



An Australian Government Initiative

**AusIndustry**<sup>TM</sup>

BUILDING BUSINESS · POWERING PRODUCTIVITY

Clean Technology  
Food and Foundries  
Investment Program



# Customer Guidelines

March 2012 v2

Website: [www.ausindustry.gov.au](http://www.ausindustry.gov.au)

AusIndustry hotline: 13 28 46

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# 1 Introduction

The Australian Government has committed to reducing Australia's carbon emissions by between five and 25 per cent from 2000 levels by 2020, depending on the scale of global action. The Government has also adopted a new long-term target of reducing Australia's carbon emissions by 80 per cent from 2000 levels by 2050.

On 10 July 2011 the Government announced its plan for a *Clean Energy Future* (the plan). The plan has four elements: a carbon price, renewable energy, energy efficiency and action on land (the Land Sector Package). The plan also details how the Government will support Australian households, businesses and communities to transition to a clean energy future. Further details on the plan can be found on the *Clean Energy Future* website at [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au).

The *Clean Technology Food and Foundries Investment Program* is a central element of the *Clean Energy Future Plan*. It supports Australian manufacturers to maintain their competitiveness in a carbon-constrained economy, through investment in energy efficient capital equipment and low pollution technologies, processes and products. This program will provide grant funding over a six year period from 2011 – 12 to 2016 – 17.

The *Clean Technology Food and Foundries Investment Program* is a competitive program. Applications must rate highly against the program's merit criteria to receive a grant offer.

The program is delivered by AusIndustry, which is the Australian Government's business program delivery division within the Department of Industry, Innovation, Science, Research and Tertiary Education. AusIndustry is supported in the delivery of this program by Innovation Australia, an independent statutory body.

Applications can be submitted at any time.

## 1.1 Available grant assistance

The grant ratio is dependent on the size of the grant and the turnover of the applicant:

Grant amount	Annual turnover of applicant*	Applicant to grant ratio
\$25,000 – < \$500,000	Less than \$100 million	Up to 1:1
\$25,000 – < \$500,000	\$100 million or more	Up to 2:1
\$500,000 – < \$10 million	N/A	Up to 2:1
≥ \$10 million	N/A	3:1**

\* applies to the annual turnover of the applicant in the financial year preceding the lodgement of an eligible application.

\*\* unless otherwise recommended by the Cabinet of the Australian Government.

Grants will be provided for projects that generate energy or carbon savings. Projects will have to meet the eligibility requirements of the program and rate highly against the program's merit criteria.

In addressing the merit criteria, applicants will need to identify the energy or carbon savings that will be delivered by the proposed energy efficiency or emissions reduction project. They will also need to demonstrate their ability to undertake the proposed project and show how the proposed project will maintain or improve the competitiveness of their manufacturing business.

Applicants applying for grants of \$1.5 million or more will also need to show how the project will contribute to a competitive, low carbon Australian manufacturing industry and how the project will benefit the broader Australian economy.

## 1.2 Purpose of this guide

This guide sets out the funding rules for the *Clean Technology Food and Foundries Investment Program*, and outlines the key stages in participating in the program.

Applicants should read this guide and the attached appendices carefully before completing an application form.

Throughout the guide, new terms that may be unfamiliar are highlighted in bold (for example, **carbon savings**). Applicants should refer to the Glossary for the definitions of these terms.

Other resources to assist businesses participating in the *Clean Technology Food and Foundries Investment Program* include the *Carbon and Energy Savings Calculator*, *Return on Investment Calculator*, factsheets and the online application form. These can be accessed from links at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

For further assistance, please phone the AusIndustry hotline on 13 28 46 or email [hotline@ausindustry.gov.au](mailto:hotline@ausindustry.gov.au). AusIndustry hotline hours are 8 am to 6 pm AEST, Monday to Friday, public holidays excluded.

This guide has been prepared in consultation with Department of Climate Change and Energy Efficiency and Department of Resources, Energy and Tourism.

## 2 Eligibility criteria

In order to apply for *Clean Technology Food and Foundries Investment Program* funding, an applicant must demonstrate that:

- they are an eligible applicant;
- their proposed energy efficiency project or emissions reduction project (see Glossary) is an eligible project involving eligible activities; and
- the proposed project costs are considered to be **eligible expenditure**.

### 2.1 Eligible applicants

To be eligible to apply for the *Clean Technology Food and Foundries Investment Program*, an applicant must:

- operate in the food or foundries manufacturing industry within Australia;
- be a non tax exempt corporation that is incorporated in Australia under a law of the Commonwealth or of a State or Territory and is undertaking manufacturing activities in Australia;

*These are Australian companies or co-operatives that are undertaking activities listed under the Manufacturing Division in the [Australian and New Zealand Standard Industrial Classification 2006](#) (ANZSIC classes 1111 – 1173, 1181 – 1199, 1211 – 1214, 2121, 2141 and 2210).*

*Co-operatives can have a range of legal structures. Most operate as corporations, either as publicly listed companies or publicly unlisted companies. They typically have an ACN. Some are incorporated under State and Territory law. All these are eligible entities. Some co-operatives that have an ARBN and fall within the policy intent of the program (for example, food co-operatives) can be eligible entities. If you are not sure if the structure of your co-operative meets the eligible entity requirement, please contact the AusIndustry hotline to discuss.*

*You may still be eligible for assistance if your predominant activity is not manufacturing, as long as your company is undertaking some manufacturing activities in Australia.*

- be able to fund the costs of the project that will not be covered by the grant; and

*Other government grants can contribute towards covering the costs of the project. However, the total funding from government grant sources (including funding from Clean Technology Food and Foundries Investment Program grants) cannot cover more than 50 per cent of your project's **eligible expenditure**. Repayable loans are not considered to be grants.*

- have complied with their obligations under the *Equal Opportunity for Women in the Workplace Act 1999*.

### **Applicants not eligible for funding**

You are not eligible to apply for program funding if you are:

- an individual, partnership or trust. However, an incorporated trustee corporation can apply on behalf of a trust;
- a non factory based bakery business, including a business that manufactures and sells bread and other bakery products from the same premises;
- a non factory based food preparation business. This includes restaurants, hotel kitchens and catering firms; or
- eligible for funding under the Australian Government's *Steel Transformation Plan*.

## **2.2 Demonstrating eligibility**

When you lodge your application you will receive an automatic email reply. This email confirms that your application has been received but does not confirm that it is considered to be complete or eligible for merit assessment. You will receive a letter advising you whether your application is considered to be complete and eligible for a merit assessment and confirming the application lodgement date.

### **Ability to fund costs**

In your application, you will need to submit evidence of your company's ability to fund your share of the project costs. For projects with grant amounts of less than \$500,000, applicants will need to provide an Accountant's Declaration as evidence. You are required to use the template in Attachment 1 in Appendix A for the declaration. For projects with grant amounts of \$500,000 or more, applicants will instead need to provide details and evidence of their project funding strategy, indicating the sources of funding for their share of the project. This can be in the form of balance sheets, bank statements, cash flow documents, loan agreements, investor agreements, confirmed sales agreements or other documents.

## **2.3 Eligible projects**

An **eligible project** must involve capital expenditure and comprise a set of **eligible activities** that you propose to undertake, in order to implement a specific energy efficiency or emissions reduction measure.

Some very large or complex energy efficiency or emissions reduction measures, such as building a new cogeneration plant, cannot be fully implemented within the maximum two year project period. In these cases, your project comprises solely of

the **eligible activities** you will be undertaking within the project period (more information on project timeframes is provided at section 2.5).

Your project can include activities related to energy efficiency or emissions reduction measures at multiple sites, provided the relevant sites are located within Australia.

Example 1 – Project across multiple sites

*Manufacturer Aardvark plans to upgrade to a new efficient boiler at Site 1 and install variable speed drives on compressors at Site 2. If both measures will be completed within the same two years, this can constitute a single project.*

Example 2 – Project with large or complex measure

*Manufacturer Dragonfly plans to build a large cogeneration plant over three years. Activities related to construction will be completed within two years, but commissioning will take an extra year. In this case, only the construction-related activities may be eligible for funding.*

Example 3 – Project with large or complex measure

*Manufacturer Murray commenced building a co-generation plant in January 2010. The plant will take four years to construct and commission with an expected completion date of January 2014. At the time of application (April 2012), Manufacturer Murray had already ordered and installed a gas-powered generator and installation of the heat recovery systems had commenced. Manufacturer Murray successfully applies for funding to complete installation of the heat recovery systems. A heat exchanger was ordered and a deposit paid in March 2012, with staged payments for the balance of the purchase price to occur in May and December 2012. In this scenario the deposit payment will not be eligible expenditure, whilst the subsequent staged payments made after application lodgement may be considered eligible expenditure.*

## 2.4 Eligible activities

Eligible project activities are capital investment and associated implementation activities (installation, commissioning, staff training etc) that relate to implementing one or more energy efficiency or emissions reduction measures. The following table provides examples of these measures.

Energy efficiency or emissions reduction measure	Examples
Replacing part(s) of your existing manufacturing plant, equipment or processes in Australia.	<ul style="list-style-type: none"> <li>• Upgrading to high efficiency motors and lighting</li> <li>• Replacing an existing boiler with a more efficient one</li> </ul>
Modifying part(s) of your existing manufacturing plant, equipment or processes in Australia.	<ul style="list-style-type: none"> <li>• Installing variable speed drives or advanced process control systems</li> <li>• Fitting new insulation for ovens and heaters</li> </ul>
Changing energy source(s) for your existing plant or processes in Australia, or for new replacement plant or processes in Australia.	<ul style="list-style-type: none"> <li>• Switching from an electric furnace to a gas-fired furnace</li> <li>• Installing solar panels, wind turbines or a gas-fired cogeneration system</li> </ul>
Establishing new facilities or modifying your current facilities to enable production of new <b>low emissions products</b> .*	<ul style="list-style-type: none"> <li>• Installing new equipment to establish a production line for alloy automotive components that will result in lighter and less carbon-intensive automobiles</li> </ul>

\*The minimum grant amount for a project implementing this type of emissions reduction measure is \$1.5 million where the carbon savings from the in-service-life of the product are to be considered as part of the total carbon savings to be generated by the project.

The minimum grant amount for the other listed energy efficiency or emissions reduction measures is \$25,000.

Eligible activities can occur before a project (pre-project activities), during a project (project activities) and after a project (post-project activities).

### Eligible pre-project activities

Before you can make an application you will need to do some preparatory work to identify your energy efficiency or emissions reduction project, and to estimate the energy or carbon savings it will deliver. This preparatory work can qualify as eligible pre-project activities, provided it is done in the 12 months prior to submitting an application.

Examples of eligible pre-project activities are undertaking an energy audit, conducting a bench test or pilot study, energy modelling, undertaking a feasibility study or other activities appropriate to the size and complexity of your project. For more guidance on appropriate preparatory work, see *Fact Sheet: Estimating energy and carbon savings*.

### **Eligible post-project activities**

When your project is complete, you will be required to provide a post-project report that includes measurement and evidence that verifies the energy or carbon savings delivered by the project and an independent financial audit of total project expenditure. Work undertaken to verify energy and carbon savings and audit project expenditure can qualify as eligible post-project activities, provided it is undertaken within 15 months after the project completion date.

Examples of post-project activities are undertaking an independent financial audit, installing temporary metering to measure equipment energy use, undertaking engineering calculations, regression analyses or other measurement and verification

vessel may be eligible. For example, processing of fish onboard a fishing vessel.

In an integrated manufacturing operation where the applicant also distributes product, activities that improve the energy efficiency or reduce the emissions intensity associated with maintaining the conditions of transported manufactured product (that is, refrigerating, heating or pressurising) may also be eligible. For example, where a manufacturer owns and operates a vehicle fleet for product distribution, modifications to vehicle fleet refrigeration units may be eligible. Energy efficiency improvement or emission intensity reduction activities undertaken by third party distributors associated with maintaining conditions of transported manufactured product are not eligible.

- It is an activity that is eligible for funding under the Government's *Jobs and Competitiveness Program* (for a list of activities see [www.climatechange.gov.au/government/initiatives/jobs-competitiveness-program.aspx](http://www.climatechange.gov.au/government/initiatives/jobs-competitiveness-program.aspx)).

This list is not exhaustive. Other projects and activities may be ineligible where determined by the Program Delegate (an AusIndustry official).

## 2.5 Project timeframe

There are rules around the timing of pre-project, project and post-project activities. Eligible pre-project activities can only be undertaken in the 12 months prior to application lodgement. Eligible project activities can only be undertaken within two years of the project start date. Eligible post-project activities can only be undertaken within 15 months after the project completion date.

