



Enabling Commercial Retrofit

Financing Business Energy Upgrades

A Guide for SMEs and their Financial Advisers

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Contents

1. Introduction	3
2. Preparing to seek finance – building the business case	4
Understand the Challenges	4
Business Case Checklist	5
Return on Investment	6
3. Non-repayable funding supports	8
SEAI Grants Available for SMEs	8
Non-SEAI Sources of Grant Funding	14
Tax relief	15
Financial support from your energy supplier	17
4. Financing solutions	19
Choosing the Right Financing Solution: What to Consider	19
Loan Finance	21
Asset Finance	24
Efficiency as a Service	27
Corporate Power Purchase Agreements	28
5. Energy upgrade in Rented Premises	30
Engaging with your landlord	30
Green leases	32
6. Next steps	35
7. Glossary	36
8. Resources	38



1. Introduction

Businesses of all sizes are under increasing pressure from stakeholders (including corporate customers, lenders and investors) to improve energy upgrade, decarbonise their energy use, and provide data relating to their carbon emissions. **Reducing energy use and energy-related costs makes perfect business sense**: it saves money, protects against energy cost volatility, and enhances businesses' reputations. It also improves building occupants' comfort and helps everyone in the fight against climate change.

This guide has been **prepared to help Small and Medium-sized Enterprises (SMEs) and their financial advisers** (inhouse or external) to identify, assess and select the optimal blend of financial supports and solutions for their commercial building energy upgrade projects. Please note that the guide **targets six building types where the main energy users are the building itself and the activities being delivered within it**, rather than industrial or manufacturing processes. The six building types are:



This guide **supplements the information provided by the Sustainable Energy Authority of Ireland (SEAI) on** <u>Steps to Energy upgrade</u> for businesses (see Step 4 regarding Investing). This guide assumes that the previous steps have already been completed. If not, it's recommended to revisit that guidance before moving forward.

This guide outlines the key stages in building a strong case for investing in energy upgrade projects. It also provides practical guidance on grants, tax relief and other non-repayable funding supports, as well as on other financing options currently offered in the Irish market. For SMEs that rent their premises, the guide highlights specific considerations and potential actions. Finally, it suggests clear next steps for SMEs and their advisors as they prioritise and plan their energy upgrade initiatives.

This guide is **not tailored** to any particular company or project and is intended as general guidance only. Independent legal and financial advice should be obtained from a professional with regards to your specific circumstances.



2. Preparing to seek finance – building the business case

As noted earlier, this guide is designed to complement—rather than repeat—the guidance available on the SEAI website. The SEAI's <u>Steps to Energy upgrade</u> for business are shown below. Once the first three steps have been completed, the energy upgrade opportunities relevant to your business and commercial building should have been identified. The next step is to invest in these projects, which generally necessitates a solid business case to show why they're worth the time and money. This section identifies challenges that should be addressed when compiling a business case and the key sections and questions to be covered. Estimating the cost savings and payback period for energy upgrade upgrades can be complex, as outcomes depend on several variables. However, to support early-stage planning, indicative return on investment figures are provided, drawing on publicly available data from the SEAI and other reliable sources.



Understand the Challenges

Getting internal approval and access to finance for an energy-efficiency investment opportunity requires a business case. Several challenges can make it harder to get these projects approved and so this business case needs to be compelling! Challenges include:

- **Cost**: although they typically pay for themselves within a few years through the energy cost savings achieved, energy-efficiency projects usually require an upfront (and potentially significant) capital investment.
- Relative importance: energy-efficiency projects are typically not seen as essential to the survival or core operations of an SME business in a commercial building, nor are they usually mandatory from a legal or regulatory perspective. Projects may also be smaller scale than other projects being dealt with by decision makers, diminishing their perceived importance.
- **Technical expertise:** projects can be quite technical (or unique), which increases their perceived riskiness and makes rejection a comfortable choice.





Business Case Checklist

To overcome the common challenges associated with energy upgrade projects, it's essential to build a clear and persuasive business case. Advocates should be ready to address the following key questions before engaging with financial or leadership teams:

- 1. **Strategic alignment**: How does the project align with organisational goals? As well as cost savings, future-proofing property valuations, and reducing energy cost volatility, are there other organisational goals with which the project aligns, such as reducing carbon emissions, responding to corporate customer or lender demands, or becoming an industry leader in energy management?
- 2. **Cost estimate**: What are the upfront costs and operational and maintenance costs going forward? What will be the cost of any disruption to operations during the period of installation, if any?
- 3. **Return on investment**: what savings will the project deliver on energy bills, what is the payback period and overall financial benefit? Are there benefits associated with reduced cost volatility?
- 4. **Additional benefits:** Are there any additional benefits, e.g. a well-designed lighting system can improve staff well-being and morale, improve the attractiveness of surroundings for customers (e.g. hotel, bar) or for staff (e.g. office). Might the business brand might benefit from association with climate action.
- 5. Risks: What are the risks involved in proceeding or not proceeding with the project? There may be technical, market, financial and other risks to consider. This could include the risk of disruption if the business must pause operations during works. Or it could include loss of customers (B2B) where a lack of action on energy upgrade may be deemed unsatisfactory in tender processes or similar. Risk of fines or penalties where forthcoming legislative or regulatory requirements are not met should also be identified and assessed.
- 6. **Funding sources**: what grants, tax relief, or other non-repayable funding supports are available to support the investment? Are other financing models or solutions available as an alternative to using own funds or taking out a loan?
- 7. **Tenant issues**: If you are a tenant, cover issues that will require discussion the landlord to ensure alignment, avoid legal or financial pitfalls, and maximize the benefits of the project.

Having robust answers to the above questions will put you and your business in the best scenario to receive approval from your leadership teams.



Return on Investment

Estimating the cost savings and payback period for energy upgrade measures can be challenging, as results vary depending on factors such as building size, energy usage, and the availability of grants or other supports. However, to help guide initial thinking, indicative figures are provided below based on publicly available information from the SEAI and other reliable sources. These figures are for general reference only. For accurate projections tailored to your business, it's strongly recommended to seek expert advice based on your specific circumstances.

Measure	Return on investment (Estimate)
Behavioural changes	up to 10% savings can be achieved through no-cost measures e.g., turning off
	lights and using motion sensor lighting in unused areas, running energy
	intensive equipment at the most cost-optimal level and time, and engaging
	with staff on energy management.
LED lighting	up to 70% reduction in lighting energy expenses.
Solar PV panels for	up to 50% saving on business electricity. On average it takes less than five
electricity generation	years for an investment in a solar PV panel system to pay for itself, and the
	panels can have a lifespan exceeding 20 years.
Solar thermal to heat	up to 35% savings on heating costs, if used for both central heating backup
water	and water heating.
Air handling units	up to 75% saving on ventilation-related heating costs when you replace
	existing units.
Water system pumps	approx. 50% energy reduction by reducing the flow rate of a pump by 20%.
Heat pumps	for heating, hot water, joint heating/cooling or combinations of these systems.
	Savings will vary on a case-by-case basis
Building Management	up to 15% savings on energy costs by reviewing and adjusting the BMS
System ('BMS')	settings. A BMS is often the most cost-effective tool in your energy upgrade
optimisation and controls	journey, with savings made by automating systems such as heating, cooling,
	lighting and water.
Wall and roof fabric	allows for the same or higher levels of comfort as before but using less
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The standard report provided by an SEAI grant-funded Energy Audit Report should provide the key metrics to support the cost/benefit section of your business case. The energy auditor will typically compile their findings in a report for the organisation to show you:

- how much energy your business uses
- what equipment and processes use the most energy
- what actions you should take to save energy, and
- their estimated cost and impact.

