Property NSW offered to cover nearly half the cost of the project over time through an Environmental Upgrade Agreement (EUA).

An energy audit carried out mid 2012 identified lighting as a clear opportunity to save energy for the tenant. Replacing the original 'T8' fluorescent ceiling lights with high efficiency 'T5' lighting and LED down-lights offered one of the fastest ways to save money.

The benefits were immediate for the tenant, saving \$130,000 a year in electricity costs. Using an EUA also enabled the project to be carried out sooner rather than later.

The landlord's story

Grant Nichols, Property Portfolio Manager at Australian Unity Investments said: 'By entering into an EUA at 10 Valentine Avenue, Australian Unity Investments has been able to improve the building's energy efficiency, engage collaboratively with the tenant and diversify our funding arrangements. As an owner of commercial property, it is important to continue to improve building efficiency to protect asset value and attract and retain tenants. There is also the satisfaction of knowing that we are contributing to a low carbon environment.'

Finance for the EUA was provided by a joint arrangement between National Australia Bank, Low Carbon Australia Ltd and Eureka Funds Management. The loan will be repaid over five years via the rates notice issued by Parramatta City Council with the tenant contributing to loan servicing by savings made on energy costs. On the completion of the lease, the tenant will enjoy up to a 70 per cent reduction in electricity costs.

In brief

Project

Full tenancy lighting upgrade on 14 floors of office space ('T8' fluorescent lights to 'T5' lighting).

Tenant contribution

- 43 per cent of the EUA annual charges (principal and interest) over a 3.5 year lease term.

Timing

- 3 month EUA negotiation and tender selection
- 2 month installation time
- 3 year term energy performance contract and 3 year lighting warranty (supplier guarantees maximum lighting power density of 6.5 watts per square metre and all lighting components including lamp failure).

Result

- \$130,000 savings per annum for tenant (from year 1 and then increasing)
- improved office environment
- reduced heat load and maintenance costs.

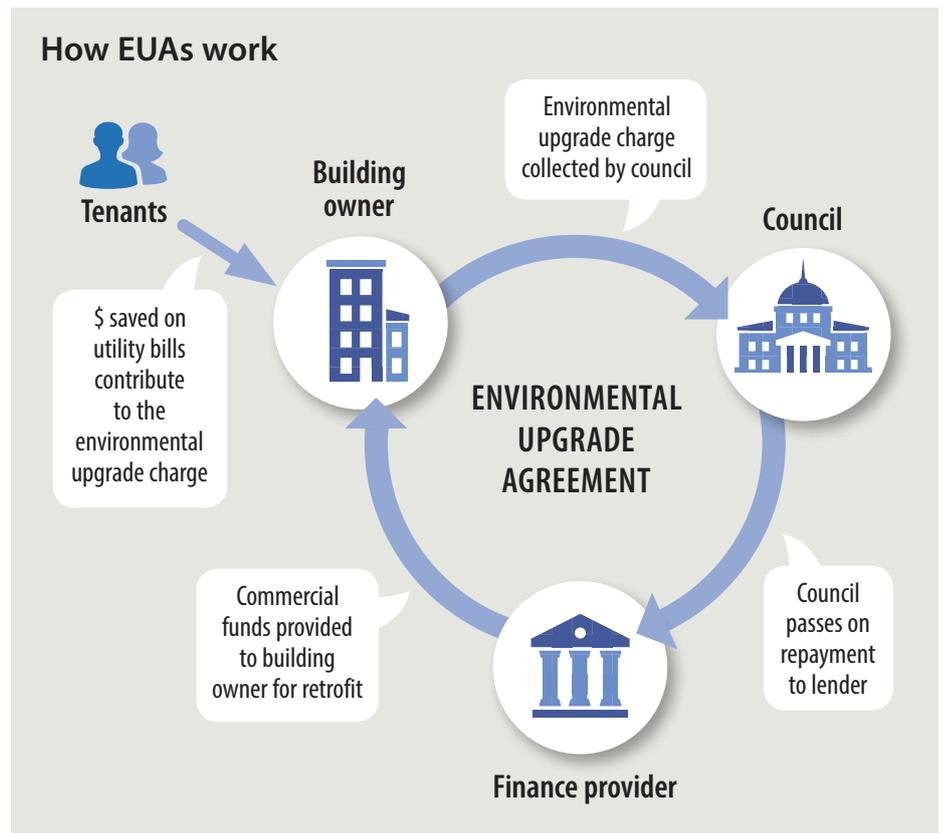


The tenant's story

As it was their first EUA, Government Property NSW sought advice from an energy expert to assist with the process. Arranging the EUA and tenders for the project took three months.

Spokesman for Government Property NSW, Lindsay Haraldson said: 'Having someone who understood lighting technologies and the EUA process saved us a lot of time. This was a first for us – we hadn't tried it, but it made such financial sense we were keen to make it work for our client agencies.'

As a lighting project, it qualified for tradeable 'Energy Savings Certificates' under the NSW Energy Savings Scheme. Certificates can be created as a result of a reduction in electricity consumed by high energy efficient technologies and systems. The Certificates for this project cut the upfront costs by \$156,000.



Quick glance – EUA finance for 10 Valentine Avenue

For the owner

- nearly half the upgrade costs are paid for by the tenant
- lower capital cost using Energy Savings Certificates
- reduced heat load in the building.

Both contributions from the tenant and the Energy Savings Certificates provided the landlord the financial incentives to complete the upgrade now, outside the lease cycle, instead of upgrading sometime in the future.

For the tenant

- immediate energy savings by lower electricity consumption for lighting (70 per cent reduction)
- savings on maintenance costs via a three year lighting warranty for new lighting
- no capital outlay
- improved working environment.

The tenant redirects a proportion of the dollar savings enjoyed from the high efficiency lighting to the owner to help the owner repay the loan. When the current lease expires, the tenant will enjoy the full 70 per cent reduction in electricity bills for lighting.

For the environment

- lower greenhouse gas emissions by 550 tonnes per annum
- recycling of all 19 tonnes of materials removed from the site
- contribution to lower peak demand on the electricity network.

45 per cent less lamps and 50 per cent less ballasts significantly reduce the long term life cycle impact of materials for the building's lighting. The project also helps lower Parramatta City's greenhouse gas emissions and power demand on the wider electricity network.

Find out more Visit www.environment.nsw.gov.au/sustainbus/eua.htm or phone 1300 361 967 for more information on Environmental Upgrade Agreements.