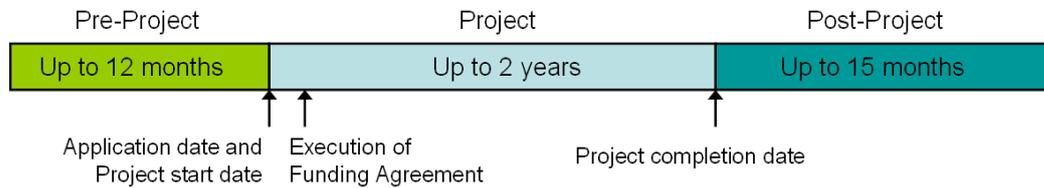
The project start date is the date that you commence project activities and should be the date that you commence milestone 1. Please note that any pre-project activities must be completed before you lodge your application and before the project start date.

The earliest possible project start date is the date that you lodge a complete an eligible application (see Figure A). AusIndustry will confirm your application lodgement date when we write to you confirming that your application is considered to be complete and eligible for merit assessment.

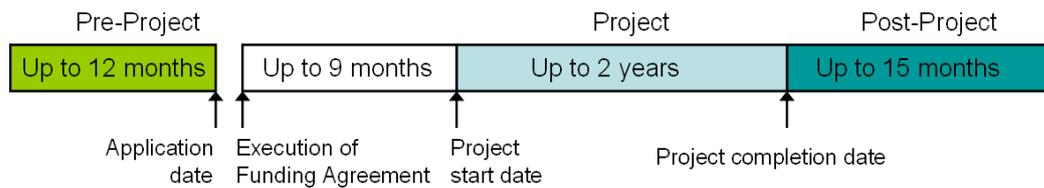
You can choose a project start date that is after the application lodgement date (see Figure B). However, the maximum duration between the execution of the funding agreement and the project start date is nine months. In this scenario you will not be able to incur **eligible expenditure** in the period after your application date and before the project start date.

If your application is successful, you will have the opportunity to adjust your milestone dates when finalising the funding agreement. Your project completion date cannot be more than two years from the project start date.

**Figure A. Application date is Project start date**



**Figure B. Application date is not Project start date**



## 2.6 Developing project milestones

The application form requires identification of project milestones. Each milestone must include defined outcomes or set of related or unrelated activities that will be completed at the milestone completion date. You must ensure that the milestone outcomes and activities are measurable and that you will be able to provide evidence of completion. Each project can have up to six milestones, in addition to a mandatory post-project reporting milestone.

Your grant will be paid in instalments on achievement of project milestones. The start date for milestone 1 is your project start date.

Example 1- Single milestone project

Manufacturer Armadillo's project involves installing new Variable Speed Drives (VSDs). The project is relatively simple to implement and is only four months in length (December 2012 – March 2013). Manufacturer Armadillo chooses to include all activities in one project milestone. Since Manufacturer Armadillo's application is submitted in June 2012, pre-project costs incurred between June 2011 and June 2012 can be included (section 2.5).

Milestones	Activities	Start Date	End Date
<b>PROJECT PERIOD COMMENCES</b>			
Milestone 1	Order and pay for VSDs Installation and commissioning	Dec 2012	March 2013
<b>PROJECT COMPLETED</b>			
Post-project milestone	Measure and verify energy savings Financial audit of <b>eligible expenditure</b>	April 2013	Sept 2013

Manufacturer Armadillo will need to provide two reports and will receive two payment instalments. The first instalment will cover the grant funds for both milestone 1 expenditure and pre-project costs. The second instalment will cover grant funds for the post-project milestone.

Example 2- Multiple milestone project

Manufacturer Echidna's project involves installing a new efficient boiler. The project is 1.5 years in length. Manufacturer Echidna chooses to have multiple milestones and receive payments in smaller instalments. Since Manufacturer Echidna's application is submitted in June 2012, pre-project costs incurred since June 2011 can be included.

Milestones	Activities	Start Date	End Date
<b>PROJECT PERIOD COMMENCES</b>			
Milestone 1	Order and pay deposit for boiler	Dec 2012	Jan 2013
Milestone 2	Install and complete payment for boiler	Feb 2013	Dec 2013
Milestone 3	Commission boiler	Jan 2014	July 2014
<b>PROJECT COMPLETED</b>			
Post-project milestone	Measure and verify energy savings Financial audit of <b>eligible expenditure</b>	Aug 2014	July 2015

Manufacturer Echidna will need to provide four reports and will receive four payment instalments. Instalment 1 will cover the grant funds for both milestone 1 expenditure and pre-project costs. Instalments 2 and 3 will cover grant funds for expenditure against corresponding milestones. The final instalment will cover grant funds for post-project costs.

Example 3- Milestones encompassing unrelated conservation measures

Manufacturer Magpie's project involves installing a new efficient boiler and some Variable Speed Drives (VSDs).

Milestones	Activities	Start Date	End Date
<b>PROJECT PERIOD COMMENCES</b>			
Milestone 1	Order and pay deposit for boiler Order and pay deposit for VSDs	Dec 2012	Jan 2013
Milestone 2	Install and complete payment for boiler Complete payment, installation and commissioning of VSDs	Feb 2013	Dec 2013
Milestone 3	Commission boiler	Jan 2014	July 2014
<b>PROJECT COMPLETED</b>			

milestone	Financial audit of <b>eligible expenditure</b>		
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*Manufacturer Magpie will need to provide four reports and will receive four payment instalments. Instalment 1 will cover the grant funds for both milestone 1 expenditure and pre-project costs. Instalments 2 and 3 will cover grant funds for expenditure against corresponding milestones. The final instalment will cover grant funds for post-project costs.*

## 2.7 Eligible expenditure

The *Clean Technology Food and Foundries Investment Program Eligible Expenditure Guidelines* in Appendix A define in detail exactly what costs associated with eligible activities will attract grant funding. The *Eligible Expenditure Guidelines* should be read closely when preparing an application. The *Eligible Expenditure Guidelines* may be updated from time to time, so prospective grant applicants should obtain the most recent version from the AusIndustry web site ([www.ausindustry.gov.au](http://www.ausindustry.gov.au)) before preparing their application.

Unless otherwise agreed, the guidelines on **eligible expenditure** that will apply to a project will be those that were current on the application lodgement date.

You can incur eligible project expenditure from your project start date, noting that this cannot be before the application lodgement date. If you choose to commence your project before your application has been considered for funding and a funding agreement is in place, you do so at your own risk. Please note that no grant funding will be provided to you if your application is unsuccessful. The Commonwealth is not liable for any expenditure until there is an executed funding agreement in place. Grants will be provided to fund an agreed proportion of **eligible expenditure** directly associated with implementing an applicant's project.

**Eligible expenditure** can fall into three categories representing different phases of the project lifecycle:

- Pre-project costs relating to:
  - identifying the proposed energy efficiency or emissions reduction project; and
  - estimating the energy or carbon savings the project will deliver.

Pre-project costs incurred within the 12 month period prior to the date an eligible application is submitted may be eligible. Pre-project costs incurred prior to this period are not eligible. Eligible pre-project costs are limited to the lesser of five per cent of total eligible project costs or \$50,000;

- **Project costs** relating to:
  - undertaking eligible activities within the project period;
- **Post-project costs** relating to your end of project reporting obligations:
  - undertaking a financial audit of project expenditure; and

- measuring and verifying the energy or carbon savings delivered by the completed project.

Post-project costs incurred and paid up to 15 months after the agreed date the project was completed are eligible. Post-project costs incurred or paid after this period are not eligible.

Eligible project costs can include:

- direct or contract labour costs for employees and contractors working on the project
- plant and equipment
- contract costs for services provided by third parties such as energy audits, savings measurement and verification services, technical expertise, staff training packages and turn-key commissioning expenses
- non-labour commissioning costs on fuel, spare and replacement parts etc
- other costs which are not plant and equipment or commissioning related
- costs of an independent audit of eligible project expenditure
- any non labour or contract costs associated with energy measurement and verification activities such as temporary site meters.

## 2.8 Collaborative projects

A collaborative project is a project undertaken by a lead applicant and one or more project partners, where the benefits of the project (financial and otherwise) are shared amongst the collaborating parties.

The collaborative project must provide a demonstrated improvement in energy efficiency or reduction in carbon emission intensity for the lead applicant. Energy and emissions benefits cannot be solely realised by the project partners involved in the collaboration.

The lead applicant must meet the criteria of an eligible applicant (section 2.1). A project partner must either meet the criteria of an eligible applicant, or must be part of the lead applicant's manufacturing supply chain in Australia. This includes entities involved in sourcing any input materials, undertaking processes of manufacturing, or distributing to and from the lead applicant. There is no maximum limit on the number of project partners involved in a collaborative project.

All collaborating parties must be involved in the development and implementation of the project, and the level of involvement among parties must surpass the level of involvement that would normally be expected under a traditional fee-for-service relationship. All collaborating parties must enter into a collaborative partnership

agreement which defines the roles and responsibilities of all collaborating parties. A copy of this agreement will be required before a funding agreement is executed.

Only the lead applicant will enter into the funding agreement with the Commonwealth. It will be the responsibility of the lead applicant to manage the grant and to ensure that all information required of project partners is complete and accurate.

Example 1 - Collaborative project

*Coore Clippings is replacing its lawn-mower production line in order to make new more energy-efficient lawn mowers. As part of the redesign of the product, they require new blades from their supplier, Rahn Blades. Coore Clippings applies as the lead applicant for grant funding, with Rahn Blades as its collaborative partner.*

*The project involves capital investment in both Coore Clippings' and Rahn Blades' production lines. The project's milestones and associated eligible expenditure include changes to both partners' production line. Rahn Blades was required to be involved in the development of the project. The project will generate carbon and energy savings for both project partners.*

### 3 Merit criteria

Applications must score highly against each relevant merit criterion to be recommended for funding.

#### For grants less than \$1.5 million

All applications that are complete and meet the eligibility criteria will be assessed for merit against merit criteria 1 to 3, as outlined below.

Merit criteria		Score
1	The extent of the reduction in carbon emissions intensity, including through improvements in energy efficiency arising from the proposed project.	70
2	The capacity and capability of the applicant to undertake the project.	15
3	The extent to which the project maintains and improves the competitiveness of the applicant's business.	15

Applications will be scored out of 100 (70, 15 and 15).

#### For grants of \$1.5 million or more

All applications that are complete and meet the eligibility criteria will be assessed for merit against merit criteria 1 to 4, as outlined below.

Merit Criteria		Score
1	The extent of the reduction in carbon emissions intensity, including through improvements in energy efficiency arising from the proposed project.	70
2	The capacity and capability of the applicant to undertake the project.	15
3	The extent to which the project maintains or improves the competitiveness of the applicant's business.	15
4	The contribution of the proposed project to a competitive, low carbon, Australian manufacturing industry and the benefits to the broader Australian economy.	20

Applications will be scored out of 120 (70, 15, 15 and 20).

## 3.1 Merit criterion 1

Applicants must be able to demonstrate the extent of reduction in carbon emissions intensity that will be achieved by the proposed project. This relates to how the proposed project will improve the energy efficiency of your company's manufacturing operations, or reduce the amount of greenhouse gases emitted by your company's manufacturing operations. Energy efficiency and emissions reduction projects both deliver reductions in carbon emissions intensity.

To estimate the extent of reduction in carbon emissions intensity, applicants will need to have undertaken preparatory work to identify an energy efficiency or emissions reduction project, and to estimate the energy or carbon savings of the project. These activities can include energy audits, developing an energy-mass balance model, energy modelling, conducting a bench test or pilot study and other activities appropriate for the size of your project.

Merit criterion 1 will be assessed by both indicators listed below. These indicators will need to be calculated using the online AusIndustry *Carbon and Energy Savings Calculator*. See also Appendix B.

### Indicators for merit criterion 1

- Predicted reduction in **carbon emissions intensity** (%), following project implementation.

#### Example Project 1

*Your manufacturing plant currently emits 3.0 tonnes of carbon emissions for every tonne of product manufactured. Your calculations from the manufacturer's specifications of a new energy efficient boiler indicate that after installing the new boiler, the plant will emit only 2.91 tonnes of carbon emissions for every tonne of product manufactured. This is a predicted reduction in carbon emissions intensity of three per cent.*

- Total predicted **carbon savings** (tonnes **CO<sub>2</sub>-e**) over the life of the conservation measure.

#### Example Project 1

*As previously calculated, the carbon emissions intensity of your plant is likely to reduce from 3.0 tonnes of carbon emissions (CO<sub>2</sub>-e)/tonne product, down to 2.91 tonnes CO<sub>2</sub>-e/tonne product, after installing a new boiler. This is a saving of 0.09 tonnes CO<sub>2</sub>-e/tonne product. Your plant manufactures 10,000 tonnes of product each year. So your carbon savings each year will be 900 tonnes of CO<sub>2</sub>-e.*

*Your new boiler will last for 20 years. So the total predicted carbon savings is 18,000 tonnes of CO<sub>2</sub>-e over 20 years.*

You must provide the summary page of the *Carbon and Energy Savings Calculator* as evidence. The online tool will calculate your merit criterion 1 indicators for you.