The report should also signpost you to grants available. See an extract below from the standard Energy Audit Report. Additional guidance is provided in Section 3 of this Guide and for more detail, see <u>Energy Audits for</u> <u>SMEs | Business | SEAI</u>.

Recommended actions below will help reduce your organisation's emissions by XXXX% and annual energy spend by €XXX.:

Action	Energy saving per yr (€)	Emissions reduction per yr (t CO ₂ e)	Cost of action (€)	Payback period (years)	First step
0	0				
0	0				
0	0				
0	0				
0	0				
0	0				
0	0				
Total	0		0		



SSEA Energy Action Plan



3. Non-repayable funding supports

This section covers non-repayable funding supports available to SMEs, which include grants, tax reliefs and financial support available from energy suppliers. The grants covered in this section include managed and distributed by the SEAI, as well as grants from other State Agencies, such as Enterprise Ireland, the IDA and Local Enterprise Offices.

SEAI Grants Available for SMEs

Overview of all grants available through the SEAI for SMEs below:



Energy Audit Grant

If you are not sure where to start, always start with an energy audit. This is a €2,000 voucher for SMEs towards the cost of a professional energy audit.

An energy audit is an important step for businesses that want to save money, save energy, and enhance their brand. An energy audit may be carried out on buildings, processes, or systems and it is a three-step process which involves preparation, a site visit and reporting. In most cases, the grant will cover the total cost of the audit. Application to the scheme is easy, with automatic approval for eligible businesses.

Eligibility criteria

Businesses applying to the scheme must be:

- SMEs
- tax compliant and registered in the Republic of Ireland
- spend at least €10,000 on energy (exclusive of transport energy costs) per year at the site being audited
- There is a limit of 1 audit voucher per Applicant/Company

For further details on how to apply, see: Energy Audits for SMEs | Business | SEAI.

SEAI Business Energy Upgrade Grants Overview



The measures supported

Solar Thermal	A useful upgrade if your business uses a large amount of hot water
Solar PV	Panels to generate your own solar energy
Wall and roof fabric	Make your building more comfortable by replacing the roof fabric or better insulating the walls
Heat pumps	Lower your heating costs and carbon footprint with commercial heat pumps
Pumps	Upgrade your building's pumps which are an essential element of all water systems
Air handling unit	Improve your indoor air quality and overall environmental comfort
Building Management System Optimisation	Get the most of your energy use with a high quality BMS
Building Management	Upgrade your BMS controls for better efficiency
System Controls	
Design Assistance	Invest in greater energy upgrade and meet the highest energy standards with a building-specific design package



The application process

For grants tagged as having immediate approval, the application process is designed to be as user-friendly and convenient as possible. Each measure has a dedicated Pre-Application Information Form available on the SEAI website. Application approval is instant, and your grant value is calculated on the basis of your input data which includes address, year of premises built, building type i.e., office, hotel, warehouse etc., number of floors, and total floor area for all floors in squared metres and the selection of measures you are looking to receive support for.

Before applying for these grants, you should:

- Decide on the measures you wish to invest in for your building energy upgrades (preferably based on an energy audit)
- **Appoint a service provider** to undertake the work that meets the scheme requirements, as part of the application you will select the company you wish to undertake the energy upgrades.
- Have your selected service provider complete the Pre-Application Information Form which includes technical measures required for the application. This might be of particular help if your business is unfamiliar with the measures to be undertaken e.g., installing solar thermal or heat pumps etc. or if you are unfamiliar with the SEAI processes and it is your first time seeking grant funding.
- Apply online for the grant. Be ready to input need details about your business, e.g. name, address, tax reference number, the Meter Point Reference Number (MPRN) unique to your building (you'll find this on your electricity bill), as well as technical details from the Pre-Application Information Form.

Key points to note

- The entity applying for the grant should be whoever has the MPRN in their name. If the landlord's name is associated with the MPRN the landlord should apply. If the tenant's name is associated with the MPRN the tenant should apply and should also seek consents or approvals from their landlord.
- You **must receive grant approval** <u>before</u> proceeding with a project. Costs incurred before grant approval is received, e.g. from orders, deposits, part-payments etc., are ineligible.
- You have an 8-month period from the time of the offer to complete the works and submit the request for payment.



- When the work is complete your service provider will provide you with the required documentation to complete a payment request, and SEAI will begin to process your grant payment, i.e. the grant is retrospective so you will need cashflow to bridge the gap.
- You can use own preferred supplier for the immediate approval grants. The exception to this is the Solar PV scheme, which specifically requires that you engage a service provider on the list of SEAI Solar PV Registered Companies to carry out the supported measure. This list can be founded on the <u>SEAI</u> website.
- For the Solar PV grant, there is also specific requirement that the service provider must apply to ESB Networks to connect the solar PV system to the electricity network.
- Because of the speed with which the application can be completed, a key risk is that you will be
 ineligible for payment if you apply for a measure that you are not eligible for, provide inaccurate
 information in the application, or appoint a service provider that does not meet the competency
 requirements of the scheme. As is advised by the SEAI, completing the pre-application form with the
 company or installer or asking them to complete it on your behalf if you are unfamiliar with the process
 may help in ensuring requirements are met.
- You must obtain all necessary consents, permissions and statutory approvals and have authority to install the measures on the premises. This is particularly the case if you are a tenant, in which case the first port of call should be to engage your landlord to obtain consent.
- A percentage of all works are inspected by the SEAI in order to ensure grant compliance and assess quality.
- Grant support is subject to EU State Aid Rules so it will be important to confirm that those rules have not been breached. More information on EU State Aid Rules is noted in the Loan Finance Section and in the references table.
- Finally, it is important to note that rapid approval support will be continuously updated and tweaked in line with government policy. Ensure you review the SEAI website directly for the most up to date conditions.



Tailored Grant Supports

The Tailored Supports are aimed at larger projects and companies (but are available to SMEs). These grants support Energy Efficient Design, Renewable Heating projects and Community projects. They are aimed at projects that look to make several energy upgrades and are not in immediate need of an upfront grant. Each application is evaluated in detail, meaning your grant amount is specific to your planned measures. The grant is based on the investment your business makes, and all tailored supports are a percentage of your investment. A short summary of each one is provided below but, as always, full detail on these grants is available on the SEAI website and it is recommended that you read the full grant scheme rules if considering these supports.

