



## HOW VICTORIA IS ENGAGING SMEs ON RESOURCE EFFICIENCY

### CASE STUDY | VICTORIA'S RESOURCE EFFICIENCY PROGRAM

This case study shows how the Australian state of Victoria, is working with small and medium sized businesses to help them improve energy and materials efficiency. It is part of [The Climate Group's States & Regions Policy Innovation program](#), which brings together pioneering state and regional governments to enable in-depth global peer-to-peer learning on innovative sustainable approaches through its Peer Forum.

State and regional governments around the world are developing a new generation of innovative climate and energy policies. Our Policy Innovation program showcases and explores these emerging policy models, working closely with governments to scale them globally.

**“ENERGY EFFICIENCY IS ONE OF THE BEST WAYS FOR HOUSEHOLDS AND BUSINESSES TO SAVE MONEY AND REDUCE GREENHOUSE GAS EMISSIONS. IMPROVING VICTORIA’S ENERGY EFFICIENCY ALSO SUPPORTS JOBS AND ECONOMIC PRODUCTIVITY.”**

- Minister for Energy, Environment and Climate Change, Lily D’Ambrosio

### SMALL AND MEDIUM ENTERPRISES MATTER

When it comes to transformational changes in the way businesses act on energy and material efficiency, more attention should be paid to small and medium-sized enterprises (SMEs) as they have considerable impact on regional and state economies. Depending on a country’s economic structure, SMEs contribute between 16% and 80% of GDP worldwide, according to the International Energy Agency<sup>1</sup> (2015). In the European Union, SMEs are crucial drivers of economic growth, representing 99% of all businesses and employing almost 90 million people. Worldwide, small firms account for most new jobs and advances in technology and innovation, and in some Organisation for Economic Co-operation and Development (OECD) countries they carry out more than half the research and development.

Implementing energy efficiency improvements in SMEs can significantly reduce greenhouse gas (GHG) emissions by applying sustainable production processes that are resource and energy efficient. The state of Victoria identified this gap and designed a new program tailored to SMEs that would bring benefits at a larger scale, from expanding the market for energy efficient goods and services, to reducing energy costs for SMEs and cutting local air pollution.

During our States & Regions Policy Peer Forum, Katrina Woolfe and Yolanda Sztarr, Business Productivity Managers at Sustainability Victoria, presented the Victorian Government’s business program aimed at reducing the barriers for SMEs in optimizing processes, materials and resource efficiency.

## SPOTLIGHT ON VICTORIA



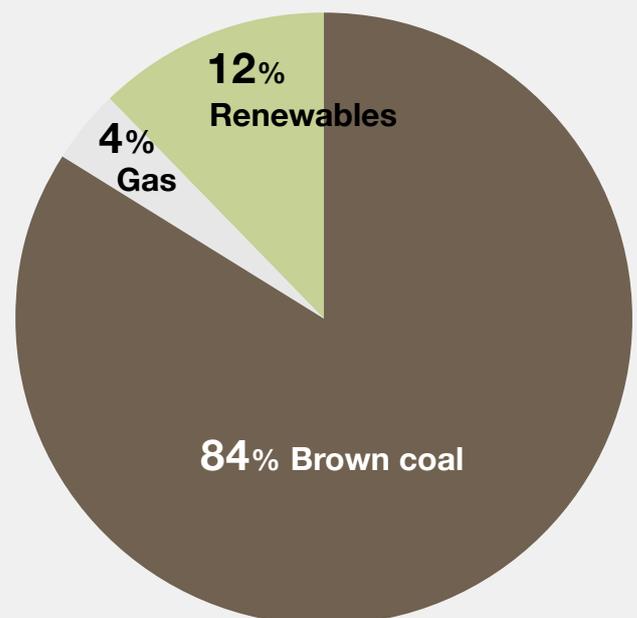
**PREMIER DANIEL ANDREWS (LABOR)**

**MAJORITY IN PARLIAMENT LABOR**

**POPULATION 6 MILLION (2016)**

**GROSS STATE PRODUCT A\$343.8 BILLION (2013-14)**

### ELECTRICITY GENERATION MIX



<sup>1</sup> “Accelerating Energy Efficiency in Small and Medium Sized Enterprises”, Policy Pathway, International Energy Agency, 2015