You will need to input your current electricity and fuel use and levels of production in the *Carbon and Energy Savings Calculator*. You will also need to provide estimates of your electricity and fuel use and levels of production post-implementation of your project.

You must provide the basis for your estimates of post-implementation electricity and fuel use. Examples of evidence include energy audit reports, engineering calculations, manufacturer's specifications, results from a pilot study, and so on.

If your company is already participating in a Commonwealth or State Government energy efficiency program (such as Energy Efficiency Opportunities, NSW Energy Savings Action Plans, VIC Environment and Resource Efficiency Plans or QLD eco-BIZ), you can use your currently established approaches for calculating the maximum energy savings of an energy efficiency project over the first year of implementation. However, associated carbon savings and carbon and energy savings over the life of the conservation measure must be determined using the *Carbon and Energy Savings Calculator*.

### **Consideration of savings from low emissions products**

If your project involves upgrading or establishing new replacement facilities to manufacture low emissions products (section 2.4), the energy or carbon savings from the **in-service life** of the manufactured product can be considered in your total predicted carbon savings calculation where the grant amount requested is \$1.5 million or more. You should call the AusIndustry hotline to discuss if you are considering undertaking such a project.

### **Further guidance**

Further guidance on identifying energy efficiency or emissions reduction projects and on estimating energy and carbon savings is provided in *Fact Sheet: Estimating energy and carbon savings* and *Fact Sheet: Identifying energy efficiency or emissions reduction projects*.

## **3.2 Merit criterion 2**

Applicants must demonstrate that they have the capacity and capability to undertake the proposed project. Capacity and capability is measured by the in-house and external experience, expertise and resources you have access to that will enable you to deliver your proposed project. You must also indicate the planning, environmental or other regulatory approvals required for your project and the status of these approvals.

## **Indicators for merit criterion 2**

Applicants are encouraged to outline the following information, in relation to both in-house and external resources (for example, contractors and suppliers):

- expertise and/or experience in successfully implementing energy efficiency or emissions reduction measures
- expertise and/or experience in estimating and verifying energy or carbon savings
- expertise and/or experience with the technologies proposed within the project
- general technical, financial and project management experience of the key personnel involved with the project
- planning, environmental and other regulatory approvals required for the project and the status of these approvals.

Applicants are also encouraged to provide any other relevant evidence which demonstrate their capacity and capability to undertake the proposed project.

## **3.3 Merit criterion 3**

Applicants must demonstrate the extent to which the proposed project will maintain and improve the competitiveness of their manufacturing business. Your project can maintain and improve your company's competitiveness by cost savings from reduced electricity and fuel use, and by other revenues and benefits. Applicants can refer to *Fact Sheet: Estimating financial benefits* for assistance in estimating cost savings from reduced electricity or fuel use.

### **Indicators for merit criterion 3**

Applicants will need to provide a description of their company's business case for investing in the proposed project, and outline how the project will impact on the competitiveness of their business. Project impacts could include the following:

- costs savings from reduced electricity or fuel use
- increased productivity
- increased sales
- access to new customers and markets
- improved profitability
- increased product quality
- development of workforce skills
- improved capability or capacity development.

### **Evidence that can be provided**

The use of the *Return on Investment (ROI) Calculator* to estimate cost savings from the project is compulsory for applications for grants of \$1.5 million or more. These applicants must attach the completed *ROI Calculator* and enter the following results from the calculator into the application form:

- return on investment (assuming grant funding is awarded); and
- financial payback period for the total project cost.

Applicants may attach any other modelling undertaken in conjunction with the *ROI Calculator* to articulate the business case for the project.

Applicants for grants of less than \$1.5 million must estimate a financial payback period for the project. These applicants may find the *ROI Calculator* useful for estimating a payback period and other financial indicators and may complete and attach the calculator if they choose to.

For assistance in estimating cost savings and help using the *ROI Calculator*, please see *Fact Sheet: Estimating financial benefits*.

## **3.4 Merit criterion 4**

For grant applications of \$1.5 million or more, applicants will need to outline the contribution of their proposed project to a competitive, low carbon Australian manufacturing industry and the benefits of the proposed project to the broader Australian economy.

### **Indicators for merit criterion 4**

Applicants will need to provide a description of how the project contributes to a competitive, low carbon Australian manufacturing industry and how the project will benefit the broader Australian economy.

Where applicable, applicants are encouraged to describe the following:

- broader environmental benefits
- impact on the economy and employment
- opportunity for Australian suppliers to provide goods and services for the project
- particular regional impacts
- development of 'green' skills
- creation or maintenance of key manufacturing capability
- demonstration activities.

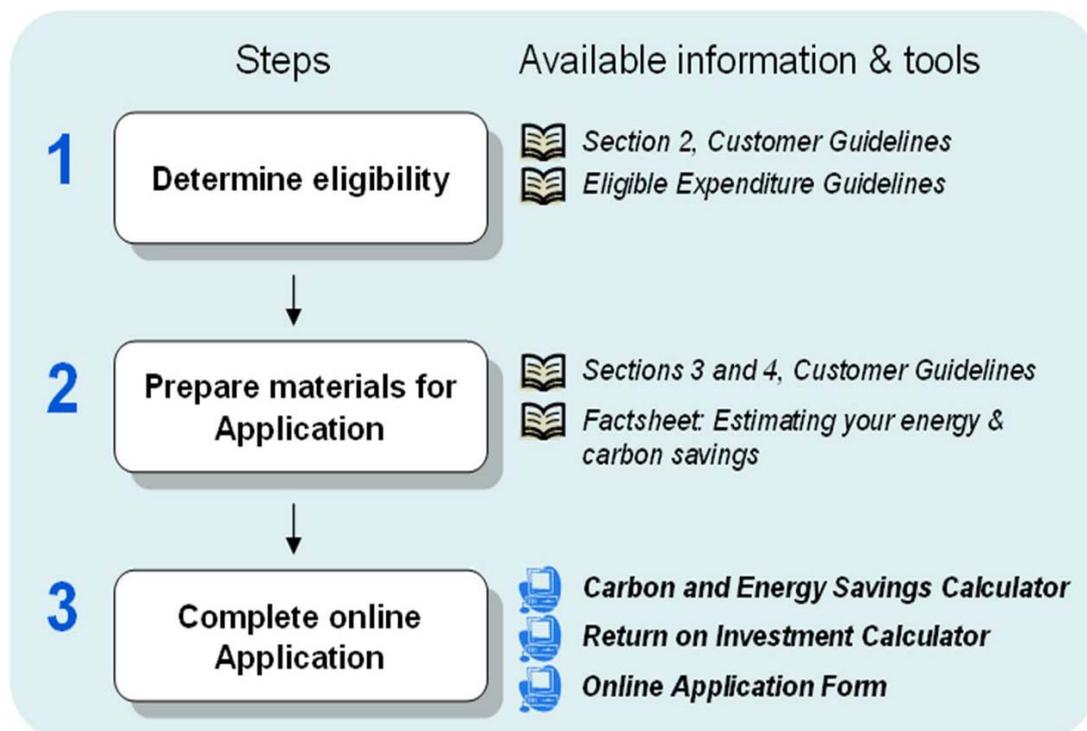
**Evidence that can be provided**

Applicants may strengthen their case by providing independent corroboration to support the claims made. This could include references to credible industry based research.

## 4 Applying for funding

### 4.1 The application process

There are three key steps in applying for a *Clean Technology Food and Foundries Investment Program* grant. The diagram below shows the steps involved in applying (on the left), and available information and online tools to assist applicants (on the right).



The AusIndustry hotline can provide you with advice and assistance with the application process.

### 4.2 Determine eligibility

You will need to confirm that:

- your company is an eligible applicant (as defined in section 2.1);

*This involves obtaining evidence of your company's ability to fund its share of the project (for example, an Accountant's Declaration).*

*If you are an incorporated trustee applying on behalf of a trust, you will need to provide a copy of the trust documents showing the relationship between you (the trustee) and the trust.*

- your proposed project is an eligible project, comprising eligible activities (as defined in sections 2.3 and 2.4); and
- your proposed expenditure for which you are seeking grant funding is **eligible expenditure** (as defined in the *Eligible Expenditure Guidelines*).

If you are applying as a collaborative project, you will also need to determine the eligibility of your project partners (as defined in section 2.8).

## 4.3 Prepare materials for application

You will need to prepare/collect the items on the checklist below for your application:

### Evidence of eligibility

- Evidence of your ability to fund your share of the project. See section 2.2 for the types of evidence required and Attachment 1 in Appendix A for relevant templates.

### Information about your project

- A project title and a brief description of your proposed project, highlighting outcomes and benefits (100 words maximum). If your application is successful, this title and description will be used by the Australian Government in published material.
- A detailed description of your proposed project (400 words maximum), describing the rationale behind the project, the preparatory work undertaken to support it and how the project will improve energy efficiency or reduce emissions.
- Details of your project plan. This should include project milestones (maximum of six), activities to be undertaken in each milestone and the **eligible expenditure** of each milestone. The **eligible expenditure** of each milestone should be separated into:
  - costs of plant and equipment
  - costs of commissioning (includes costs of resolving technical difficulties, training staff on operation and adjusting equipment so it is fit for use)
  - other costs (includes pre-project and post-project expenditure).

Example project plans are shown in section 7.3.

- Details of your project budget. This should be itemised under categories of:
  - pre-project costs
  - plant and equipment

- commissioning costs (direct labour, contract labour, other expenditure)
- post-project financial audit
- post-project energy or carbon savings verification (direct labour, contract labour, other expenditure).

Details of other government grants that will be used to fund this project.

#### **Evidence for merit criteria**

- Evidence to support energy or carbon savings estimations for merit criterion 1 (as outlined in section 3.1). Attach the summary page from the *Carbon and Energy Savings Calculator*.
- Evidence to demonstrate your claims against merit criterion 3 (as outlined in section 3.3). Attach the output from the *ROI Calculator* if you are required to do so.
- For grants of \$1.5 million or more - Evidence to demonstrate your merit against merit criterion 4 (as outlined in section 3.4)

#### **Proposal for measuring and verifying energy or carbon savings**

- A description (300 word maximum) of how you plan to measure and verify the actual energy or carbon savings delivered by your project, once it is fully implemented. See section 7.4 on post-project report.
- A description (300 word maximum) of the types of evidence you will provide to AusIndustry to demonstrate the energy or carbon savings delivered by the project. See *Fact Sheet: Estimating energy and carbon savings*.

## **4.4 Complete online application**

The online *Clean Technology Food and Foundries Investment Program* application form can be accessed at [www.ausindustry.gov.au](http://www.ausindustry.gov.au). Applicants will need to complete and submit this online.

In the application form, you will be prompted to complete and attach the output from the online *Carbon and Energy Savings Calculator* which includes calculations related to merit criterion 1. A step-by-step guide to using the *Carbon and Energy Savings Calculator* is provided in Appendix B.

If you are unable to complete the online application form, you can request a Word-fillable version of the application form from the AusIndustry hotline on 13 28 46. The hotline will advise you on how to submit a Word-fillable version of the application.

Applications must comply with all requirements outlined in this customer guide. An application must contain the fully completed application form and all mandatory

attachments specified in the application form, including output from the *Carbon and Energy Savings Calculator* and the completed *ROI Calculator* if applicable. Your application is the sole source of information for the assessment of the eligibility and merit of your application. No further written or oral explanation, or further documentation, should be required.

Before you submit an application, check to ensure all information is complete and accurate. An application that is incomplete will not be assessed. Providing false or misleading information in your application may constitute an offence under Commonwealth criminal law.

Keep a copy of your application and all attachments for your records.

## 4.5 Acknowledgement of applications

Once you have submitted your online application, you will be provided a receipt number and a link to a page where you can enter your email address to receive an acknowledgement email which will include a copy of the application you have submitted. Please retain the email for your records, along with copies of any attachments you have provided.

AusIndustry will separately confirm your application lodgement date when we write to you confirming that your application is considered to be complete and eligible for merit assessment.

## 5 Assessment and decision process

### 5.1 Merit assessment

Applications that are complete and meet eligibility requirements will be referred to Innovation Australia, an independent statutory body, for assessment against the merit criteria of the *Clean Technology Food and Foundries Investment Program*.

Innovation Australia will meet to consider applications every six to eight weeks. Following receipt by AusIndustry, complete and eligible applications will, once due diligence by AusIndustry is complete, be considered at the next available Innovation Australia meeting.

All applications for grants of \$10 million or more that are recommended for funding by Innovation Australia will be referred to the Cabinet of the Australian Government for consideration.