		Tailored Grant Supports (Larger Projects)
Energy Efficient Design		To achieve Excellence in Energy Efficient Design (EXEED) Grants up of to €3,000,000 Agreed on a Case-by-Case Basis
Renewable Heating	Capex grant:	Installation grant for commercial heat pump Up to 40% plus additional 30% for energy efficiency measures (heat recovery, ventilation, building fabric etc} 6-8 weeks for approval
	Operational tariff support:	Operational tariff support for biomass and biogas heating systems NB: Due to EU State Aid Rules – temporary restriction
Community Grants	Multiple me	asures supported, provided part of a broader community energy project Up to 30% grant 6-8 weeks for approval

Energy Efficient Design (EXEED) grants

SEAI provides grant support for **projects which are following the EXEED Certified Standard for Excellence in Energy Efficient Design**. The EXEED Standard encourages innovation in design projects to help future-proof the investment, by

- optimising energy performance,
- reducing operational energy costs and carbon emissions,
- improving competitiveness and
- demonstrating commitment to sustainability, which could also bring a reputational boost.

EXEED support is available for new designs and major renovation and major energy upgrades for existing buildings and assets. This will be **most suited to larger SMEs** looking to undertake significant investment in their decarbonisation journey. EXEED takes a holistic approach to business energy use, understanding where and how energy is being used whilst challenging the idea of why energy is needed in the first place.

The scheme provides funding towards implementing the EXEED Certified process. This includes professional services and additional capital required. **Maximum grant support available per project is €3 million**. The maximum grant available is determined on a **case-by-case basis**, with criteria determining the final grant support including the business size and the expenditure type (pre-investment support or costs to implement EXEED processes).

Renewable Heat Grants

This grant scheme provides businesses with financial support to convert from fossil fuels to renewable heating. This scheme offers **2 separate supports**, one being a capital grant and the other being quarterly payments ("operational tariff support") for 15 years based on the useable heat produced by the renewable heating system. At the date of writing, due to changes to EU State Aid Rules, a temporary restriction has been placed on the tariff element of the scheme. SEAI and the Department of the Environment, Climate and Communications are working on removing this restriction. Importantly, this restriction does not impact the capital grant scheme. For completeness, an overview of both supports is provided below but please check the SEAI website for the most recent updates.

- The **capital grant** is an installation grant of up to 40% for investment in air, ground, and water source heat pumps. There is also an additional 30% grant for related energy upgrade measures that may be required to ensure your building is suitable for a heat pump.
- The quarterly payments support is called an operational tariff support for biomass and biogas heating systems. This tariff supports the operation of your renewable heating system for up to 15 years. To date this tariff support has been largely leveraged by the agriculture sector. From the perspective of ENACT typologies, hotels may be the best suited to this support.

Community Grant

The Community Grant programme supports new approaches to achieving energy upgrade in Irish communities. Upgrades can take place across various building types to reduce energy use and costs throughout the community. All project applications must be community oriented with a cross-sectoral approach. To access support under the Community Grant businesses **should contact a Project Coordinator from the SEAI list**: <u>SEAI</u> <u>Community Grant Project Coordinators | SEAI</u>.

Projects must use a mix of sustainable solutions and should be able to portray community benefits. Supported measures include building fabric upgrades, technology and system upgrades and the integration of renewable energy sources. Partnership is essential for a successful application and this might include homeowners, community and non-profit organisations, the public sector and also private sector businesses. Grants under this scheme can support both capital funding and technical support. Business owners should get in touch with Project Coordinators to understand whether there is or could be a project in their community they could get involved with, and the levels of grant support available.

Non-SEAI Sources of Grant Funding

For the categories of commercial buildings and businesses within the scope of this Guide, the SEAI is the only State Agency that provides grant support for energy audits and technical design assistance. It is also the main source of capital grants and supports and so should be the first point of call when identifying sources of grant funding.

Grant supports from other State Agencies

That said, there are also supports available for decarbonisation and climate action from other State Agencies, including Enterprise Ireland, the IDA and the Local Enterprise Offices (LEOs). If you are a client of those organisations, or another sector-specific State Agency, e.g. Failte Ireland, you should contact your relationship advisor directly to identify the grant funding available. Much of the funding is to access consultancy and advisory supports but some capital grants are available. At the date of writing, details of IDA and Enterprise Ireland supports can be found here IDA 'Go Green' Offer | IDA Ireland and here Improve sustainability | Business Support | Enterprise Ireland.

LEO Energy upgrade Grant

With regards to capital grants, the LEOs offer the Energy upgrade Grant to small businesses, which supports investment in technologies and equipment. This is available following a Green for Business Report, Green Start Report or a SEAI Energy Audit, with 75% of eligible costs from a minimum grant of €750 to a maximum of €10,000. The Energy upgrade Grant can support building efficiency measures that may not be eligible under the SEAI supports. This may include lighting upgrades to LED (as part of a wider package), small wind turbines and hydro generators. The grant can also support investment in technologies included on the Triple E Register. Solar PV, insulation and biomass and biogas boilers are ineligible costs under this grant. A full list of eligible and ineligible expenditure is available here and SMEs are advised to contact their LEO relationship advisor for more information.

European grant funding

At a European level, grant aid also exists for SMEs in search of energy upgrade funding. One recent example was <u>EENergy</u> which provided grant aid support for SMEs to define an action plan to improve their energy-efficiency performance, and to carry out the action plan with a view to achieving a 5% reduction in energy consumption. Financial support of up to €10,000 was available to successful applications. While this grant funding call is now closed, SMEs should consult their local <u>Enterprise Europe Network</u> to find out more about European grant funding.

Tax relief

In addition to the above supports, there is also a tax incentive encouraging investment in energy saving technology. The Accelerated Capital Allowances (ACA) scheme allows a sole trader, farmer or company that pays corporation tax or income tax on trading or professional income in Ireland to deduct the full cost of the equipment from their profits in the year of purchase. As a result, the business's taxable profits are reduced by the value of qualifying capital expenditure.

Value of the tax relief

Fo example, if the cost (net of grant) of the measure is €100,000, the upfront cash benefit in tax saved (provided you are in a tax payable position that year) would be €12,500 for a company paying corporation tax, or potentially €40,000 for an income tax payer. By contrast, the standard capital allowances for plant and machinery would provide for the same tax reduction but spread evenly over an eight-year period – so there is a clear cashflow benefit associated with ACA. Furthermore, this relief is even more beneficial than simply a timing/cashflow benefit. Some energy-efficient equipment might not be eligible "machinery" or "plant" in its own right for the purposes of standard annual capital allowances. However, any products that have been included in the Triple E Register published by the SEAI are deemed to be machinery or plant and the ACA can be claimed. Energy-efficient equipment that is machinery or plant but that has not been included in the list can, of course, avail of the normal wear and tear allowances.