**MODEL: VICTORIA SET UP A PROGRAM TO HELP SMALL TO MEDIUM-SIZED BUSINESSES CHANGE INEFFICIENT PRACTICES, SAVE MONEY AND INCREASE PRODUCTIVITY THROUGH ENERGY AND MATERIALS EFFICIENCY MEASURES.**

**BENEFITS**

The benefits to the 1,300 businesses participating in the program included:

- Increased knowledge and/or skills among employees
- Reduced energy and/or materials costs (average savings were A\$51,000 a year through energy efficiency and A\$146,000 a year through materials efficiency)
- Co-benefits associated with their actions, such as increased productivity, improved product quality, better working environment and greater staff satisfaction.

**RECOGNIZED LEADERSHIP**

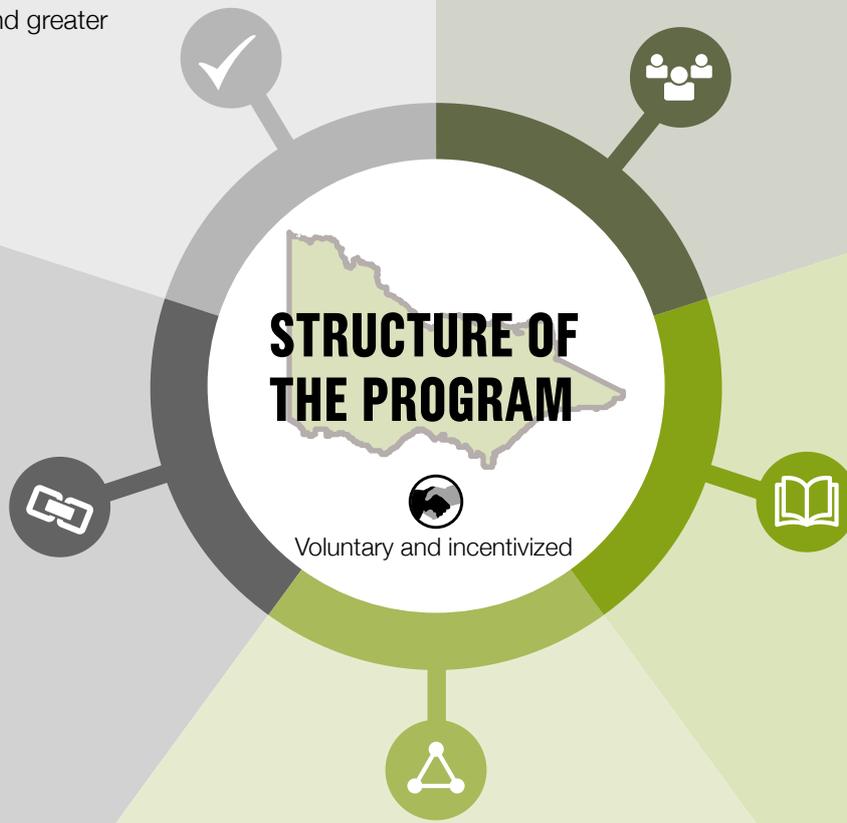
The program recognized the achievements of participating businesses by developing a series of case studies which profiled more than 35 of them from a broad range of business types.

**JOINT EFFORT**

The program was carried out by Sustainability Victoria, a statutory authority which delivers integrated waste management and resource efficiency programs, supported by Victoria's Department of Environment, Land, Water and Planning. Collaborative partnerships with industry associations helped to reach a greater number of businesses.

