

# The Carbon Trust Factsheet

What you need to know about acquiring interest-free loans for your business

by Somar International Ltd

## What is the Carbon Trust?

The Carbon Trust is a government-funded body which helps organisations of all sizes reduce their carbon emissions and funds the research of commercial low-carbon technologies.

## What can the Carbon Trust do for my business?

All businesses can benefit from the Carbon Trust by exploiting their expert advice to find ways of saving energy within a company. As well as a range of online tools designed to help you isolate the most effective ways of cutting your energy costs, businesses spending over £50,000 qualify for a free carbon survey, with experienced consultants working with you to help make an immediate impact on your bottom line.

## Do the Carbon Trust only provide surveys?

No! The most valuable service that the Carbon Trust provides for UK businesses is their unsecured interest-free loan scheme for energy efficiency improvements, called the **Big Business Refit**. Between **£3,000 and £500,000** is available to businesses to pay for a wide range of energy-saving projects, from new efficient manufacturing equipment to low-energy lighting. The 0% interest repayments are spread over up to four years, so depending on the level of savings realised by the project the loan can more than pay for itself, leading to instant positive cash flow!

## Does my company qualify for an Unsecured Interest-Free Loan?

Previously limited to SMEs only, the Big Business Refit is available to all UK companies and operations which are not a part of the CRC Energy Efficiency Scheme. If your company is a part of this scheme, which comes into force in April 2010, then you should already be aware of your participation by now: it affects companies which pay at least £500,000 a year on electricity, involving only the 5,000 heaviest corporate emitters in the country. If your business is not a part of the CRC Energy Efficiency Scheme, has been trading for over a year and has an acceptable credit rating then you should be eligible for a Carbon Trust interest-free loan.



### Case Study: Roberts Mart & Co Ltd

One business that has already saved by scrapping its old equipment is Yorkshire-based Flexible Packaging Printers, Roberts Mart & Co Ltd. As well as core printing equipment refits, the company also installed efficient Somar Eluma warehouse lighting, delivering substantial energy savings along with vastly improved light levels. Sales Director Ben Roberts (pictured above with Theo Paphitis) said:

*We've taken advantage of two Carbon Trust loans, totalling over £300,000, to replace printing press drying systems, a boiler and lighting. As a result, we're saving around £130,000 a year on our energy bills, plus around 900 tonnes of CO<sub>2</sub>. The Carbon Trust loans scheme has been a simple and effective way for us to modernise our business, and reduce costs in the recession.*

## What low-carbon technologies can be financed in this way?

The Carbon Trust considers any project that can demonstrate energy saving which results in a carbon emission reduction in excess of 1.5 tCO<sub>2</sub>/£1000 loaned. In simple terms, that means that the following projects are routinely considered:

Building Technologies	Industrial Technologies
Air conditioning	Compressed air fittings
Lighting	Motor & Motor controllers
Boilers and heating controls	Materials handling equipment
Boiler and hot water tank information	Power factor correction
Building Insulation	Process heating
Heat recovery	Process controls
Pipe insulation	Refrigeration
Solar thermal systems	Variable speed drives

## Why should I care about these projects?

If you're involved from a financial perspective, then energy efficiency reduces long term overheads. Positive cash flow projects obviously also add extra profitability to a company overnight. PR and marketing departments are able to put a strong positive green spin on the company, and environmental managers can make massive strides towards their company targets with well-chosen projects. Facilities managers are able to bring new equipment to

the facility, which is also often safer, quieter and more productive as well as saving energy.

## What kind of projects result in positive cash flow?

Obviously, the greater the energy savings from your project the greater the payback, but this in turn needs balancing with the original expenditure. The most popular type of project for this reason is energy-efficient lighting: lighting makes up a substantial proportion of a company's energy costs (often a majority of the energy overheads), and energy-efficient lighting with intelligent sensor controls such as the Somar Eluma are able to cut the energy usage of a building's lighting by between 60-80% on average. As a result, savings are often a lot higher than the loan repayments which adds a welcome cash boost to the company's bottom line.

**Don't just judge by positive cash flow and return on investment (ROI) periods, though.** When deciding between two solutions with similar cash flows and ROI periods, always pick the more expensive option! It'll have to be saving substantially more energy than a cheaper unit in order to result in similar ROI periods, which means once it has paid for itself it will make a much bigger long-term difference to your finances!

## How else can my company financially benefit?

Most projects which can be financed with Carbon Trust interest-free loans use technology on the Energy Technology List (ETL) – a list of approved technologies which also qualify for the Government's **Enhanced Capital Allowance (ECA)** scheme. The ECA scheme allows businesses to claim a full 100% capital allowance on equipment in the first tax year, as opposed to the usual 20% for plant and machinery investments.

*For example, a company which pays 28% corporation tax would save an extra £224 for every £1000 spent in the purchase year under the ECA, giving a massive cash flow boost and further shortening the ROI period.*



Contact the Carbon Trust today  
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