Here are some broad categories of equipment that might be eligible for the ACA Scheme provided they are included in the Triple E Register:

Energy-efficient machinery	This could include industrial processes, heating and ventilation systems, or agricultural equipment that meet the scheme's efficiency standards.
Building upgrades	Insulation materials, energy-efficient windows, or lighting systems
	installed in a business's buildings could qualify.
Renewable energy	Solar panels, heat pumps, or biomass boilers used to generate renewable
technology	energy for a business can potentially be covered.
Information and	Energy-efficient servers, network equipment, or data centre upgrades
communication technology	might be included on the SEAI's approved list.

Eligibility criteria

Guidance from the Revenue Commissioners sets out <u>key criteria</u> that must be met by businesses seeking to claim the ACA for energy-efficient equipment, including:

Who can claim	Companies, sole traders and farmers that operate and pay corporation tax or
	income tax on trading or professional income in Ireland can avail of the ACA
	scheme.
Equipment use	The equipment purchased must be new and bought for use in a trade .
Equipment	The equipment must "belong to" the person carrying on the trade. It cannot be
ownership	leased, let or hired (either by the lessor or lessee) to any person, body or
	organisation.
Eligible costs and	ACA is available for costs directly related to providing the equipment . Expenditure
minimum	on the technology must be equal to or exceed the minimum amounts for the
expenditure	relevant class of technology, which is generally €1,000, with higher limits of €3,000
	and ${ m \ensuremath{\in}}$ 5,000 for lighting and Building Energy Management Systems respectively.

ACA can be claimed for the accounting period in which the equipment was first
provided, as long as the equipment is included on the Triple E Register at some
stage during that accounting period.
Claim the ACA through your tax return. There are now fields for ACA on both the
corporation tax return (CT1 form) and income tax return (Form 11), alongside the
standard capital allowances entry field. You don't need approval for expenditure on
energy efficient equipment; normal self-assessment tax provisions apply.
The Triple E register for products is a list of products approved as being energy
efficient for the purposes of claiming ACA for tax purposes. Products on this
register all meet a minimum set of stringent energy upgrade criteria and typically
will be of a best-in-class efficiency standard. Only the top $10 - 15\%$ most energy-
efficient products in any technology are listed on the Register. The Triple E Register
is maintained by the SEAI (not the Revenue Commissioners).

Financial support from your energy supplier

There is one further source of non-repayable funding that is worth highlighting. Under Ireland's national <u>Energy</u> <u>upgrade Obligation Scheme (EEOS</u>), large Irish energy suppliers and distributors ("Energy Suppliers") are themselves required to achieve annual energy upgrade targets. For every unit of energy saved for which they have provided in-kind or financial support, they earn energy credits towards their annual goal.

In practice, the EEOS means that there is potentially additional funding and other support available from Energy Suppliers to support your energy-efficiency projects. This is in addition to the SEAI grant funding. The quantum of resources allocated to a project by an Energy Supplier will depend on the type of project and the estimated energy savings.

To claim the energy credits associated with a particular project, Energy Suppliers must show that their involvement contributed materially to the energy upgrade achieved. This means it would not have been carried out at all, as quickly, or to the same extent without their involvement. The support they provide may be technical, financial, or a mixture of both. Some examples of support include:

- a monetary amount per kWh
- measurement and verification services
- project management/coordinator services

Some examples of the types of technologies which can be supported under EEOS, subject to meeting the scheme's requirements, are outlined in the table below:

Heating	Ventilation and air conditioning	Electrification of heat	Servicing, set point regulation, control and fabric upgrade
Heat pump installation	Motors, drives and pumps	Decommissioning, maintenance, retrofit and controls	Replacement, VSDs and control
Refrigeration	Temperature control, pipe insulation, relocation & replacement	Leak repair, optimisation, redesign and replacement	Steam trap inspections, facility programmes and BMS

To receive support for your energy-efficiency project through EEOS, we recommended contacting all (or multiple) Energy Suppliers directly. They will be able to provide more information about what kind of support is available. You can also request EEOS support for your project through the <u>SEAI webpage on EEOS support for business and public bodies</u>.

Alternatively, Energy Suppliers often work in partnership with SEAI Project Coordinators and other delivery partners to offer additional financial supports on top of SEAI grants. Ask your delivery partner whether they have reflected EEOS supports in their price.

Please note that while Energy Suppliers are required to meet annual targets under EEOS, they are free to decide how best to do so and they are under no obligation to support particular projects.

4. Financing solutions

While the non-repayable supports outlined in Section 3 can significantly reduce the cost of energy upgrade or renewable energy projects, they typically won't cover the full investment. If you prefer not to use your own capital for the upfront costs, there are several financing options available in the Irish market that may suit your needs. This section will help you understand the types of financing solutions available and evaluate which options align with your finance preferences and business objectives, in order to make informed decisions about your project. As already noted, this Guide e is not tailored to any particular company or project and is intended as general guidance only. Independent legal and financial advice should be obtained from a professional with regards to your specific circumstances.

Choosing the Right Financing Solution: What to Consider

The main financing solutions currently available in Ireland include:

Loan Asset Finance Finance	Efficiency as a Service (EaaS)	Corporate Power Purchase Agreements (PPA)
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Each of these financing solutions comes with its own eligibility, cashflow, and accounting implications. Some may even impact the entitlement of the business to non-repayable funding supports. As you evaluate your options, here are the key factors to keep in mind:

- **Financing preferences:** Are you comfortable taking on debt? With creating a liability on your balance sheet through asset finance? How important is cashflow stability or price certainty over time?
- **Ownership and risk:** Do you want to own the equipment outright, or would you prefer a third party to own and maintain it? Are you willing to take on the performance risk, or would you rather pay only for verified energy savings?
- **Property Status:** Do you own the premises or are you a tenant? Tenants may need landlord approval and may have limited access to certain financial models.
- **Impact on supports:** Will the financing method affect your eligibility for grants, tax relief, or energy supplier incentives? For example, some grants may not be available if the equipment or asset is not owned by the business, which may be the case where a project is fully funded through third-party finance.

The table below is designed to help SMEs quickly assess which financing solution best aligns with their financial and operational preferences. It compares key features such as balance sheet impact, ownership, risk, and eligibility for supports—making it easier to identify the most suitable option for your business needs.

Which financing solution fits your business?

Finance preferences	Own Funds	Loan finance	Asset finance	EaaS	PPA
Will this create a bank loan obligation for my business?	×	\checkmark	×	×	×
Will this create a liability on my company's balance sheet?	×	\checkmark	e,	×	æ 、
Will this only create a profit & loss expense? i.e., no debt or liability on the balance sheet	N/A	×		\checkmark	ଜ୍
Will my business own the asset from day 1?	\checkmark	\checkmark	×	×	×
Will my business take on performance risk associated with the asset?	\checkmark	\checkmark	e c	×	×
Can this provide price certainty in terms of ongoing costs relating to the solution?	~	\checkmark	\checkmark	~	\checkmark
Can I use this option if I am the tenant and do not own the building?	~	Ω 	æ,	C	æ 、
Can my business claim grants with this option?	~	\checkmark	æ 、	Θ ζ	×
Can my business claim tax relief via the ACA with this option?	\checkmark	\checkmark	×	×	×
Will my business be able to claim support under the EEOS?	\checkmark	\checkmark	e c	æ,	æ,

LEGEND: \checkmark Yes $\stackrel{\scriptstyle{\swarrow}}{\times}$ No $\stackrel{\scriptstyle{\oslash}}{\sim}$ Answer not clearcut – requires further investigation

Top tips for assessing financing solutions

Here is a (non-exhaustive) list of steps that all business should take when assessing and comparing different energy-efficiency finance solutions.