**CORE PROGRAM MESSAGE**

The program recognized that an environmental message may not be the prime motivator for many SMEs. The key message took a business-focussed perspective, linking energy and materials efficiency to reduced business costs, and improved productivity and competitiveness.



**FRAMEWORK**

The program provides funding and support for SMEs to improve their energy and materials efficiency and boost productivity:

**Materials efficiency:**

- Materials optimization
- Internal reuse of product material, processing material, or packaging material
- Product or services redesign

**Energy efficiency:**

- Equipment upgrades
- Better maintenance of equipment and systems
- Use of controls and timers
- Improved practices



**CLIMATE ACTION TO DATE**



**WHAT IS THE PROGRAM AIMING TO SOLVE?**

The barriers to energy efficiency experienced by SMEs are well documented in international studies, and these are no different in Victoria. The most common barriers faced by Victorian SMEs, that this program is aiming to solve, are a lack of in-house energy and/or materials expertise, insufficient knowledge of the best and most cost effective actions for their business and limited access to capital.

**WHAT IS THE SPECIFIC FRAMEWORK OF THIS PROGRAM?**

Three program components targeted businesses at different degrees of 'readiness' – ranging from businesses at an exploratory stage wanting to find how they could benefit from energy and/or materials efficiency, through to businesses ready to implement specific projects:

- 1. Developing knowledge and skills through capability building activities:** industry associations delivered a range of activities to help businesses better understand energy and/or materials efficiency.
- 2. Pinpointing actions with a resource assessment:** eligible businesses could apply for a grant to partly cover the cost of an energy or materials efficiency assessment.

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| <p><b>Phase 1</b></p> <p><b>Materials efficiency grants</b></p> <p>Up to A\$15,000, with a 25% co-contribution by business</p> <p><b>Energy efficiency grants</b></p> <p>Up to A\$15,000, with a 50% co-contribution by business</p> | <p><b>Phase 2</b></p> <p><b>Materials efficiency grants and combined energy and materials efficiency grants</b></p> <p>Up to A\$10,000, with a 50% co-contribution by business</p> <p><b>Energy efficiency grants</b></p> <p>Up to A\$5,000, with a 50% co-contribution by business</p> |
|--|---|

- 3. Implementing improvement projects with a capital funding grant:** a competitive, merit-based application process provided three rounds of grants of up to A\$50,000 to help businesses with the costs of implementing materials efficiency projects. Grants of up to A\$25,000 were available for energy efficiency projects. Businesses contributed at least half the cost of the project.

**HOW IS IT INNOVATIVE?**

SMEs are notoriously difficult to reach and engage with on environmental programs. Owners, managers and employees are busy and do not have much time to commit to issues which may be seen to be outside core business priorities. To overcome this obstacle, the program needed to align with fundamental business needs and provide multiple points of entry to make participation easy.

**WHAT IS MATERIALS EFFICIENCY?**

Using less materials to make the same quantity of product, or creating more value out of the same quantity of materials. Materials efficiency improves the utilization of materials, optimizes processes and boosts the redesign of products.

**“WHEN ASKED ABOUT WHAT WAS ONE OF THE BIGGEST BENEFITS TO COME FROM THIS PROCESS, I WOULD HAVE TO SAY IT WAS A CATALYST FOR CHANGE THAT HAS CREATED MOMENTUM THROUGHOUT ALL BUSINESS OPERATIONS, BRINGING EFFICIENCY GAINS TO POWER USAGE, BOOSTING RECYCLING AND PRODUCTIVITY.”**

- Craig Boyce, CEO, Integrity Fruit

What made Victoria’s program innovative was its **multi-faceted approach to addressing the problems of information, understanding the business case and accessing capital**. Associated with this were five main steps:

1. Understanding the needs and barriers of SMEs
2. Communicating the multiple benefits associated with energy and material savings, such as productivity improvements and better quality control
3. Building industry partnerships
4. Allowing businesses to combine components
5. Leveraging existing policies and programs and linking SMEs to other forms of assistance

To counter the criticism that the initiative’s energy assessment reports were often left untouched by businesses, **the program introduced an ‘implementation bonus’ to set businesses on the road towards implementation**. While the bonus was relatively small (A\$3,000) a 2015 evaluation found businesses that took up the bonus were more likely to implement more of the report’s recommendations.