Further information about Innovation Australia and its committees, including membership, is available at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

### 5.2 Final decision

The Program Delegate, an AusIndustry official authorised by the Minister to administer the program, will make grant offers taking into account Innovation Australia's merit assessment and the availability of program funds.

If your application is successful, you will receive a written offer of assistance, and will have 30 calendar days from the date of the offer to execute a funding agreement with the Commonwealth. AusIndustry may withdraw the offer if the funding agreement is not executed within this time.

If your application is not successful, you will receive written advice and be provided with an opportunity to discuss the outcome with AusIndustry.

The Program Delegate's decision is final in all matters, in particular with regard to approving an application, the size of funding to be awarded and the terms and conditions for which funding is to be offered under the *Clean Technology Food and Foundries Investment Program*. There will be no review of decisions.

### 5.3 Announcement

Details of successful applications will be published by the Department of Industry, Innovation, Science, Research and Tertiary Education on its website. Successful projects may also be announced publicly by the Minister.

Published details will include:

- name of the applicant (and project partner(s), in the case of a collaborative project)
- title of the project
- a description of the project and its intended outcomes
- amount of funding awarded.

## 5.4 Submitting a new application

If your application is unsuccessful, you may submit a new application for the same or similar project. This should incorporate new or additional information to address the areas of weaknesses identified in your previous application. You may need to further demonstrate eligibility or strengthen claims against the merit criteria.

The Program Delegate may refuse to accept a new application if it is substantially the same as a previous ineligible or unsuccessful application.

## 6 Agreements for successful applicants

### 6.1 Agreement process

Successful applicants are required to enter into a funding agreement with the Commonwealth. In the case of a collaborative project, only the lead applicant will enter into a funding agreement.

This agreement is a legal contract between the grantee and the Commonwealth. It provides details of the rights and obligations of both the grantee and the Commonwealth, including the agreed project, and the grantee's compliance and reporting obligations.

Until a valid funding agreement is executed, the Commonwealth is not liable for any expenses incurred by the applicant. You cannot claim for any project costs incurred before the approved project commencement date, with the exception of agreed pre-project costs. No funding will be given until the agreement is executed.

If you are successful in your application for funding, AusIndustry will send you a written offer of funding. You will have 30 calendar days from the date of offer to execute a funding agreement with the Commonwealth. AusIndustry may withdraw the offer if the funding agreement is not executed within this time.

An offer of *Clean Technology Food and Foundries Investment Program* funding may be subject to special conditions and may be withdrawn in certain circumstances.

### 6.2 Varying the agreement

The funding agreement states the total grant funding to be paid to the applicant for each financial year over the life of the project. This will usually be the sum of the agreed payments for the milestones that will be achieved in each financial year.

It is recognised that unexpected events arise which can impact on project progress such as delay in delivery of plant and equipment or inability to source a particular plant item. In these circumstances and once the project is underway, you can make a project variation request including changes to project milestones or an extension of the project duration up to a maximum of two years and six months. Project delays that result in milestone achievement dates (and hence, payment dates) moving between financial years will require a variation to the funding agreement, which is only possible if there are sufficient program funds in the relevant year to accommodate the revised payment schedule.

Do not assume that your variation request will be successful. Project variation requests will be considered by Innovation Australia which will consider the request in

the context of issues including impacts on the project outcome, changes to the timing of grant payments and availability of program funds.

You should plan your project as carefully as possible to avoid the requirement to make a variation request as these requests may be denied.

Variation requests to increase the agreed amount of grant funds will not be considered under any circumstances.

You will be notified in writing of the outcome of your variation request.

# 7 Grant payments and project reporting

## 7.1 Project milestones

Grantees will receive funds following the completion of agreed project milestones, as nominated in the application form and finalised in the funding agreement. In order to receive payment, activities within each milestone must be completed. Grantees must submit evidence to demonstrate completion of each milestone in order to receive payment for that milestone. Examples are provided in the table below.

Eligible activity	Evidence provided
Pre-project activities	Relevant invoices for sub-metering or temporary metering, completed study or energy audit
Ordering and delivery of equipment	Purchase order, payment documentation, receipt from deliverer, photo of equipment
Commissioning of equipment	Commissioning certificate from vendor, acceptance testing reports, videos of operation
Monitoring and verification activities	Relevant invoices for sub-metering or temporary metering, direct or contract labour costs
Financial audit	Invoice

## 7.2 Project reporting

Milestone reports must include the agreed evidence and identify the total **eligible expenditure** incurred in achieving the milestone. Templates for reports will be provided to the grantee during the funding agreement process. If the period of time between two milestones is greater than seven months, a grantee may be required to submit an additional progress report at six months after the previous milestone. However, submission of progress reports will not attract any grant payment. Payments will only be made upon receipt of satisfactory milestone reports.

### Example 1

*Milestones 2 and 3 of Manufacturer Pinto's project will be completed in December 2013 and October 2014, respectively. As there is a period of 10 months between milestones, Manufacturer Pinto will need to submit two reports for Milestone 3. This will be a short*

*progress report in June 2014 and a final milestone report after October 2014. The grant payment associated with Milestone 3 will be made when the final milestone report is received.*

Grantees must submit each milestone achievement report within four weeks of completion of the milestone. Grantees may also submit milestone reports ahead of time, provided the activities within the milestone have been completed and the evidentiary requirements can be met.

The final post-project report must be submitted within six weeks of completing the energy and carbon saving measurement and verification activities. The latest possible date for submitting the final post-project report is 15 months after the project completion date.

### 7.3 Payment structure

The funding agreement will identify the maximum grant amount to be paid to the Grantee and the grant ratio. The maximum grant amount cannot be exceeded under any circumstances. Any overrun in actual **eligible expenditure** must be met by the applicant.

The amount of grant funding provided in each payment instalment is based on the **eligible expenditure** incurred within each milestone and the agreed funding ratio for that project. Twenty per cent of the total grant funding is set aside for the final payment. This is paid upon receipt of a satisfactory final report. Where appropriate, payment instalments may be adjusted to ensure 20 per cent of the total grant amount is retained for the final payment. The final payment may also be subject to adjustment to ensure the appropriate grant amount is paid.

Example 1:

Manufacturer Green's project is 1.5 years in length (December 2012 – July 2014). The total **eligible expenditure** of Manufacturer Green's project is \$320,000 (GST exclusive). This includes \$15,000 of pre-project costs incurred in the 12 months prior to the date of application, and the costs of producing the final report (financial audit, verifying actual energy or carbon savings) in the 15 months after project completion.

Manufacturer Green is receiving funding on a 1:1 ratio, and so can receive total project funding of \$160,000 plus GST. A fixed 20 per cent amount (\$32,000 plus GST) will be retained for the final post-project payment. Upon completion of milestones 1 and 2, Manufacturer Green receives grant funds equivalent to 50 per cent of their eligible expenditure for each milestone, in accordance with the 1:1 ratio. Payments for eligible pre-project costs are also at 1:1 ratio and are included in the milestone 1 payment. The payment at milestone 3 is less than 50 per cent, to adjust for the maximum of 80 per cent of funds that can be paid prior to the final report.

Milestones and activities	Start Date	End Date	Eligible project Cost	Grant funding
<b>PROJECT PERIOD COMMENCES</b>				
1. Order and pay deposit for boiler	Dec 2012	Jan 2013	Pre-project: \$15,000 Plant and Equipment: \$30,000	\$22,500
2. Install and complete payment for boiler	Feb 2013	Dec 2013	Plant and Equipment: \$90,00 Commissioning: \$90,000	\$90,000
3. Commission boiler	Jan 2014	July 2014	Commissioning: \$90,000	\$15,500
<b>PROJECT COMPLETED</b>				
Post-project verification and financial audit	Aug 2014	July 2015	Verification: \$4,000 Financial audit: \$1,000	\$32,000
		<b>Total</b>	\$320,000	\$160,000

Example 2:

Manufacturer Zeta's furnace upgrade project is two years in length (December 2014 – November 2016). The total **eligible expenditure** of Manufacturer Zeta's project is \$420,000 (GST exclusive), inclusive of pre-project and post-project costs.

Manufacturer Zeta identified this energy efficiency project through a six month site energy audit that commenced 15 months prior to submitting an application. As only pre-project costs incurred in the 12 month period prior to submitting an application are eligible, Manufacturer Zeta has calculated the pre-project costs incurred during the three months that fall within this period, as \$21,500 (GST exclusive). As pre-project costs cannot exceed five per cent of total **eligible expenditure** in the project period, Manufacturer Zeta has claimed \$21,000 (GST exclusive) for pre-project expenditure.

Manufacturer Zeta is receiving assistance at a 2:1 grant ratio and so can receive total project funding of \$140,000 plus GST. A fixed 20 per cent amount (\$28,000 plus GST) will be retained for the final post-project payment. Manufacturer Zeta will receive four payments as follows: Instalment 1 - \$37,000 plus GST; Instalment 2 - \$70,000 plus GST; Instalment 3 - \$5,000 plus GST; and Instalment 4 - \$28,000 plus GST.

Milestones and activities	Start Date	End Date	Eligible project Cost	Grant funding
<b>PROJECT PERIOD COMMENCES</b>				
1. Order and pay deposit for furnace	Dec 2014	March 2015	Pre-project: \$21,000 Plant and Equipment: \$90,000	\$37,000
2. Install and complete payment for furnace	April 2015	Jan 2016	Plant and Equipment: \$150,000 Commissioning: \$60,000	\$70,000
3. Commission furnace	Feb 2016	Nov 2016	Commissioning: \$90,000	\$5,000
<b>PROJECT COMPLETED</b>				
Post-project verification and financial audit	Dec 2016	Feb 2017	Verification: \$7,000 Financial audit: \$2,000	\$28,000
		<b>Total</b>	\$420,000	\$140,000

## 7.4 Post-project report

A grantee's post-project report must include the following:

- an independent financial audit of the total **eligible expenditure**;

- an update of the estimates of financial benefits provided in the application form (see section 3.3); and
- measurements and supporting evidence of the verified energy or carbon savings delivered by the project.

If you provided output from the *ROI Calculator* with your application, the estimates of financial benefits must be updated by revisiting the *ROI Calculator* and entering in actual fuel savings and prices (refer to *Fact Sheet: Estimating financial benefits*). Guidance on measuring and verifying energy or carbon savings is presented below.

### Measuring and verifying energy or carbon savings

There are two generally accepted approaches to measuring and verifying energy or carbon savings delivered by a project under the *Clean Technology Food and Foundries Investment Program*. These approaches are broadly outlined in the table below.

Measurement method	Description	Acceptable for
Engineering calculations	<p>Engineering assessment of only the equipment, process or system around which the project is based.</p> <p>Calculations should be based on generally accepted engineering models, methods and formulae.</p>	<ul style="list-style-type: none"> <li>• Projects where the energy or carbon savings are relatively small compared to the total site baseline.</li> <li>• Projects for processes or systems that have highly variable baselines, and from which energy or carbon savings cannot be easily distinguished from baseline variations.</li> </ul>
Baseline comparison – whole site or individual equipment or process	<p>Comparison of the post-implementation energy/carbon baseline with the pre-implementation energy/carbon baseline. This can be easily aligned with utility bills for the whole site or sub-metering data for individual equipment and processes.</p>	<ul style="list-style-type: none"> <li>• All projects. Where the post-implementation baseline has been affected by other changes on site outside of implementing the project (eg changes in production levels, weather), applicants will need to explain any variance.</li> </ul>

The approach most suited to your project will depend on the size of energy or carbon savings delivered by the project and the accuracy of available data on energy and other factors (for example, production levels, one-off events, weather) that may have influenced the consumption of electricity and fuels over time.

The period of post-implementation time over which energy or carbon savings should be verified will also vary with the size and complexity of projects. It is recommended a period of time equal to the initial period of time used in the applicant's baseline calculations (see Appendix B. *Guide to using the Carbon and Energy Savings Calculator*) is used. For example, if your baseline calculations for estimating energy or carbon savings were based on 12 months of data, then the energy or carbon savings post-implementation should also be verified on 12 months of data.

For applicants using the baseline comparison approach to verify projects that are receiving grant amounts of \$500,000 or more, applicants will need to provide regression analyses; calculation or modelling that supports their justification of the variances. Applicants should document assumptions made during all levels of calculations. For grant amounts of less than \$500,000 applicants may provide a brief description outlining the reasons for the variance.

Applicants will be given flexibility in their approach towards measuring and verifying energy or carbon savings. However the methods used should be appropriate to the complexity of the project and the level of grant funding requested, and will need to be outlined in the applicant's application.

## 8 Other issues

### 8.1 Tax obligations

Grants under the *Clean Technology Food and Foundries Investment Program* attract the Goods and Services Tax (GST). Grant payments are increased to compensate for GST payments.