- Check Your Credit Health: Ensure your business's credit rating is in good shape—it will likely be reviewed for most financing options.
- Understand Non-Repayable Funding Supports: Identify all non-repayable funding supports (e.g. SEAI grants, tax relief, Energy Supplier supports) and confirm whether they can be claimed by you or the supplier, and how they are reflected in the total project cost.

- Get Multiple Quotes: Request several quotes for equipment purchases, financed options like "as a service" models or Power Purchase Agreements (PPAs)
- Review Technical and Energy Performance: Compare technical specs and projected energy savings.
 Where possible, secure performance guarantees. Visit similar installations and check the track record of suppliers/installers, particularly when assessing performance guarantees for longer-term projects.
- Evaluate Financial Terms and Risks: Carefully assess costs and repayment terms, servicing contracts, any hidden fees or escalation clauses.
- Read Termination Clauses: Understand your exit options. Circumstances can change know the implications of ending a contract early.
- Seek Professional Advice: Engage financial advisors, engineers or energy consultants, legal professionals, especially for contract review.
- Clarify Accounting Treatment: if balance sheet impact matters to you, request confirmation of how the financing will be treated in your accounts—especially if you want to avoid recording debt.

Loan Finance

Where you do not wish to use your own capital for the upfront capital expenditure associated with an energyefficiency project and are happy to take on traditional debt financing for the project, you can take out a loan. This can be from a bank, a finance provider or even the project supplier/installer, who may have a relationship with a specific finance provider. The loan provider may not fund 100% of the costs of a project and loans need to be paid back with commercial rates of interest.

Secured Loans

Loans generally require a good credit rating and will either be secured or unsecured. With a secured loan, you put forward something of value as a 'security'. This could be property, land, equipment or other assets. If you stop repaying your loan, the lender could take this asset and sell it to recover the unpaid amount. The loan is secured against the asset or assets chosen. These loans usually offer larger amounts and lower interest rates.

Unsecured Loans

With an unsecured loan, you do not put forward any assets as a security. That means you do not have to give up your property, land, or other assets if you can't make the repayments. The amount loaned, and the cost of finance, is based on the business credit rating. The lender may ask for a personal guarantee or may assess that the business is creditworthy enough to repay the loan without one. These loans have higher interest rates

but do not risk your assets and can be accessed more quickly. A personal guarantee can make it easier, especially for small or young businesses, to access a loan. It up to an individual's, usually a founder or executive, to promise that if the business fails, they will repay the loan from personal assets.

The SBCI Growth and Sustainability Loan Scheme

At the time of writing, there is a national low-cost loan scheme available to support SMEs investing in energyefficiency and decarbonisation measures: the Growth and Sustainability Loan Scheme (GSLS). Benefitting from Government and EU backing, the key features are:

- Variable and below-market interest rate, e.g. 3.6%
- Loan amounts from €25,000 to €3,000,000
- Terms from seven years up to 10 years
- Unsecured loans up to €500,000; loans above €500,000 may be secured
- Loans are available up to 30 June 2026 or until the scheme has been fully subscribed (whichever is earlier).

The unsecured aspect of the loan scheme may be of particular interest to SMEs where they may not have significant assets to provide to a lender as security and do not wish to provide a personal guarantee.

The GSLS is subject to European State Aid rules so it will be important to confirm that those rules have not been breached. Applicants should ensure that they either have not received more than €300,000 in de minimis aid¹ (including the new grant offer from the Scheme they are applying for) or that they can achieve the additional requirements under General Block Exemption Regulation (GBER²). Where you have received State aid, you will have received a letter from the State body that provided it. Examples of State aid granting bodies include Enterprise Ireland, Bord Bia and the Local Enterprise Office.

The loan scheme is operated by the Strategic Banking Corporation of Ireland and is available through its onlenders, which currently include: <u>AIB</u>, <u>Bank of Ireland</u>, <u>Close Brothers</u>, <u>Finance Ireland</u>, and <u>PTSB</u>.

¹ De Minimis Aid is the form of State support which can be approved by any State Body, Agency, or Government Department to a company (Undertaking). It cannot exceed €300,000 over a rolling three-year period to any company (Undertaking) irrespective of size or location in Ireland. <u>https://www.enterprise-ireland.com/en/legal/policies-guidelines/state-aid</u>

² State aid regulation which allows certain categories of state aid to be exempted from the notification requirement, simplifying the process for aid-granting authorities at national, regional and local levels. This in turn facilitates support for SMEs, research and development, and environmental aid, among others. <u>https://eur-lex.europa.eu/eli/reg/2014/651/oj/eng</u>

As for any loan, it is worth 'shopping around' for the best interest rate and terms under the GSLS as there is some flexibility between on-lenders. It is best to contact each on-lender directly in addition to visiting their websites. Alternatively, you could consider accessing a business loan comparison platform like <u>Swoop</u> Ireland, that can provide independent guidance and is relatively jargon-free.

Pros & Cons | Loan Finance

Pros	Cons
 ✓ Widely available ✓ Simple familiar structure – minimal contract complexity ✓ Repayment flexibility – allowing customer to adjust payments to changing circumstances 	 Cost and availability of loan finance dependent on business credit rating May require security or a personal guarantee (although reduced requirements under the SBCI Growth and Sustainability Loan Scheme)
 May be available through an equipment supplier as well as through banks or other finance providers directly Preferential, below-market terms now available under the national SBCI Growth and Sustainability and Loan Scheme 	 100% finance generally not available Results in a debt/liability being recognised on the business' balance sheet – which may have negative impact on existing debt covenants, on the cost of debt, or on the ability to take on debt for other core business priorities
 ✓ Ownership of assets from day 1 ✓ No impact on access to grants, tax relief and Energy Supplier supports ✓ Tax relief for interest should be available 	 Business takes on equipment performance risk

Asset Finance

Equipment can be a major source of energy consumption. Naturally, this will depend on the sector, building and the level of efficiency of equipment you already have. As well as being a large energy user, equipment can be expensive to maintain and upgrade. As mentioned previously, ENACT concentrates on six building types: offices, retail, bars/restaurants, hotels, leisure complexes and warehouses. Of these, offices and retail consume the largest amount of energy from equipment.