#### HOW IS THE PROGRAM FINANCED?

The A\$9 million program was funded by the Victorian Government. For the Capital Funding and Energy and Materials Assessment Grants, participating businesses contributed to the program. For capital funding alone, it was found that for every dollar of government funding, the businesses invested another A\$1.84.

Participating businesses had to contribute to the cost of the energy and materials assessments. They were found to have invested an average of A\$88,000 towards implementing the assessment’s recommendations.

#### FREQUENTLY CITED BARRIERS TO ENERGY AND MATERIALS EFFICIENCY

- 1. In-house knowledge and skills:** some SMEs may not be able to employ specialist skills such as management, with environmental or energy efficiency skills, resulting in a lack of the key competencies needed to address related issues.
- 2. Ability to build a business case for change:** SMEs do not always have the time or skills to build a strong business case for investment. Identifying where to set the change into motion, as well as being able to accelerate the decision making process, are both common hurdles.
- 3. Access to finance:** issues with accessing financial support in order to create efficiency change and transform business performance.

When it comes to materials efficiency, these barriers are compounded. In Victoria, materials efficiency is a new concept to most businesses and service providers and this sets a considerable challenge.

**“WE LIVE IN A DIFFERENT WORLD THAN 50 YEARS AGO. WE NOW HAVE A BETTER UNDERSTANDING OF THE IMPACT WE HAVE ON OUR OWN FUTURE. IT MAKES MORAL AND ECONOMIC SENSE TO REDUCE THE ENERGY INPUT IN OUR BUSINESS AND STRIVE TO BE MORE SUSTAINABLE.”**

- Jacques Olivier, General Manager,  
Taltarni Vineyards

#### MAJOR CHALLENGES TO IMPLEMENTING THE PROGRAM

**Recruiting businesses to the program was the greatest challenge to the program’s success.** SMEs typically have little time to devote to what is seen as a non-critical issue for them. The key is to convince businesses that energy and materials efficiency will help with business-critical issues.

Another challenge centered on expanding the skills of energy efficiency experts to encompass materials efficiency. The program included activities that focused on explaining how existing skills, such as energy flow mapping, could be applied to understanding and quantifying materials efficiency opportunities.

#### RESULTS TO DATE

A clear majority of businesses that participated in the program reported energy or materials efficiency savings (depending on the type of participation), as well as improvement in productivity and the quality of their products.

Three rounds of grants over the past two years have provided A\$3.8 million in funding to over 140 projects, helping businesses implement measures to significantly improve energy and materials efficiency to save thousands of dollars a year.

These businesses are expected to **save a combined A\$4.74 million a year**, or A\$23.7 million over five years. An economic analysis of the program outcomes calculated that for every dollar invested by government, business benefits were worth A\$2.60. Considering resource assessments only the benefit cost ratio increased to \$4.30 in benefits for each dollar invested.

**Using what was learned from the program, Victoria recently embarked on a new program for SMEs, SV Business – Boosting Productivity, which will work with an additional 1,000 SMEs.**

#### DID YOU LEARN FROM OTHER JURISDICTIONS IN DEVELOPING THE PROGRAM?

Research into similar programs delivered in Australia and overseas helped inform the design of the program. This included the analysis of a similar energy assessment support program being delivered in New South Wales, Australia.

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#### **Business Productivity Program**

#### CONNECT WITH US IF YOU WANT TO KNOW MORE ABOUT OUR POLICY PEER FORUM

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