



Business

Financing your project

Compare options

Heating and cooling

# Case study: Heating, ventilation and air-conditioning

Find out how ABC Limited saved \$73,000 over 15 years by using an Environmental Upgrade Agreement to finance an energy-efficient heating, ventilation and air-conditioning system (HVAC).

## Situation

Company ABC Limited owns a multi-tenanted office building in the Sydney CBD and wants to replace the building's existing HVAC system with a new one. They are considering two options with 47kW capacity: a standard rooftop packaged system or a more expensive, more energy-efficient system.

## How does the energy-efficient system (EE) compare to the standard system?

Equipment type	Standard	EE
Cost to install (\$)	\$27,000	\$33,000
Operation and maintenance costs (\$ p.a.)	\$800	\$1,500

Electricity use (kWh p.a.)	192,000	131,300
Equipment life (years)	15	15
Electricity cost reduction in first year from the system (\$)		\$12,140
Simple payback period for the system (years)		3.1
Simple payback period for the system, with marginal capital <sup>1</sup> (years)		0.6

Item	NPV
Standard system	-\$277,686
EE system	-\$204,262
Difference	\$73,424

### **Financial option selected:** Environmental Upgrade Agreement

ABC Limited decides to seek an Environmental Upgrade Agreement for its HVAC system. This type of finance provides a mechanism for the

company to pass on some of the repayment costs to its tenants, and it results in the highest expected NPV. In addition, ABC Limited expects to sell its building in 5 to 10 years and is more comfortable with a form of finance that is tied to the building and will transfer to the new owner if the building is sold.

<sup>1</sup>This is the payback period for the energy-efficient (EE) option using the difference in capital outlay between the standard and EE equipment, rather than the full capital outlay for the EE equipment.

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## Downloads

Download the case study and a cash flow model.

**Case study  
(PDF  
206KB)**

**Cash flow  
model  
(XLSX  
675KB)**

## Checklist

Check if  
an environmental  
upgrade agreement  
is the right option  
for your business.

**Download  
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checklist  
(PDF 2MB)**

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