Grants under the *Clean Technology Food and Foundries Investment Program* are typically treated as assessable income for taxation purposes, unless specifically exempted. Applicants are recommended to seek their own independent professional advice on their taxation obligations. AusIndustry does not provide advice on tax.

### 8.2 Other Australian Government programs

Your business may also be eligible to receive assistance for other activities not associated with the project under other Australian Federal and State Government programs, including other AusIndustry programs. Some of these are outlined in *Fact Sheet: Other Government resources and assistance*. Information on all AusIndustry programs is available on the AusIndustry website at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

### 8.3 Privacy and confidentiality

The use and disclosure of information provided by applicants for the *Clean Technology Food and Foundries Investment Program* is regulated by the relevant provisions and penalties of the *Industry Research and Development Act 1986*, the *Public Service Act 1999*, the Public Service Regulations, the *Privacy Act 1988*, the *Crimes Act 1914*, the *Criminal Code Act 1995* and general laws of the Commonwealth of Australia. The Department of Industry, Innovation, Science, Research and Tertiary Education has procedures for managing disclosure of interest by departmental staff, technical experts and other third parties. These procedures are published on the Department's website.

AusIndustry regards the information contained in applications as private and confidential and treats it as such. It is subject to the operational need to provide applications to assessors, and any statutory or legal requirements to provide information to Parliament and other organisations, for audit, law enforcement, investigative or other ordered purpose.

As part of the assessment of an application, and in the course of administering the *Clean Technology Food and Foundries Investment Program*, AusIndustry or Innovation Australia may need to consult with, and provide material from the application to, other Commonwealth, State and Territory Departments and Agencies

about an applicant's claims and disclose information about applicants as needed. AusIndustry may also engage third parties (including auditors) to review applications to provide technical or financial advice on a contract basis. If this occurs, AusIndustry will ensure that the parties who are consulted observe appropriate confidentiality provisions.

Following approval of an application, the broad details of an application (for example, the identity of the successful applicant, the grant amount and a brief description of the project) will be published on the Department's website. This information may also be disclosed for purposes such as promoting the program and reporting on its operation and policy development. This information may also be used in answering questions from the Parliament and its committees.

## 8.4 Feedback

The *AusIndustry Customer Service Charter* outlines AusIndustry's commitment to improving service delivery. It sets out the service standards that AusIndustry aims to meet and how applicants can help AusIndustry to deliver better services. A copy of the charter is available at [www.ausindustry.gov.au](http://www.ausindustry.gov.au).

AusIndustry conducts customer satisfaction surveys through which feedback from applicants and recipients of assistance is used to improve our business operations and our service.

For complaints, the AusIndustry hotline is the first point of contact. The hotline directs complaints to the appropriate manager, who will follow up to ensure the matter is resolved.

Contact the AusIndustry hotline on 13 28 46 or email [hotline@ausindustry.gov.au](mailto:hotline@ausindustry.gov.au).

If not satisfied with the complaint resolution procedure, contact:

Head of Division

AusIndustry

GPO Box 9839

CANBERRA ACT 2601

Telephone: (02) 6213 7470

Facsimile: (02) 6213 7344

Another option for complaints is to contact the Commonwealth Ombudsman. There is no fee for making a complaint, and the Ombudsman may conduct an independent investigation of concerns.

Contact details are:

**Commonwealth Ombudsman**

Telephone: 1300 362 072

[www.ombudsman.gov.au](http://www.ombudsman.gov.au)

## 9 Glossary

This section provides explanations of specific carbon and energy related terms, and the way in which they are used in this *Customer Guide*.

<b>carbon</b>	Refers to carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ) and other greenhouse gases <sup>a</sup> responsible for global warming.
<b>carbon dioxide equivalent</b>	<p>A standard unit of measure used to compare the emissions from various greenhouse gases based on their global warming potential. All greenhouse gas emissions are compared relative to one unit of carbon dioxide equivalent.</p> <p>For example, the global warming potential of one tonne of methane is equivalent to the global warming potential of 21 tonnes of carbon dioxide.</p>
<b>carbon emissions intensity</b>	Another expression for 'emissions intensity'.
<b>carbon savings</b>	The tonnes of greenhouse gases <sup>b</sup> that are no longer emitted into the atmosphere as a result of an energy efficiency project or emissions reduction project.
<b>CO<sub>2</sub>-e</b>	A shorthand way of expressing 'carbon dioxide equivalent'. For example, one tonne of methane is 21 tonnes CO <sub>2</sub> -e.
<b>eligible activity</b>	An eligible activity is an activity that you will undertake in relation to a specific energy efficiency or emissions reduction measure. A project will typically consist of multiple eligible activities. See section 2.4.
<b>eligible expenditure</b>	Project costs that may be eligible for funding under the <i>Clean Technology Food and Foundries Investment Program</i> . See section 2.7.
<b>eligible project</b>	Suitable projects that may be eligible for funding under the <i>Clean Technology Food and Foundries Investment Program</i> . See section 2.3.

<b>emissions intensity</b>	The number of tonnes of greenhouse gases that are emitted for each unit of output that a manufacturing business makes. For example, this may be defined as tonnes of CO <sub>2</sub> -e emitted in the production of one tonne of product.
<b>emissions reduction project</b>	A project designed to reduce the emissions intensity of your manufacturing business. This can be a project that reduces the energy intensity of your manufacturing business (that is, an energy efficiency project), or can be a project that reduces your business's non-energy emissions intensity (for example, reducing refrigerant leakage).
<b>energy efficiency project</b>	A project that includes activities that will reduce the energy intensity of your manufacturing business. This will reduce the amount of energy (electricity, gas and other energy fuels) to produce a level of output. An example would be upgrading to new lights that use less electricity to produce the same amount of brightness.
<b>energy intensity</b>	The amount of energy used in producing each unit of output a manufacturing business makes. This is typically defined in gigajoules (GJ) of energy, where one gigajoule is 277.78 kWh of electricity. For example, energy intensity may be expressed as GJ/tonne product.
<b>in-service life</b>	The total period during which a piece of equipment of plant remains in use, or can reasonably be expected to operate in a satisfactory manner.
<b>low emissions product</b>	A new product that generates less greenhouse gas emissions during its usage period, when compared to a product traditionally or currently used in its place. Emissions generated during a product's usage period are different to the emissions generated in manufacturing the product. Energy efficient products are low emissions products.
<b>non-energy carbon emissions</b>	Greenhouse gases that are emitted from manufacturing processes, but do not directly result from the consumption of energy. For example, chemical reactions in the production of clinker in cement manufacturing, and in the production of ammonia both produce CO <sub>2</sub> .

<sup>a</sup> For a full list of greenhouse gases, refer to section 7 of the *National Greenhouse and Energy Reporting Act 2007* and regulation 2.02 of the *National Greenhouse and Energy Reporting Regulations 2008*.

<sup>b</sup> This includes direct (scope 1) emissions, which can arise from the combustion of fuels (for example, natural gas), or from specific manufacturing processes not related to the combustion of fuel (for example, aluminium, ammonia and cement production). This also includes indirect (or scope 2) emissions which generally arise from electricity consumed. For the purposes of this program, carbon savings cannot be related to reducing electricity transmission losses or other various (scope 3) emissions. For a full definition of scope 1 and scope 2 emissions, refer to section 7 of the *National Greenhouse and Energy Reporting Act 2007* and regulation 2.02 of the National Greenhouse and Energy Reporting Regulations 2008.

### **AusIndustry Offices**

For product information call the AusIndustry Hotline on 13 28 46 for the cost of a local call from anywhere in Australia. AusIndustry's office hours are 8 am to 6 pm AEST, Monday to Friday, public holidays excluded.

Address details for AusIndustry's State and Regional offices can be found on the AusIndustry website on the [contact us page](#).

# Appendix A. Eligible Expenditure Guidelines

This section provides guidelines on the eligibility of expenditure. These guidelines will be updated from time to time, so applicants must obtain the current version from the AusIndustry website before preparing their application.

The Program Delegate has the final decision in determining eligible expenditure and may issue additional guidance on eligible expenditure on a case-by-case basis as required.

Only expenditure incurred by the grantee, directly attributable to the project, and consistent with these guidelines may be treated as eligible expenditure for the purposes of a grant.

## Eligible expenditure categories

Eligible expenditure can fall into three categories representing different phases of the project life-cycle:

- **Pre-project costs** relating to:
  - identifying the proposed energy efficiency or emissions reduction project; and
  - estimating the energy or carbon savings the project will deliver.

Pre-project costs incurred within the 12 month period prior to the date an eligible application is submitted are eligible. Pre-project costs incurred prior to this period are not eligible. Eligible pre-project costs are limited to the lesser of five per cent of total project expenditure or \$50,000;

- **Project costs** relating to:
  - undertaking eligible activities within the project period; and
- **Post-project costs** relating to your end of project reporting obligations:
  - undertaking a financial audit of project expenditure; and
  - measuring and verifying the energy or carbon savings delivered by the completed project.

Post-project costs incurred and paid up to 15 months after the agreed date the project was completed are eligible. Post-project costs incurred or paid after this period are not eligible.

Eligible expenditure categories	Examples of eligible expenditure
Pre-project costs	<ul style="list-style-type: none"> <li>• energy audits</li> <li>• bench tests or pilot studies</li> <li>• energy modelling</li> <li>• other agreed pre-project work undertaken to identify or estimate energy efficiency or emissions reductions or potential carbon savings</li> </ul>
Project costs	<ul style="list-style-type: none"> <li>• plant and equipment</li> <li>• commissioning</li> <li>• other agreed project costs incurred to implement the project activities</li> </ul>
Post-project costs	<ul style="list-style-type: none"> <li>• financial audit of project expenditure</li> <li>• measuring and verifying the energy or carbon savings results</li> </ul>

## Eligible expenditure

### Verification of eligible expenditure

Successful applicants will be asked to verify the project budget provided in the application during the negotiation of the funding agreement. Applicants must provide evidence for major cost items such as labour, plant and equipment, commissioning etc. Evidence could include the following:

- quotes
- purchase orders
- supply agreements
- sales catalogues
- details of all employees working on the project including name, title, function, time spent on the project and salary.

The funding agreement will also include details of evidence to be provided on achievement of milestones. This may include evidence associated with eligible expenditure including supply agreements, leasing or purchasing arrangements, invoices and associated payments. Applicants will need to attach the agreed evidence when submitting milestone achievement reports.

At the end of the project, applicants are required to provide an independent financial audit of all project eligible expenditure.

Please note that the grantee is required to keep records of all eligible expenditure incurred and be able to explain how the costs relate to agreed project milestones and activities. At anytime, grantees may be required to provide records of expenditure incurred. If such records are not provided, the relevant expense may not be deemed to be eligible expenditure.

### **Plant and equipment expenditure**

Expenditure on the acquisition or construction of plant and equipment can be eligible expenditure for the Program. Associated commissioning costs can also be eligible expenditure. Please note that commissioning costs must be identified as a separate item for the purposes of the project budget in the application form and reporting on milestone expenditure.

There may be particular tax implications associated with grant payments for plant and equipment expenditure. Applicants are strongly advised to seek professional advice on tax matters.

Plant and equipment may be purchased, leased (includes finance lease) or built. Applicants may only claim the purchase price of capital items excluding any costs associated with financing including interest. Applicants may also claim associated freight and installation where capitalised.

Where the applicant is making staged payments for purchased capital items (for example, deposit, payment on installation and payment on commissioning), the full grant entitlement for the item can be claimed progressively in multiple milestone payments up to the end of the project period. Alternatively, applicants can elect to claim the full grant entitlement for the item in a single milestone payment, subject to the grant retention requirement, when the capital item has been paid for.

For leased items, the applicants can receive a single payment of the full grant entitlement when the capital item has been received, the applicant has entered into a formal lease agreement; and, has made the initial payment.

Evidence to be provided by the applicant may include the following:

- evidence of purchase price
- evidence of payments, for example, tax invoice and supplier confirmation of payment receipt
- evidence of commitment to pay for the capital item, for example, supplier contract, purchase order or executed lease agreement
- evidence of receipt of capital items, for example, supplier or freight documents
- evidence of associated costs such as freight and installation, for example, supplier documents
- photographic evidence (date stamped) of the capital item in your premises.

Claimed expenditure on construction of plant and equipment is limited to the sum of the costs of materials, direct construction labour salary costs, contractor costs, freight and establishment costs.

Evidence to be provided by the applicant may include purchase orders, invoices, payment documentation, photographic evidence (date stamped) of the capital item in your premises; and, details of labour costs.

### **Labour expenditure**

Eligible labour expenditure covers the direct labour costs incurred by the grantee for employees directly employed on the core elements of the agreed project. An employee is a person who is paid a regular salary or wage out of which regular tax instalment deductions are made.