Asset finance explained

Asset finance can support the purchase of specific energy-efficiency equipment (e.g. lighting, heat pumps, solar panels). Effectively you are borrowing against equipment and, without an upfront payment, are spreading the cost over a fixed term. Fees and interest are charged in addition to the cost of the asset. You have full use of the asset throughout the term of the agreement. Depending on the sort of asset finance you use, responsibility for maintenance of the asset (repairs, insurance, etc.), may rest with you or with the finance provider. At the end of the term, the asset may return to the finance provider or ownership may transfer to you.

Asset finance may be provided by a bank or may be provided by or through the equipment supplier (who may in turn have a finance partner). The asset financing rates will vary depending on the deal. However, because the finance is backed by an asset, the interest rates should be lower than many other forms of business funding. Again, it is worth 'shopping around' for the best rates and terms available in the market.

Choosing the right asset finance model

Common examples of asset finance are **leasing** (finance leases and operating leases) and **hire purchase**. For longer-term use of assets, finance leases and hire purchase is most commonly used:

A **finance lease** is appropriate when you need an asset for most of its useful life. You generally take responsibility for the maintenance of the asset and make regular payments to the lessor that will add up to the total value of the asset, plus interest. The lease term is typically for the duration of the asset's useful life, at the end of which you can generally purchase the equipment for a discounted bargain price. It effectively functions like a loan but can offer advantages such as little to no upfront cost, less paperwork and (sometimes) quicker approvals.

Hire purchase is similar to a finance lease, but with a key difference: under a hire purchase agreement, you either own the asset at the end of the contract or have the option to purchase it. Typically, the finance company buys the asset on your behalf. You then make an initial deposit, followed by monthly instalments plus interest.

Ownership of the asset does not transfer to you until the final payment is made, which may include an additional fee agreed upon in the contract.

Pros & Cons | Finance Leases & Hire Purchase

Pros	Cons	
 ✓ Little to no upfront cost 	× Long term commitment	
✓ Widely available	× As for loan finance, results in an asset and a	
 Less paperwork than for a bank loan 	liability (debt) on the business' balance sheet	
\checkmark Can be more flexible than a bank loan	 Assets not owned until all payments made, so finance company could take away asset if 	
✓ May be available through an equipment	default.	
supplier or through banks and other finance providers directly	 Lessee has maintenance obligations, i.e. performance risk 	
 ✓ Finance lease – can generally buy out the asset at nominal value at end of lease term 	× Will not be able to access SEAI grants	
 ✓ Hire purchase – ownership transfers automatically at end of payment plan 	 May prevent company from accessing Energy Supplier supports 	
 Tax relief should be available for the payments to the finance company, i.e. for both capital and interest elements. 	 Accelerated capital allowances not available for leased assets (although standard capital allowances may be available). 	

An **operating lease** is appropriate when you only need the asset for a proportion of the asset's useful life. The lessor owns the equipment, and you rent it at a fixed monthly payment for a fixed term, and the lessor will look after the maintenance of the equipment. At the end of the lease, you can extend it, purchase the equipment for fair market value, or return the equipment. The lease periods can be fairly short, giving you more flexibility.

Pros & Cons | Operating Leases

Pros	Cons
✓ No upfront cost	× Do not own the asset
 ✓ Flexibility of short lease periods ✓ Opportunity to upgrade equipment in- 	 If require the equipment for a longer time, renewing multiple operating leases may be
between/during lease periods	more costly than other options.
 ✓ Maintenance obligations should rest with the lessor/finance company – i.e. no performance risk 	 May not be able to access Energy Supplier supports
 Tax relief for lease payments 	 Capital allowances typically not available to lessee
	 May still result in a recognition of an asset and liability (debt) on the business' balance sheet – and accounting treatment should be reviewed.

Efficiency as a Service

Efficiency as a service (EaaS) is a financing solution that allows you to implement efficiency projects with no upfront capital expenditure.

Efficiency as a service explained

In Ireland, this finance solution is **mainly available for LED lighting efficiency projects**, i.e. lighting as a service. With these solutions, the supplier provides maintenance and replacement of lamps as needed. There are regular fixed payments over the term of the contract, and payments can align with – or even be set at – a lower level than the electricity savings costs, which can result in these contracts being cashflow neutral or even net cashflow positive from year one (depending on the length of the contract).

Where structured appropriately, this arrangement should not result in a liability on your balance sheet, nor impact your financial covenants or borrowing capacity. Once the final repayment has been made under the contract, you should benefit from the reduced energy cost associated with the more efficient lighting. Even where an energy upgrade as a service contract is not regarded as a lease or hire purchase arrangement, this "belong to" requirement is likely to mean that the ACA is not available to the equipment user and will require investigation on a case-by-case basis.

Pros	Cons	
✓ No upfront cost	× Business does not own the assets until the	
 Allows you to redirect part of your current 	contract ends	
energy bill to pay for efficiency	 Contracts may be more than five years in 	
improvements.	duration	
 Where structured as a service charge, should 	× Limited application for SMEs at present, i.e.	
not affect your balance sheet, nor impact	only LED lighting (at time of writing)	
your financial covenants or borrowing	, <u>,</u> , , , , , , , , , , , , , , , , ,	
capacity.	 If availed of, may prevent company from 	
\checkmark The regular payments are treated as an	accessing Energy Supplier supports under	
operating expense similar to a standard	agroomont if the supplier can access same)	
energy cost.	agreement if the supplier can access same).	

Pros & Cons | Efficiency as a Service

- Installation and maintenance covered by installer – no performance risk.
- \checkmark Can be net cashflow positive from the start
- While this does not qualify for accelerated capital allowance, businesses effectively do get tax relief for the capital element as it's part of the cost that is expensed to P&L
- No grants are currently available for LED lighting, so you are not losing out on those by not owning the assets from Day 1.

Corporate Power Purchase Agreements

A Corporate Power Purchase Agreement (CPPA) is a long-term contract between a business (the corporate buyer) and a renewable energy generator, where the business agrees to purchase electricity directly from the generator.

Corporate PPAs explained

In Ireland, this finance solution is **mainly available for Solar PV projects**. Different service providers call this solution different things, from 'Solar PPAs', 'Solar Funded Solutions' to 'Solar as a Service', but all appear to have the same underlying contractual structure of a PPA arrangement.

PPA arrangements involve a company leasing their roof-space or land space to a project developer, who installs, owns, and operates energy-generating assets on the company's property. The company then agrees to purchase the electricity produced for an agreed period, generally quite long-term.

PPAs allow companies to receive stable and often lower-cost electricity with no upfront cost as, generally, the prices are set below the price of electricity from your energy utility.

You do not take performance risk as you pay for energy generated by the system and used onsite, albeit this can be subject to agreed minimum criteria. At the end of the PPA contract period, ownership of the asset can be transferred to your business, after which point the electricity generated is 'free' subject to ongoing operating and maintenance costs.

Watch closely for elevator clauses, which are common, and allow the company to raise your energy price at regular intervals by a set amount.

