German Environment Agency

Energy management systems in practice

Annex

Exemplary calculation of the net present value of an energy efficiency action

In order to approve investment-related energy efficiency actions, companies usually need preceding economic feasibility studies. The procedure used to transparently determine economic efficiency is explained in detail in the main document of the guide in chapter 3.4. The tables in this document show the model calculation depicted in the main document, whereby Table 2 contains the respective formulas to explain the calculation in Table 1 in more detail. Table 1 can also be found in the same form in the guide as Table 5: "Determination of net present value; example: Replacement of cooling pumps".

Table1: Net present value calculation table

A	B	C	D	E	F	...	S
2	Calculation interest rate "i"	7.0%					
3	"Energy" price increase rate	3%					
4	"Other" price increase rate	2%					
5	Current specific energy price	0.18 €/kWh					
6	Cash flows	Basic values	End of period t				
7			0	1	2	...	15
8	Payouts						
9	Investment expenditure for new pumps	€60,000	- €60,000				
10	Planning costs	€5,000	- €5,000				
11	Production downtime during installation	€3,000	- €3,000				
12	Inpayments						
13	Annual energy saving (electricity)	150,000 kWh		€27,810	€28,644	...	€42,065
14	Reduced maintenance and repair costs	€250			€260	...	
15	Scrap value of the old pumps	€1,500	€1,500			...	
16	Results						
17	Total		- €66,500	€27.810	€28,904	...	€42,065
18	Present values		- €66,500	€25,991	€25,246	...	€15,246
19	Net present value of the investment		**€236,384**				

(Source: Own illustration)

Table 2: Net present value calculation table (with visible formulas)

A	B	C	D	E	F	…	S
2	Calculation interest rate "i"	7.0%					
3	"Energy" price increase rate	3%					
4	"Other" price increase rate	2%					
5	Current specific energy price	0.18 €/kWh					
6	Cash flows	Basic values	End of period t				
7			0	1	2	…	15
8	Payouts						
9	Investment expenditure for new pumps	€60,000	=−C9				
10	Planning costs	€5,000	=−C10				
11	Production downtime during installation	€3,000	=−C11				
12	Inpayments						
13	Annual energy saving (electricity)	150,000 kWh		=$C$13×$C$5 ×(1+$C$3)^E7	=$C$13×$C$5 ×(1+$C$3)^F7	…	=$C$13×$C$5 ×(1+$C$3)^S7
14	Reduced maintenance and repair costs	€250			=$C$14×(1+$C$4)^F7	…	
15	Scrap value of the old pumps	€1,500	=C15			…	
16	Results						
17	Total		=SUM(D9:D11) +SUM(D13:D15)	=SUM(E9:E11) +SUM(E13:E15)	=SUM(F9:F11) +SUM(F13:F15)	…	=SUM(S9:S11) +SUM(S13:S15)
18	Present values		=(D17)÷(1+$C$2)^D7	=E17÷(1+$C$2)^E7	=F17÷(1+$C$2)^F7	…	=S17÷(1+$C$2)^S7
19	Net present value of the investment		**=SUM(D18:S18)**				

(Source: Own illustration)

Imprint

Publisher

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Completion: March 2020 – updated in February 2021