Costs for technical, but not administrative, project management activities are also eligible labour expenditure. Eligible technical project management labour expenditure is limited to 10 per cent of total eligible labour expenditure.

Labour expenditure for leadership or administrative staff (such as CEOs, CFOs, accountants and lawyers) undertaking project management tasks are not eligible expenditure.

Eligible salary expenditure includes all components of an employee's total remuneration package that are itemised on their *Pay As You Go (PAYG) Annual Payment Summary* submitted to the Australian Taxation Office (ATO). Salary-sacrificed superannuation contributions are considered part of an employee's salary package where this amount exceeds that required by the *Superannuation Guarantee*.

For grant claim purposes, the maximum salary for an employee, director or shareholder, including packaged components, is \$150,000 in each full financial year (July-June) of the project period.

The maximum salary claim for an employee in a less-than-complete financial year that is part of the project period is reduced proportionately from the \$150,000.

Eligible salary costs are incurred only when an employee works directly on agreed project activities during the agreed project period.

### **Labour on-costs and administrative overhead**

Eligible salary costs can be increased by an additional 30 per cent allowance to cover on-costs such as employer paid superannuation, payroll tax and workers compensation insurance and overheads such as office rent and the provision of computers.

**Eligible salary costs must be calculated using the formula below:**

$$\text{Eligible salary costs} = \text{Annual salary package} \times \frac{\text{Weeks spent on project}}{52 \text{ weeks}} \times \text{percentage of time spent on project}$$

*Tim, an engineer, is paid a total annual salary package of \$130,000. Tim will spend 14 weeks commissioning a new gas fired furnace. During commissioning Tim will work on eligible project activities 60 per cent of the time. The remaining 40 per cent of Tim's time will be spent on other non-project activities. Therefore eligible salary expenditure for Tim is calculated as follows:*

$$130,000 \times 14/52 \times 0.60 = \$ 21,000$$

**Plus** 30 per cent allowance for on costs and overhead

$$\$21,000 + (21,000 \times 0.30) = \$27,300$$

*Therefore, total eligible salary expenditure that may be claimed for Tim is \$27,300*

Labour costs based on an estimation of the employee's worth to the grantee where no cash changes hands and no amount is credited to a loan account or current account in the grantee's accounts are not eligible labour expenditure.

Amounts credited by journal entry to the loan accounts or current accounts of principals and/or their relatives are not eligible labour expenditure until the tax payable on the salary has been assessed by the ATO.

Evidence to be provided by the applicant can include:

- details of all personnel working on the project including name, title, function, time spent on the project and salary
- ATO payment summaries, pay slips and employment contracts.

**Contract expenditure**

Eligible contract expenditure is the cost of any agreed project activities performed for the grantee by:

- another organisation; or
- an individual engaged under separate contract.

All contractor project work must be the subject of a prior written contract—for example, a formal agreement, letter or purchase order—which specifies the nature of the work to be performed for the grantee and the applicable fees, charges and other costs payable.

Invoices from contractors must provide a detailed description of the nature of the work, the hours and hourly rates involved, and any specific plant expenses incurred.

Invoices must enable the Program Delegate to determine whether the proposed expenditure directly relates to the agreed project, would qualify as eligible expenditure if it was claimed directly by the grantee and is reasonable and commensurate for the activities performed.

In accordance with the funding agreement, the grantee is required to ensure all project contractors keep a record of the costs of their work on the project. Grantees may be required to obtain and provide a contractor's records of its costs of doing project work. If such records are not provided, the relevant contract expense may not be deemed to be eligible expenditure.

Evidence to be provided by the applicant may include an exchange of letters (including email) setting out the terms and conditions of the proposed contract work, purchase order, supply agreements, invoices and payment documents.

### **Other eligible expenditure**

Other eligible expenditure incurred in relation to the project includes, but is not limited to:

- energy audits
- bench tests or pilot studies
- energy modelling
- other agreed costs in relation to pre-project work undertaken to identify or estimate energy efficiency or emissions reductions or potential carbon savings
- commissioning
- building modifications
- staff training that directly supports the achievement of the project outcomes
- financial audit of project expenditure
- measuring and verifying the energy or carbon savings results.

This list is not exhaustive. Other specific expenditure may be eligible as determined by the Program Delegate.

Evidence to be provided by the applicant may include supplier contracts, purchase orders, invoices and supplier confirmation of payments.

## **Ineligible expenditure**

Activities paid for by the applicant using non-cash considerations are not eligible expenditure.

Non-cash considerations are contributions to a project that have the following common characteristics:

- no impact on applicant's cash flow; and
- no record in the applicant's statement of financial performance.

Examples include:

- the use of resources—whether internally or externally sourced—for no cost to the project
- issuing shares in payment for services rendered.

These arrangements are sometimes referred to as 'in-kind' contributions.

Ineligible expenditure also includes but is not limited to:

- finance costs including interest
- depreciation of plant and equipment
- purchase, lease, depreciation or development of land
- infrastructure development costs including development of road, rail, port or fuel delivery networks
- opportunity costs relating to forgone production and production downtime arising from the allocation of resources to the agreed grant project
- costs of manufacturing production inputs
- obtaining resources used on the project, including interest on loans, job advertising and recruiting, and contract negotiations
- routine administration expenses including communications, accommodation, office computing facilities, printing and stationery, postage, legal and accounting fees and back charges
- preparing the grant application, preparing any project reports (except costs of independent audit reports) and preparing any project variation requests.

This list is not exhaustive. Other specific expenditure may be ineligible as determined by the Program Delegate.

# Attachment 1:

## Clean Technology Food and Foundries Investment Program Accountant Declaration – For grants less than \$500,000

Made by:	
Company Name:	
Accountant's Postal Address:	
Accountant's Contact Details:	Phone: Fax: Email:
Accountant's relationship to applicant:	
Qualification:	<input type="checkbox"/> Chartered Accountant <input type="checkbox"/> Certified Practising Accountant <input type="checkbox"/> Association of Chartered Certified Accountants <input type="checkbox"/> National Institute of Accountants <input type="checkbox"/> PNA <input type="checkbox"/> FPNA <input type="checkbox"/> MNIA <input type="checkbox"/> FNIA
Membership Number:	
Applicant's Name:	
Applicant's ABN:	

I declare that:

1. On the basis of the evidence [Applicant Name] has supplied to me, I consider that [Applicant Name] is able to fund its share of the cost of the proposed project. This opinion is based on total project expenditure of [\$ total project expenditure].
2. On the basis of the evidence [Applicant Name] has supplied to me, I confirm that [Applicant Name] had an annual turnover of [less than \$100 million/ \$100 million or more] in [financial year e.g. '2011 -2012'].

Signature: \_\_\_\_\_

Signed on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

# Appendix B. Using the Carbon and Energy Savings Calculator

The *Carbon and Energy Savings Calculator* will help you to calculate the indicators measured in merit criterion 1. These are:

- predicted reduction in carbon emissions intensity (%), following project implementation; and
- total predicted carbon savings (tonnes CO<sub>2</sub>-e) over the life of the conservation measure.

This guide will explain what is meant by carbon emissions intensity and carbon savings, and provide step-by-step instructions to using the *Carbon and Energy Savings Calculator*.

## Emissions intensity

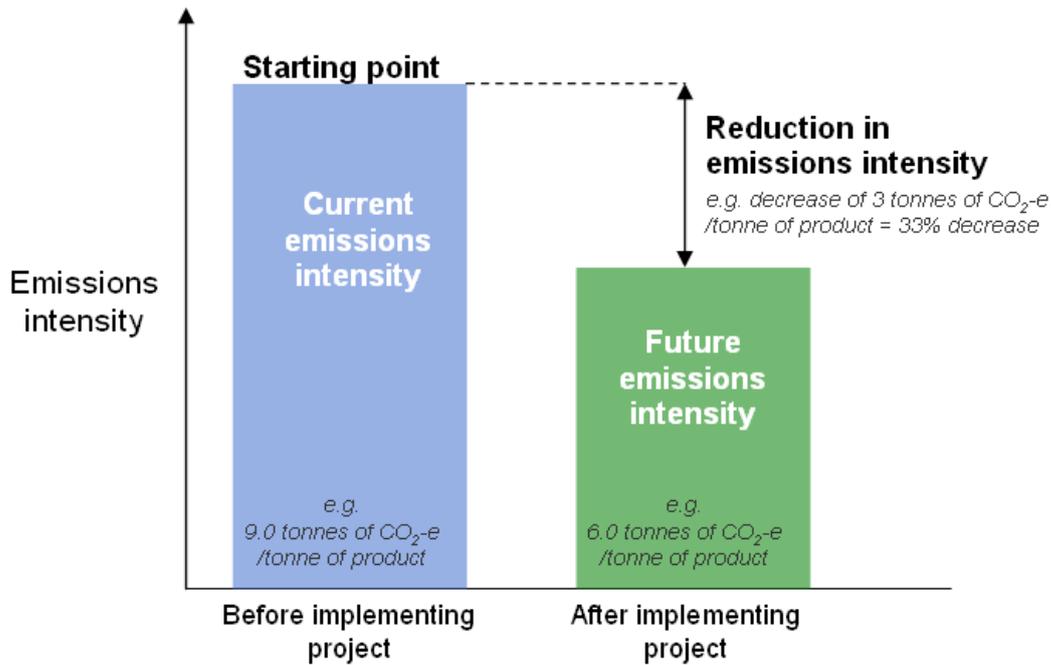
When you implement a project to increase your energy efficiency or reduce your greenhouse gas emissions, you are reducing your **emissions intensity**.

**Emissions intensity** refers to the number of tonnes of greenhouse gases that are emitted for each unit of output that your manufacturing business makes. For example, if you were an abattoir, your emissions intensity may be 200 kg of greenhouse gases per tonne of hot standard carcass weight.

Emissions intensity is a useful way to measure improvements in energy efficiency that is independent of variations in production levels over time due to plant refurbishment or shutdowns, changes in market demand or other factors.

Reductions in emissions intensity cannot be directly measured. You have to indirectly measure the reduction by subtracting your future emissions intensity level from your current emissions intensity level. This principle is shown in the diagram below.

The *Carbon and Energy Savings Calculator* uses State-based Electricity Emission Factors for converting electricity consumption to carbon.



In order to predict the reduction in emissions intensity that your project will deliver, you will need to forecast the future emissions intensity of your operations.

The *Carbon and Energy Savings Calculator* can calculate your current emissions intensity and your forecasted emissions intensity, based on figures you provide for:

- your current electricity, gas or other fuel use, before implementing your project
- your current levels of production
- your predicted electricity, gas or other fuel use, after implementing your project
- your predicted levels of production.

There are a number of accepted approaches to predicting the levels of electricity, gas or other fuels that your operations will use after implementing an energy efficiency or emissions reduction project. These are outlined in *Fact Sheet: Estimating energy and carbon savings*.

## Carbon savings over life of the conservation measure

When you reduce your emissions intensity, you are generating **carbon savings**.

**Carbon savings** refers to the tonnes of greenhouse gases that are no longer emitted into the atmosphere as a result of your energy efficiency project or emissions reduction project. This includes greenhouse gases such as carbon dioxide, methane, nitrous oxide and others.

The total carbon savings that are generated over the life of an energy efficiency or emissions reduction measure will vary for different projects, dependent on the useful life of equipment or plant included in the project.

For example, a project to install high efficiency motors or to install insulation for a plant's process heating and cooling systems may generate the same amount of carbon savings in the first year after implementation. However, over time, the high efficiency motors may degrade due to continued usage ('wear and tear'), resulting in this project having a shorter useful life. Because of its shorter lifetime, the high efficiency motor project will generate lower carbon savings over its total effective life, than the insulation project which will be generating carbon savings for longer.

Effective conservation projects can deliver financial benefits to a company from reduced energy use for many years. Often the key to maintaining financial savings to your company over the life of a conservation measure is appropriate preventative maintenance of the necessary equipment. To maximise these fuel savings, applicants should be prepared to invest appropriately in preventative maintenance of the associated equipment.

The *Carbon and Energy Savings Calculator* can calculate the carbon savings of your conservation measure over its effective life, based on:

- the predicted reduction in emissions intensity that your project will deliver (calculated as described in the above section)
- the effective life of equipment or plant included in your project.

