



Income Tax Act-based allowances for energy efficiency: Part 2



By Y de Lange, Southern African Association for Energy Efficiency (SAEE)

The release of the Regulation [1] on the allowance for energy efficiency savings for public comment is a key incentive to warrant energy efficiency economically viable. However, whilst labouring through the process toward such energy efficiency incentives, we consider the supplementary benefits that will transpire when complying with the requirements of the incentives.

In Part 1 of this article [2] the financial, technical and organisational support afforded by local government through the Income Tax Act of 1962 for energy efficiency tax incentives [1] was explained. Part 2 highlights the concurrent benefits of standardised energy efficiency practices. It concludes with recommendations for organisations wishing to claim these incentives, and individuals wishing to enter a career path of verifying energy savings for the purposes of these incentives.

Benefits of meticulous Measurement and Verification (M&V)

The cornerstone of any energy efficiency claim lies in the proper measurements that are taken within the context of an internationally tried and tested standard like SANS 50 010 [3] and then correlated and verified against a suitable baseline by an accredited body so that confirmed competence and conformity is ensured. In a nutshell, this underscores the importance of effective M&V, but what should also be taken into account are the additional benefits that such a system provides to an organisation.

Not only are energy savings quantified and assessed, but various other impacts on the energy use are identified which allows scope for even more energy savings. Future focus areas for energy efficiency activities are identified as well as potential problems in the project or programme implementation, before the project even commences. This assists with proper and complete initial implementation thereby optimising any investment made and enabling maximum results to claim the maximum rebates, in addition to the lower energy bill. Overall design, operation and maintenance of a manufacturing process are improved, as those involved know that the savings will be quantified by an independent party, and users become educated about the system and process' energy impact. Besides managing risks for shareholders and stakeholders in the business, it will encourage further investment into optimised manufacturing as the impact of an energy efficiency project or programme can be evaluated against pre-set targets. When done by an Accredited M&V Body, credibility is improved as impartial stakeholders are involved.

Preparing for energy efficiency tax incentives

Identifying projects that might be viable for tax incentives is a good starting point. Sign-on or contract with your potential South African National Accreditation System (SANAS) [4] Accredited M&V body, which has a Registered M&V Professional employed, as soon as possible because a shortage of these may develop. However, ensure that your project is large enough to make the M&V process and tax incentive financially viable [5]. Remember, not only large full-scale electrical projects qualify, projects like lighting only, or the insulation of certain buildings on your premises, a major upgrade of air-conditioning systems, or drives, even reduced use of fossil fuels like coal and diesel because an implemented energy efficiency measure, will qualify.

Organisations wishing to claim tax incentives

- The Regulation released for comment stipulates that organisations wishing to claim energy efficiency tax incentives according to the 12L Regulation [1] should take the following steps:
- Formally appoint an M&V Professional who is part of a SANAS Accredited M&V Body. Registered Certified M&V Professionals are listed on the Council for Measurement and Verification Professionals of South Africa (CMVPSA) [1] website at www.cmvpsa.org.za with the SANAS Accredited M&V Bodies listed on the SANAS website at www.sanas.co.za.
- Register with South African National Energy Development Institute (SANEDI) [1] for energy efficiency tax allowance claims at www.sanedi.co.za supplying your, and the SANAS Accredited M&V Body's details.
- Task the M&V Professional to compile an M&V plan and baseline report in accordance with SANS 50 010 [3] for the energy efficiency savings.
- Submit the M&V Professional's M&V plan and baseline report to SANEDI at the beginning of the financial year for which you want to claim the tax incentive.
- SANEDI will furnish you with the approval for continuance.

- On the successful completion of the tax incentive approval process SANEDI will issue a formal energy savings certificate.
- Submit the certificate to the South African Revenue Service (SARS) together with the claim for the tax allowance as part of the customary tax returns.

It should be noted that the 12L Regulation is out for comment and some of the procedures mentioned might change once finalised.