While these agreements are long-term, CPPAs can be transferred to new occupants of the property should you move to a new premises. The new occupants may not wish to take it on, though, in which case it may need to be settled prior to a move/sale.

Pros & Cons | Corporate PPAs

Pros	Cons	
✓ No upfront cost	 May only be available for larger 	
 Fixed energy rate for the long-term, hedging 	projects/companies, but worth exploring	
against escalating energy prices.	× Long term contracts, which can reduce	
 The regular payments are treated as a standard energy cost, i.e. part of operating 	flexibility as locks your business into a fixed agreement for 10-20 years.	
expenses.	× Business does not own the assets until the	
 Should not affect your balance sheet, nor 	contract ends.	
impact your financial covenants or	× Expenditure not eligible for any SEAI grant	
borrowing capacity.	or support	
 ✓ Installation and maintenance covered by installer, i.e. no performance risk. 	 Company entering the PPA may not be able to access Energy Supplier supports (but 	
 ✓ While this does not qualify for ACA, effectively do get tax relief for the capital 	may be factored into the agreement if the supplier can access)	
element as it is effectively part of the cost		
that is expensed to P&L.		

5. Energy upgrade in Rented Premises

If your business operates from rented premises, it's easy to assume that energy upgrade upgrades are out of reach—especially when major savings often come from building improvements like insulation, heating, lighting, or renewables. But that's not always the case. Even as a tenant, there are practical, cost-effective steps you can take to reduce energy use and cut costs.

Low or no-cost actions you can start today:

- Encourage staff to adopt energy-saving habits (e.g. switching off lights and equipment).
- Install smart controls for heating and lighting to avoid unnecessary energy use.
- Review your equipment and processes-upgrading to more efficient models can yield quick wins.

What about larger investments?

Even making larger investments can be financially viable for tenants if your lease allows for such upgrades and you have a long enough lease to benefit from the energy savings. Your landlord's consent, cooperation and, potentially, financial contribution may be vital, depending on the measures involved. The following section provides guidance and practical suggestions with regards to engaging your landlord on energy upgrade measures.

Engaging with your landlord

The first step is to engage with your landlord to encourage them to invest in energy-efficiency upgrades. This can be done even if you do not have a long-term lease. Your landlord should also be interested in reducing energy usage and carbon emissions to maintain their property's value and ensure they do not end up with a stranded asset on their hands.

Drivers for landlords to engage on energy upgrade projects

As part of a discussion with your landlords, you may have a role to play in raising their awareness that investing in energy upgrades can enhance property value, reduce operating costs, attract high quality tenants, and improve financing terms. It is worth raising awareness of the above points when your lease is up for renewal as part of your negotiations so that upgrades can be incorporated into your new agreement. Simply put, engaging with their tenant on energy upgrade is about future-proofing their investment in commercial property. The key drivers are summarised below.

Regulation: The revised Energy Performance of Buildings Directive (EPBD) will require commercial building owners to renovate the 16% of worst performing stock in their respective countries by 2030 and the 26% worst performing by 2033. It is expected that these percentages will progressively increase to allow for a fully decarbonised building stock by 2050, which is the EU's goal.For Ireland we don't yet know exactly what premises will be impacted as yet, but it should mean that the lowest bands of buildings on the BER scale will require energy upgrade improvements by these dates.

Access to Finance: Banks are aligning with EU regulations like EPBD and the EU Taxonomy and are assessing the environmental impact of their lending portfolios, which includes the energy upgrade of their commercial mortgage portfolios. Their regulator, the Central Bank, is increasing the pressure on them to do so. They are pivoting their lending strategies to favour energy efficient buildings and encouraging clients to improve the energy performance of buildings as part mortgage refinancing discussions. In short, energy upgrade is becoming a key factor in securing finance. Properties with poor energy performance may face higher borrowing costs or reduced access to credit. Banking terms also influence commercial property valuations.

Property Valuation: investing in energy upgrade can enhance the value of commercial property in Ireland, and this is increasingly recognised in both valuation guidance and market practice. Recent trends in the Irish commercial property market show higher demand and premiums for energy-efficient buildings, especially those with BER ratings of B or better, with green-certified buildings (e.g. LEED, BREEAM) more likely to attract institutional investors and lower vacancy rates.

Furthermore, the 2025 edition of the RICS Red Book Global Standards — which are mandatory for chartered surveyors in Ireland through the Society of Chartered Surveyors Ireland (SCSI)— introduces significant updates related to commercial property valuation and energy upgrade. These updates reflect a shift from optional to mandatory integration of energy and sustainability factors in commercial property valuation, aligning with global investor expectations and regulatory trends.

Tenant attraction and retention: In Ireland's 2025 commercial property market, energy upgrade has become a key factor in attracting and retaining tenants, particularly in the office sector. Surveyors report increased occupier demand for energy-efficient and sustainable office spaces. Tenants are prioritising buildings with high BER ratings, low operational costs, and green certifications. Tenants are also increasingly willing to pay higher rents for energy-efficient buildings due to lower utility bills, enhanced corporate ESG alignment, improved employee wellbeing and productivity.

The split-incentive barrier

When speaking to your landlord about this area it is helpful to understand and acknowledge what is known as the 'split incentive barrier'. A split incentive occurs where the benefits do not primarily accrue to the person who pays for the transaction. In the case of rented properties where landlords meet the cost of improvements, the tenants would reap most of the benefits through savings on their energy bills. Tenants do not control the property and have little incentive to invest, so neither party is motivated to upgrade the building. That said, there is increasing evidence that the split incentive barrier is receding, due to the link between property value and energy upgrade, as noted above. Green leases can be one solution to address the split-incentive barrier and to allow for costs and benefits to be better aligned and allocated between tenant and landlord.

Green leases

Hainge discussed the drivers for your landlord and the challenges around the split-incentive barrier, it should then be helpful to bring up the concept of <u>green leases</u>, which is a commercial lease agreement that includes clauses promoting the sustainable operation, management, and occupation of buildings.

But first, let us review the key terms of traditional commercial building leases, and the challenges associated with them from an energy-efficiency and decarbonisation perspective.

Traditional commercial property leases explained

Generally, commercial property lease terms are much longer than residential property leases and the lease agreements place more responsibilities on tenants. There are no detailed regulations applying to commercial leases equivalent to those that apply to residential tenancies. It is possible for a landlord and tenant to agree to any type of lease terms and conditions they wish, subject to some matters which are regulated.

When entering into a commercial lease it is helpful to outline who handles maintenance and repairs, as it avoids future disagreements. Therefore, the lease should detail responsibilities for regular upkeep, major repairs and property improvements. Tenants often need to modify the property for their business. The lease should cover permissible changes and the process for approving these alterations. Clarifying who is responsible for utilities, including energy, is a fundamental part of the lease.