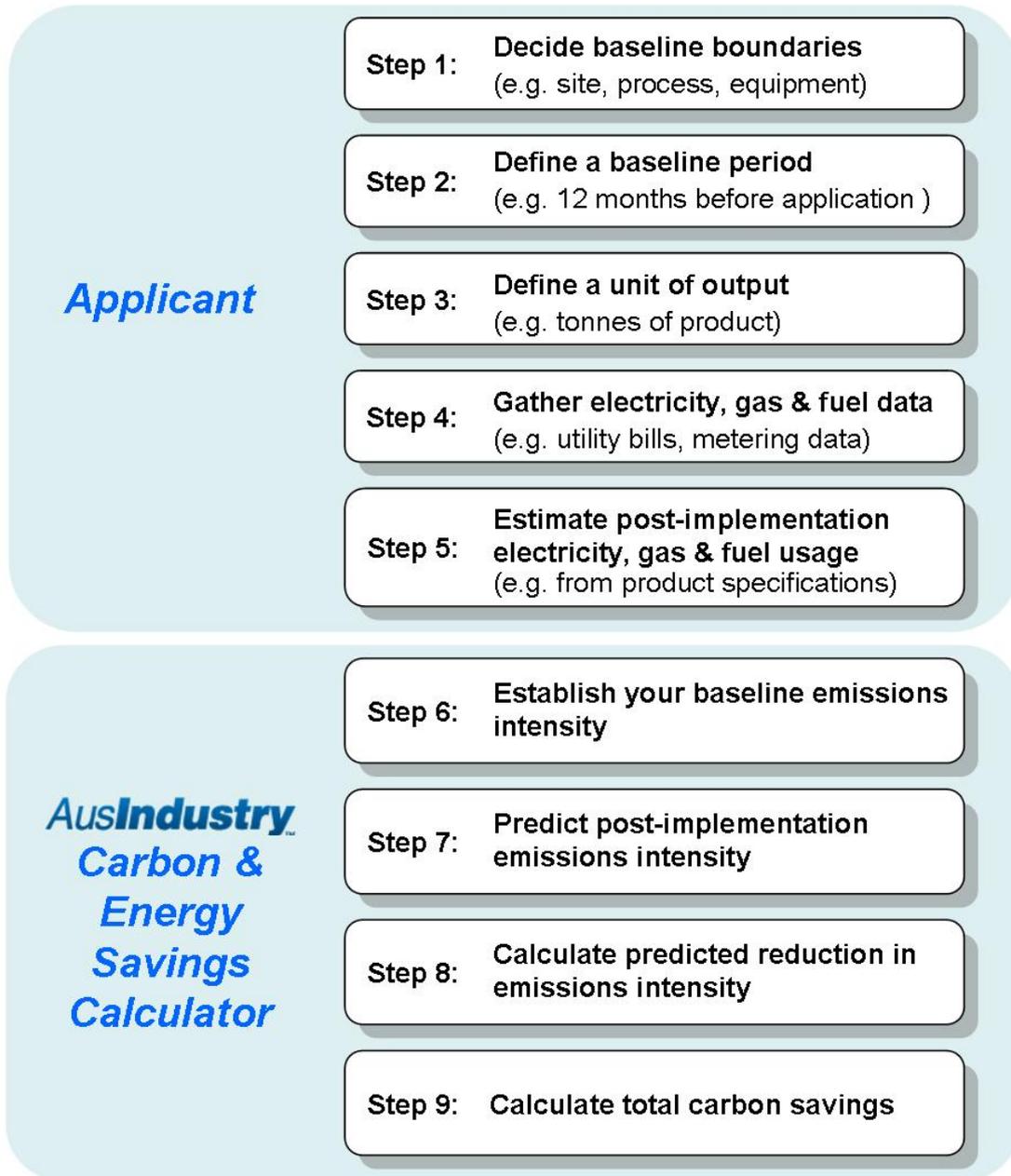
There are two approaches accepted by the *Clean Technology Food and Foundries Investment Program* for estimating the effective life of equipment or plant included in your project. These are described in the step-by-step guide that follows.

For applicants that are also applying to have the carbon savings from the in-service life of a new low emissions product also considered in their total carbon savings, further guidance is provided after the step-by-step guide.

In a small number of cases where the project period does not encompass the entirety of an applicant's conservation measure, carbon savings may not be evident within 15 months of the end of the project period. In these cases, applicants should outline what, if any, carbon savings can be verified within this period and outline a separate period where these carbon savings will be evident and can be verified.

## Step-by-step guide

The figure below shows the nine steps that are involved in using the *Carbon and Energy Savings Calculator*. These steps are described in detail in the following pages.



**Figure 1. Steps for calculating your merit criterion 1 factors.**

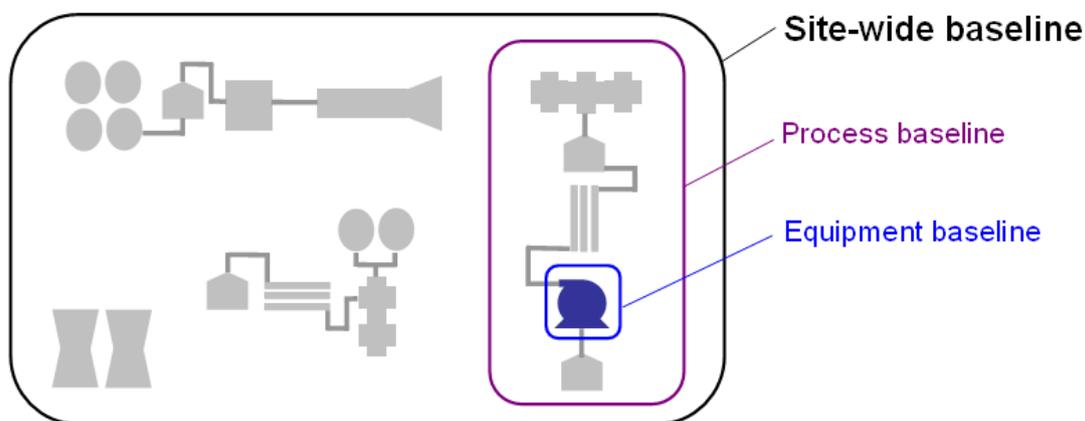
Steps 1 – 5 are undertaken by the applicant. Steps 6 – 9 are performed by tools in the *AusIndustry Carbon and Energy Savings Calculator*, using data entered by the applicant.

## Step 1: Decide on boundaries for your baseline

The current emissions intensity of a defined set of processes or activities at your manufacturing operations is referred to as your baseline emissions intensity. This needs to be well understood as reductions in emission intensity will be referenced to this 'starting point'.

Before calculating your baseline emissions intensity, you must first define the boundaries of the baseline. This means defining the boundaries within which energy and mass flows will be measured. It is recommended that applicants develop a site-wide energy baseline, to easily align with the energy information available from your utility bills.

However, applicants may define alternative boundaries for the baseline, by breaking down each site into several different areas, processes or pieces of equipment. For example, if the proposed project is an upgrade of equipment involved in manufacturing an intermediate, the boundaries may only include processes related to manufacture of the intermediate. Alternatively, the boundaries may only include the specific piece of equipment to which the project relates. This is acceptable if the alternative boundaries encompass all the energy efficiency or emissions reduction measures proposed.



Please note that vehicle or vessel fuel consumption for transport activities cannot be included as part of your baseline fuel consumption. However, for project with activities directed at improving the energy efficiency or carbon emissions reduction intensity of the manufacturing onboard a transportation vehicle or vessel, the fuel consumption related to the manufacturing activity may be considered as part of the applicant's baseline case.

## Step 2: Define a baseline period

An applicant's baseline period is the period of time over which the baseline emissions intensity will be calculated. Applicants should define their baseline period as the 12

month period prior to submitting an application. This will encompass the variations in energy, emissions and production over seasonal, monthly and annual production and weather cycles.

If you do not have access to data for this period of time, or, if this period of time is not reflective of the 'regular and repeatable' energy or emissions level for your selected process or activities, you may select another baseline period occurring within the three years prior to making an application. Deviations from 'regular and repeatable' energy and emissions levels may occur as a result of plant shutdowns, severe weather events or other factors influencing the energy or emissions levels during that period.

If defining an alternative baseline period, applicants will need to outline the reasons for which the 12 month period prior to making an application is not reflective of 'regular and repeatable' energy or emissions levels, when submitting their online application.

*Example 1*

*Manufacturer Smith is submitting an application for the Clean Technology Food and Foundries Investment Program in July 2012. The period of 12 months prior to this is July 2011 – June 2012. However, during this period Manufacturer Smith's plant was shut down for three weeks for maintenance and equipment upgrades. As such this year is not reflective of regular and repeatable energy and production levels. Manufacturer Smith can select an alternative 12 month period between July 2009 and June 2012 as the baseline period, but must provide a brief explanation when submitting their online application.*

### Step 3: Define a relevant unit of output

Applicants will need to define a unit of output to which emissions intensity levels can be related. You may define the unit of output for your manufacturing operations as a unit of physical output or as a unit of financial output. It is recommended that applicants select units of output that relate to physical output in the manufacturing process. This may be the final end-product of the manufacturing process or an intermediate. Examples of units of physical output include:

- number of products (for example, gears, wheels)
- mass of products (for example, tonnes of hot standard carcass weight)
- size or volume of product (for example, metre of iron pipe, kilolitre of milk, yoghurt).

Applicants may also select a unit of financial output (for example, value of production, revenue, value of shipments). Some applicants may find this convenient for aggregating groups of different products together. However emissions intensity

measured with financial units will vary as prices change, so applicants using this type of unit should normalise their figures based on an economic deflator or price index.

Importantly, the unit of output selected should make sense for a business' operations and be relevant to the proposed energy efficiency or emissions reduction project. It should encompass all activities within a proposed project and should be a useful measure of the project outcomes.

Where possible, it is recommended that the unit of output should be consistent with published industry standards for reporting energy or emissions intensity, for example Council of Australian Governments (COAG) Expert Group on Streamlining Greenhouse and Energy Reporting 2009, *National Greenhouse and Energy Reporting Streamlining Protocol*, Appendix E, pg 84 -86, [www.climatechange.gov.au/~media/publications/greenhouse-report/nger-streamlining-protocol.pdf](http://www.climatechange.gov.au/~media/publications/greenhouse-report/nger-streamlining-protocol.pdf).

## Step 4: Gather your electricity, fuel and emissions data

Applicants will need to collect data on all electricity and fuel usage within the baseline boundaries (defined in Step 1) for the selected 12 month period (defined in Step 2). These data can typically be obtained from utility bills and/or metering, depending on the selected boundaries. Data on usage levels of fuels such as biomass, industrial waste or municipal waste may have to be obtained from other sources (for example, invoices, on-site measurements).

Where applicants source electricity from more than one Australian State or Territory, applicants will need to indicate how much was obtained from each State or Territory. This is in order to calculate total emissions in the *Carbon and Energy Savings Calculator*, as electricity emissions factors are different in each State and Territory.

For processes that produce direct non-energy emissions (for example, refrigerant leakage or cement, aluminium and ammonia production), applicants will need to collect data on the emissions of each separate greenhouse gas (that is, kg of carbon dioxide, kg of methane, and so on). These emissions may only be excluded from the baseline calculation if the proposed project will not impact on the levels of these greenhouse gases. For example, where refrigeration facilities will not be modified or replaced, refrigerant leakage may be excluded from the emissions total.

Applicants will also need to collect data on levels of production relevant to the selected unit of output (defined in Step 3) for the baseline period (for example, total tonnes of product manufactured in baseline year).

Example 1

*Manufacturer Alpha is implementing a project over three sites located in New South Wales and Victoria. The three sites use a mix of electricity and wood-waste as energy sources.*

*Manufacturer's baseline period is 12 months in 2010 (January – December). Manufacturer Alpha collects separate utility bill data on electricity sourced from Victoria and NSW during that 12 month period and data from on-site measurements related to the tonnes of dry wood waste generated through site processes during the same period.*

*Manufacturer Alpha also collects data on the total levels of production across all three sites for that 12 month period.*

## Step 5: Estimate post-implementation electricity, gas and fuel usage

Next, applicants will need to estimate the expected electricity and fuel usage for equipment and processes within the baseline boundaries following completion of the implementation of the energy efficiency or emissions reduction project. If non-energy emissions have been included in the baseline data (Step 4), they will also need to be estimated here. It is recommended that the length of the post-implementation period should match the length of the baseline period (for example, 12 months).

Applicants will need to provide an appropriate level of justification to accompany their estimated values.

Example 1

*Manufacturer Bob estimates that it will consume 400 MWh of electricity and produce 1,500 kL of milk in 2014 – 15, after its project has been implemented. By entering these values into the calculator, Manufacturer Bob's post-implementation emissions intensity will be calculated as 237 kg of CO<sub>2</sub>-e per kL of milk.*

This will provide a predicted 'post-implementation scenario' to compare to the baseline ('pre-implementation scenario'), in order to calculate carbon savings with the *Carbon and Energy Savings Calculator*.

Estimates of the expected post-implementation electricity, gas, fuel and emissions levels can be obtained from:

- engineering calculations;
- manufacturer's specifications;
- results of a previous pilot study or bench test; or
- other appropriate methods.

