AN INTRODUCTION TO FUNDING COGENERATION

Small scale CHP units

This infographic introduces the funding options for small scale CHP units and will offer guidance to help choose the most appropriate source of finance.

A good choice of funding option may affect the overall installation economics, particularly influencing the payback period.

In many cases, the choice of funding option will be driven by the state of the organisation's balance sheet and the tax position.

Money matters, but where could it be sourced from?

Organisation's own resources

(aka 'on-balance-sheet')

Capital purchase

Partner or contractual counterparty's resources

(aka 'off-balance-sheet')

Discount Energy Purchase

Energy Services Agreement

Public Private Partnership

Advantages / Disadvantages

Greater control and flexibility of operation

Potentially attractive tax treatment

Need to commit resources which might be better employed on alternative investments

No need to commit own resources

Predictable flow of costs, energy savings and carbon emissions savings for term of contract

May be less flexible in situations where the business/energy strategy is liable to change in future

Access to capital

Organisations have a further choice under this option of whether to use cash held internally (where available) or make use of debt, either from a traditional bank or a newer 'peer-to-peer' lending source

Not applicable to 'off-balance-sheet' option

Make sure that your organisation's choice of CHP scheme is consistent with underlying business and energy strategy.

Technology

Size

Funding type

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