

EM-101 TOOL KIT

Roadblocks to Success

Why EMP's Fail

ROADBLOCKS TO SUCCESS

FUNDAMENTAL QUESTION:

- What makes it challenging for companies to implement “their” energy management programs?

OBSERVATION:

- In discussing this fundamental question with various size companies, institutions and professional organizations, we have identified five common roadblocks.
- These roadblocks should be addressed to ensure a long lasting successful energy management program.



ROADBLOCKS

A study completed by Masters' Academy, analyzing 50 company EMP's and projects, identified the five most common "roadblocks" which prevented EMP's and projects with strong ROI's from moving forward (stagnated)

The FIVE ROADBLOCKS are:

1. PERCEPTION
2. MANPOWER
3. CAPITAL
4. CASH-FLOW
5. ENERGY EFFICIENCY CULTURE



THE FIRST ROADBLOCK: PERCEPTION

Perception #1: It's uncontrollable...

- Energy is “just” the cost of doing business
 - The energy costs are buried in the overhead “bucket” and accounts payables just takes care of paying the bill!
- There is little value, in controlling or managing these costs.
- Besides, energy prices are falling, so what's the problem?

What is your company's perception?



THE FIRST ROADBLOCK: PERCEPTION

Perception #2: It's Expensive...

- Implementing and maintaining an energy management program is expensive.
- Energy reduction projects are extremely expensive and have unattractive (long) paybacks!



What is your company's simple payback criteria?

What do "you" consider a great payback (interest) on your personal investments?

HOW DO YOU ADDRESS PERCEPTIONS #1 & #2

- Energy Costs are uncontrollable
 - Energy costs can be tracked, managed, and forecasted similar to labor, capital, and materials.
- EMP's are expensive to implement
 - Energy cost reductions of 10% are common and in many cases with minimal capital investment.
- Energy reduction opportunities are expensive
 - Energy efficiency projects have typical paybacks of 4 years and with incentives, paybacks can be < 2 years.
 - Energy savings go right to the bottom line!



SOMETIMES IT COMES DOWN TO... THE COLOR OF MONEY!

Most companies use a simple payback criteria (i.e. 2 years) as a “first test” on approving capital projects.

- For a company to generate a return on their capital investment (profit), they must recover the following overhead costs:

- Research and Development
- Marketing
- Sales
- Distribution
- Inventory
- Warranty
- Administration
- Labor
- Material
- Operations
- Maintenance

- This simple payback criteria (i.e. 2 years) is applied across all projects. However, energy savings projects do not require all of the overhead costs listed above.

- In other words, the cost savings from energy efficiency type projects go directly to the bottom line, therefore, the 2 year payback criteria should be reviewed.



THE SECOND ROADBLOCK: MANPOWER

- Typically, there is little or no justification for having a full time energy person on staff.
 - Even when an energy champion has been identified, that individual is not given the time, authority or capital to be effective. It just becomes another “hat”
- Even when potential energy reduction project(s) are identified, companies **may not have the internal resources or skill sets required** to carry them through to completion. (i.e. to research, develop and manage all aspects of the project).



HOW DO YOU ADDRESS THE MANPOWER ROADBLOCK

- Senior Commitment
 - Energy Efficiency Policy
 - Allocate time, resources, and authority
- To many times, we spend a tremendous amount of time reinventing the wheel.
 - Comparing projects that have been implemented at sister facilities, local companies, can reduce the learning curve required to complete a project.
 - Sister plants should not be considered “stove pipes” but a true asset especially when it comes to EE projects !
- Utilizing outside resources (free “manpower”)
 - State Energy Efficiency Programs, Utility Representatives, Vendors, Sister facilities , professional organizations



THE THIRD ROADBLOCK: LIMITED CAPITAL RESOURCES

- When capital resources are limited
 - Priority is given to production, product quality, and safety projects.
- Without an EMP
 - Energy efficiency projects are usually not included as a specific line item in the overall budget process.
 - In many cases, it takes a catastrophic failure, or equipment obsolescent to getting anything done.



THE FOURTH ROADBLOCK: NEGATIVE CASH FLOW

Based on business conditions and the current state of the economy, companies may struggle with the day to day issues of maintaining a positive cash flow and paying the bills.



HOW DO YOU ADDRESS LIMITED CAPITAL, NEGATIVE CASH FLOW ROADBLOCK

- Work with the Finance Department to develop a **modified payback** criteria that can be applied to energy reduction type projects.
- Funds may be available from outside resources
 - Loans (use energy savings to cover payments)
 - Grants
 - Equipment leasing type programs
 - Incentives (City, State, Federal and utility companies)



The Masters Academy **EM-101 Tool Kit** contains links to all available energy reduction incentive programs in the U.S.

THE FIFTH ROADBLOCK: ENERGY EFFICIENCY CULTURE

- Companies tend to implement EMP's without the proper training and instilling an energy efficiency culture throughout the organization.
 - This leads to non-commitment, confusion, and lack of identifying EE opportunities.
 - Results in the so called champion spending enormous amount of time on getting everyone on board
 - Without the presence of this culture, energy management programs slowly deteriorate and loose their focus.



HOW TO ADDRESS ENERGY EFFICIENCY CULTURE ROADBLOCK

- It's all about training ALL PERSONNEL throughout the entire organization on Energy Efficiency.
 - Creating this culture will result in dramatic and continuous improvements to the organizations bottom line (profit !).
 - An energy efficiency culture has to be cultivated, and nurtured to ensure that energy efficiency **becomes a way of life** throughout the organization.



FOR AN ENERGY MANAGEMENT PROGRAM TO SUCCEED ALL 5 ROADBLOCKS MUST BE ADDRESSED !