Applicants will need to provide evidence in support of their estimations, when submitting the *Clean Technology Food and Foundries Investment Program*

application form. Further guidance on suitable approaches to estimating post-implementation levels of energy use and emissions is provided in *Fact Sheet: Estimating carbon and energy savings*.

For projects that are expected to result in increased levels of production, applicants will also need to estimate the levels of production for the 12 month period following implementation of the project. Levels of production should be relevant to the selected unit of output.

## Step 6: Establish your baseline emissions intensity

After collecting data on electricity, fuel consumption, production and data on emissions (if applicable) for the selected baseline boundary and period (Step 4), applicants must enter this data into the *Carbon and Energy Savings Calculator* to obtain their baseline emissions intensity.

### Example 1

*Manufacturer Gemini consumed 300 MWh of electricity in 2010 – 11, and had production levels of 1000 kL of milk. By entering these values and the State in which Manufacturer Gemini is located (New South Wales) into the calculator, Manufacturer Gemini's emissions intensity baseline will be calculated as 267 kg of CO<sub>2</sub>-e per kL of milk. This is based on the NSW electricity emission factor of 0.89 tonnes of CO<sub>2</sub>-e per MWh of electricity.*

## Step 7: Predict the post-implementation emissions intensity

Applicants will need to enter estimates of predicted electricity, fuel consumption, emissions (if applicable) and production levels (estimated in Step 5) into the *Carbon and Energy Savings Calculator* to obtain an estimate of the emissions intensity levels following implementation of the proposed project.

## Step 8: Calculate the predicted reduction in emissions intensity

Using the emissions intensity baseline (Step 6) and the predicted post-implementation emissions intensity (Step 7), the *Carbon and Energy Savings Calculator* will calculate the predicted reduction in emissions intensity for the proposed project.

#### Example 1

Using a baseline emissions intensity of 267kg of CO<sub>2</sub>-e per kL of milk gas and a post-implementation emissions intensity of 237kg of CO<sub>2</sub>-e per kL of milk, Manufacturer Bob's predicted reduction in emissions intensity will be calculated as 11 per cent.

## Step 9: Calculate your total carbon savings

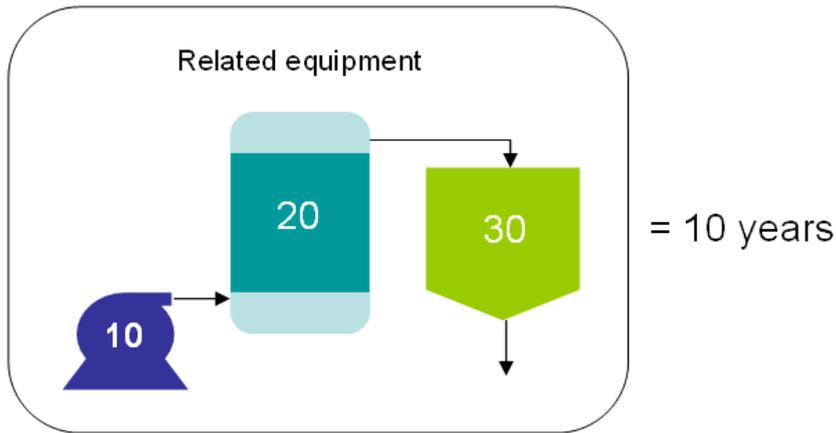
Using the predicted reduction in carbon emissions intensity (Step 8) and the forecasted production levels provided by the applicant, the *Carbon and Energy Savings Calculator* will calculate the predicted carbon savings in the first year following implementation of the proposed project.

The total carbon savings resulting from the proposed project will then be estimated by the *Carbon and Energy Savings Calculator*, using the predicted maximum carbon savings in the first year following implementation of the proposed project and the expected total life of the proposed energy efficiency or emissions reduction measure (in years).

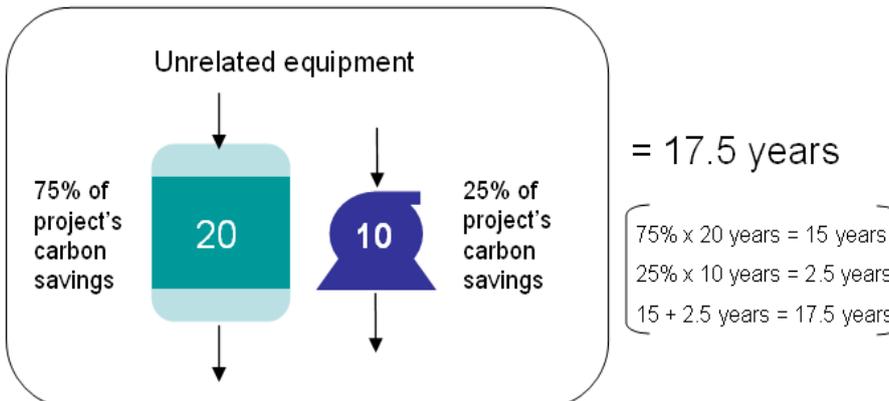
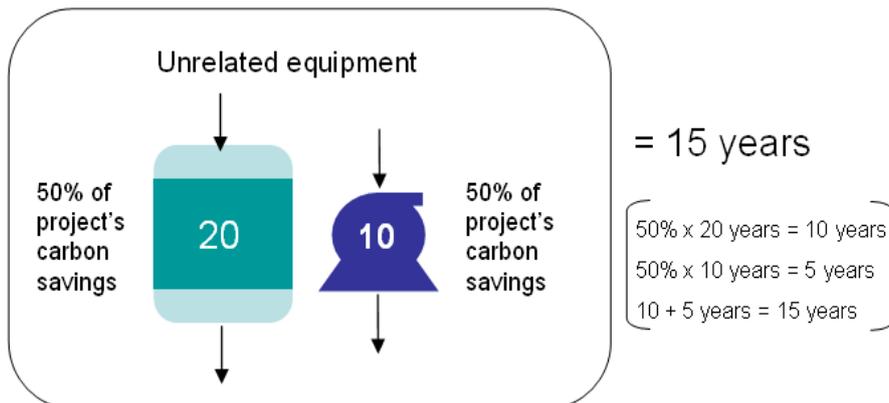
There are two approaches accepted by the *Clean Technology Food and Foundries Investment Program* for estimating the life of the energy efficiency or emissions reduction measure(s) included in your project:

- **Approach 1:** select a standard period of 10 years. This will be the default in the *Carbon and Energy Savings Calculator*.
- **Approach 2:** select an alternative life for your energy efficiency or emissions reduction measure, using values for the equipment included in the project from the Australian Taxation Office's [Asset Depreciation Schedule](#). You will need to select both the relevant piece of capital equipment and the industry within which the equipment is being used. This is because some pieces of equipment are used in different ways by different industries. Please note, if the specific capital equipment included in your project is not listed in the Asset Depreciation Schedule, you must use Approach 1 for estimating the life of your emissions reduction measure.

If you are using Approach 2 to estimate the life of an emission reduction measure that involves multiple pieces of related equipment, you must select the effective life of the piece of equipment with the shortest lifetime. This will be indicative of the period of time for which all components of the emissions reduction measure are effective, and thus the entire emissions reduction measure is considered to be effective.



If you are using Approach 2 for a project that involves multiple un-related emissions reduction measures, you must provide an average of the effective lives for the equipment included in each separate measure. When calculating an average effective life across multiple emissions reduction measures, applicants should use a carbon-weighted average where the carbon savings are broken down for each emissions reduction measure.



If carbon weighting data is not available, applicants will be given flexibility to use a cost-based or other weighted average, noting that the method for determining the average must be justified in the application form.

Example 1 – Approach 1

Manufacturer Omega is installing variable speed drives and upgrading to high efficiency motors. From the project's predicted reduction in emissions intensity, the Carbon and Energy Savings Calculator has estimated that Manufacturer Omega's project will save 50 tonnes of CO<sub>2</sub>-e in the first year following implementation.

Manufacturer Omega selects a standard period of 10 years. The project's total carbon savings over the life of the measures is calculated as 500 tonnes of CO<sub>2</sub>-e.

Example 2 – Approach 2 for single piece of equipment

Manufacturer Caterpillar is installing a new boiler. As Manufacturer Caterpillar's operations fall within the wine and other alcoholic beverage manufacturing sector, Manufacturer Caterpillar selects the effective life of a boiler for that sector (from Table A of the ATO Schedule), namely 15 years.

Example 3 – Approach 2 for a single energy efficiency or emissions reduction measure

Manufacturer Jones is making a number of modifications to its cereal manufacturing process, including changes to the cooker, extruder and shredding mill. All pieces of equipment are part of a single energy efficiency project. The effective lives of these pieces of equipment in the cereal and pasta product manufacturing industry are 15 years, 20 years and 20 years (from Table A of the ATO Schedule). As all three pieces of equipment are required to implement the energy efficiency measure, the project will only be effective for the period of time for which all three pieces of equipment are effective. Thus Manufacturer Jones selects the effective life for the piece of equipment with the shortest lifetime (that is, the cooker). The effective life of the project is 15 years.

Example 4 – Approach 2 for multiple energy efficiency or emissions reduction measures

Manufacturer Milo's project involves installing a boiler within a concrete structure and a rotary air compressor. These are two separate emissions reductions measures.

Manufacturer Milo selects 20 years for a boiler, 100 years for a concrete structure and 10 years for a rotary screw air compressor (from Table B in the ATO Schedule).

For the first emission reduction measure involving the boiler and concrete structure, Manufacturer Milo must use the shorter 'effective life' of the boiler (that is, 20 years). The second emissions reduction measure only involves the rotary screw air compressor, so the 'effective life' is 10 years.

Manufacturer Milo estimates that 75 per cent of the carbon savings from the overall project are generated from the boiler-related measure, and 25 per cent from the compressor-related measure. Thus Manufacturer Milo estimates that the average effective life of the conservation measures is 17.5 years.

The Carbon and Energy Savings Calculator should now have calculated the necessary indicators to assess your project's merit against merit criterion 1. Follow the instructions in the Carbon and Energy Savings Calculator to save a copy of the summary output page and attach it to your online application form.

If you plan to include the carbon savings from the in-service life of a low emissions product in your total carbon savings, you will need to enter your estimates of carbon savings from the new product, prior to saving and completing the form. Guidance on this is provided in the next section.

## Including carbon savings from the in-service life of a low emissions product

If your project involves upgrading or establishing new facilities to manufacture low emissions products (section 2.4), you may be eligible to apply to have the carbon savings from the **in-service life** of the manufactured product, considered in your total predicted carbon savings calculation. The carbon savings from the in-service life of the manufactured product will be considered in conjunction with the carbon savings from the manufacturing process. In these scenarios, the *Carbon and Energy Savings Calculator* will automatically calculate a single value for the percentage reduction in carbon savings (using a weighted average) and a single value for the carbon savings over the life of the conservation measure (using the sum of both values).

The minimum grant amount for projects that choose to have the carbon savings from the in-use life of a manufactured product considered is \$1.5 million.

Applicants will need to report a carbon intensity of the existing manufactured product and forecast a carbon intensity of the new product related to the project based on a selected output measure (for example, per kilometre travelled). Applicants will need to also estimate absolute carbon savings over the entirety of a product's life.

Applicants will have to provide realistic forecasts about product sales, product use and product life and provide appropriate evidence justifying these estimates. A methodology for estimating these savings is not prescribed but applicants may wish to seek advice from the Department of Climate Change and Energy Efficiency.

### Example 1

*Manufacturer Bluegum is producing more efficient two-door refrigerators. Its existing model has an electricity consumption of 400 kWh per year and the prototype new model has an electricity consumption of 350 kWh per year. On this basis it reports a 12.5 per cent reduction in energy intensity and therefore carbon intensity. It forecasts it will sell 300,000 units Australia wide over the life of the product cycle. The effective life of a refrigerator is 10 years according to the Australian Taxation Office's Asset Depreciation Schedule. As the units are sold nationally it assumes an Australian average electricity emission factor of 0.91 kg CO<sub>2</sub>-e per kWh. It estimates that the total carbon abated over the life of the product is  $(400 \text{ kWh per year} - 350 \text{ kWh per year}) \times 300,000 \text{ units} \times 10 \text{ years per unit} \times 0.91 \text{ kg CO}_2\text{-e per kWh} = 136,500 \text{ tonnes of CO}_2\text{-e}$ . As the electricity consumption of refrigerators are strongly related to capacity, if its new product had a significantly different volume it may be more valid to include volume when estimating intensity savings (that is, comparing 1 kWh per litre per year with 0.85 kWh per litre per year). If the product was sold predominately in a*

*certain Australian State or Territory, or exported overseas, it may be more valid to match sales forecasts to the electricity emission factor of the destination where the product is to be used.*