A commercial lease may be classed as **Full Repairing and Insuring** ('FRI' lease) or **Internal Repairing and Insuring** ('IRI' lease). A tenant who takes on an FRI lease bears full responsibility for the maintenance and repair of the property internally and externally. A key element of an FRI lease is that at the end of the lease tenants may be required to restore the property to its original condition, which can involve significant expense. In an IRI lease the tenant is responsible for only the internal repairs and decorations with the landlord being

responsible for the external upkeep. The latter is usual in the case of multi-tenancy situations where the tenant may pay a service charge for external maintenance.

Challenges for energy upgrade projects under traditional commercial leases

Where a tenant or landlord seeks to make energy-efficiency upgrades to building fabric or to internal systems, the question of whether the upgrade is allowed under the lease, who benefits financially from those upgrades, and who will bear the cost becomes of key importance. Also important is the question of whether those upgrades will have to be removed at the end of the lease to "restore the property to its original condition". Most traditional commercial building leases were not designed with these questions in mind and therefore it becomes quickly a case of negotiation and market norms.

Green leases explained

The aim of green leases is to integrate environmental sustainability into the daily operations and management of a building. Becoming a standard tool in Irish commercial property leases, these clauses outline the shared responsibilities of landlords and tenants in achieving sustainability objectives. This may include requirements for tenants to participate in energy audits, share data on energy and emissions and cooperate on sustainability matters. From a financial perspective, green leases can define how costs and benefits related to sustainability upgrades are to be shared between landlord and tenant so that both parties can benefit from an energyefficiency upgrade in a fair and transparent manner.

Although green leases are more common in larger office developments, other sectors, such as the retail sector, are also beginning to follow suit. If you are an SME tenant with a green lease, you can check to see if it already addresses how investment and/or costs borne in improving the energy-efficiency of the building flow back to both you and your landlord.

Discussing green leases with your landlord

If you are an SME tenant without a green lease, initial questions that you may want to consider include:

- What is reasonable to ask the landlord to do?
- What can I do without consent (generally minor works)?
- Can I ask for a contribution to the cost of the project?
- What would be the impacts on the service charge?
- How can I start a conversation with my landlord to begin a more collaborative process?

In advance of engaging with your landlord, we suggest you consider these questions and also review the <u>UK</u> <u>Better Buildings Partnership Green Lease Toolkit</u>. This has practical examples of cost-sharing clauses included in leases to overcome the split-incentive barrier to energy-efficiency, including:

- "That the Tenant will contribute to the cost of relevant improvements provided this contribution does not exceed a reasonable estimate of the cost savings to be made by the Tenant as a consequence of the works."
- "That the Landlord may include the costs of certain capital improvements [intended to] [that] improve
 energy-efficiency in operating expenses of tenant space. The amount passed through by Landlord to
 the Tenant in any one year must not exceed the pro-rated capital cost of that improvement over the
 expected life cycle term of that improvement [and must not exceed in any year the amount of operating
 expenses actually saved by that improvement]. Interest/the cost of capital can be included".

Of course, the issue of who bears the costs of implementing energy-efficiency can be a difficult one to navigate and needs to be taken on a case-by-case basis in a conversation between you and your landlord. However, being armed with the facts on the business case for an energy-efficiency project, the funding and finance options available, and being prepared to accept a reasonable sharing of cost, may result in a finding an equitable and transparent way to meet cost and climate objectives of all parties.

Another good source for information is The Chancery Lane Project, which is an international collaboration of legal and industry professionals that helps organisations reduce emissions using legal documents and processes. The aim of which is to create and embed legal frameworks tov encourage businesses to have a positive environmental impact. Resources on the Chancery Lane Project <u>website</u> include <u>guides</u> that:

- Prepare to implement climate-aligned clauses
- Implement climate obligations in contracts
- Create good climate governance

Finally, the SCSI has just published its updated <u>Business Leasing Code for Landlords & Tenants 2025</u>, which also provides useful commentary and guidance on the use of green leases.

6. Next steps

This Guide should support your efforts to navigate the landscape of funding supports that have been launched to incentivise your energy-efficiency journey and the financing solutions that have been developed to overcome particular financing barriers that you may face.

As mentioned in the Introduction, we recommend that you should follow the <u>Steps To Energy upgrade</u> for your SME business, as outlined in detail on the SEAI website, supplemented in Step 4 (the investment step) by the guidance in this document.

With regards to assessing the different financing solutions and options available, you should also map out your priorities from a financing perspective, with a focus on identifying where you sit on the following questions:

- Do you have a requirement around minimum payback period for energy-efficiency and decarbonisation measures?
- ✓ Do you have free cashflow available to invest in the measures without needing to take on debt or access other financing solutions?
- Do you want to and/or are you in a position to take on debt? Consider this both from a credit rating perspective and with regards to the impact on existing debt covenants and ability to access debt in the future for business priorities.
- ✓ Are you interested in working with a lessor to access specific equipment, even though this may create both an asset and a debt on your balance sheet?
- ✓ Do you have a preference to own the assets from Day 1?
- ✓ Do you want to take on performance risk relating to the efficiency/decarbonisation measures or would you prefer for that to be managed by the supplier/installer?
- Are you looking for price certainty for a fixed period, particularly in the context of volatile and rising energy costs?
- ✓ If you are a tenant, how many years are left on your lease term and can you approach your landlord to discuss this area, with a view to sharing cost, perhaps through service agreement charges or in some other way?
- Do you have sufficient knowledge inhouse to assess the various financing options available to you or should you obtain external support?

7. Glossary

ACA	Accelerated Capital Allowance
BER	Building Energy Rating
BEUS	Business Energy Upgrade Scheme
BMS	Building Management System
CPPAs	Corporate Power Purchase Agreements
EaaS	Efficiency as a Service
EEOS	Energy upgrade Obligation Scheme
El	Enterprise Ireland
ENACT	Enabling National Action on Commercial Renovation
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificate
ESB	Electricity Supply Board
EU	European Union
EXEED	Excellence in Energy Efficient Design
FRI	Full Repairing and Insuring
GBER	General Block Exemption Regulation (state aid regulation)
GSLS	Growth and Sustainability Loan Scheme
ICT	Information and Communications Technology
IGBC	Irish Green Building Council
IRI	Internal Reporting and Insuring

8. Resources

Climate Toolkit 4 Business	https://climatetoolkit4business.gov.ie/
Enterprise Ireland	https://www.enterprise-ireland.com/en/sustainability
Sustainability	
Green Eligibility Checker	https://sbci.greenchecker.eib.org/green-investment/selection
IDA Go Green Offer	https://www.idaireland.com/scale-with-ida/funding- programmes-incentives/ida-go-green-offer
IGBC	https://www.igbc.ie/
SBCI GSLS	https://sbci.gov.ie/products/growth-and-sustainability-loan- scheme
SEAI steps to energy upgrade	https://www.seai.ie/plan-your-energy-journey/for-your- business/steps-to-energy-efficiency
Triple E Register	https://triplee.seai.ie/acaproducts/Search.aspx
UK Better Buildings Partnership	https://www.betterbuildingspartnership.co.uk/green-lease-
Green Lease Toolkit	toolkit-0