Current M&V service providers and M&V professionals

Current M&V service providers and M&V Professionals wishing to become eligible for participation in preparing reports for organisations to submit energy efficiency tax claims to SANEDI should take the following steps:

- M&V Professionals who wish to be registered under the auspices of an Accredited M&V Body should apply to the CMVPSA to start the process of evaluation and registration at www.cmvpsa.org.za
- M&V service providers wishing to become M&V Bodies should apply to SANAS for accreditation at www.sanas.co.za.

M&V as a new career path

It is anticipated that a variation of types of M&V Professionals and Bodies will be essential in future, with a healthy mix of qualification levels and experiential requirements. From Registered Certified M&V Professionals regulated and governed by the CMVPSA to industry specialists for specific technologies, energy sources, and market sectors. The scope ranges from measurement and verification of specialised projects like building insulation, lighting, pumping, control systems, etc for a range of technologies in the industrial, residential, commercial and transportation sectors, as well as the array of energy sources like liquid fuel, fossil fuel, renewables, bio-fuel, etc. SANAS provides allowance for Accredited M&V Bodies to sub-contract specialised services, or additional resources and expertise, to perform measurement and verification obligations, with the condition that the sub-contractor's competence can be verified and demonstrated [5].

Knowledge on M&V and energy efficiency in general, on all levels, will become more sought after throughout industry and therefore holds opportunities for those interested. According to Professor LJ Grobler, President of the SAEE, a thorough understanding of energy efficiency principles are required to perform M&V that can be substantiated. Those who are equipped with sound knowledge of M&V provide assurance to the client using the person's service that maximum possible savings can be established to a degree of accuracy, as they are found on tried-and-trusted principles. This therefore creates a sound basis for development and huge opportunities for technically minded people wanting to enter into the energy efficiency fields.



Professor LJ Grobler, SAEE

Those wishing to enter the M&V sector through the CMVPSA have to comply with the minimum academic and experiential requirements and embark on energy management and M&V training to achieve the qualifications required for technical competence. Training is provided by the SAEE and the American Association of Energy Engineers (AEE) in conjunction with the Energy Training Foundation (ETF). Registra-

AEE – US-based Association of Energy Engineers
 CEM – Certified Energy Manager
 ETF – Energy Training Foundation
 CMVP – Certified Measurement and Verification Professional
 CMVPSA – Council of Measurement and Verification Professionals of South Africa
 DoE – Department of Energy
 IPAP – Industrial Policy Action Plan
 IPMVP - International Performance Measurement and Verification Protocol
 M&V – Measurement and Verification
 SAEE – Southern African Association for Energy Efficiency
 SANAS – South African National Accreditation System
 SANEDI – South African National Energy Development Institute
 SANS – South African National Standard
 SARS – South African Revenue Service

Abbreviations

tion with CMVPSA is conditional to the successful completion of the prescribed course and examination on the "Fundamentals of energy metering, data handling, legislation and policies in the South African content and relevancy". Registration with CMVPSA is also subject to evaluation of practical M&V experience. Registered M&V Professionals are regulated through the CMVPSA to ensure credible service provision and the protection of all stakeholders in M&V projects and initiatives.

Conclusion

To effectively apply the benefits of energy efficiency tax incentives within organisations, the core competence lies with the effective use of M&V and understanding the requirements of the Regulation.

References

- [1] National Energy Act 2008, section 9 (Act no. 34 of 2008), 'Regulations on the allowance for energy efficiency savings, released 16 September 2011 for public comment by 15 November 2011, Government Gazette no 34596 – read with the Income Tax Act of 1962 (Act no. 58 of 1962), section 12L.
- [2] de Lange, Y. Income Tax Act-based allowances for energy efficiency: Part 1. Electricity+Control, December 2011, Crown Publications.
- [3] SANS 50 010:2011. The measurement and verification of energy savings", founded on international best practice and is based on the International Performance and Measurement and Verification Protocol (IPMVP).
- [4] Radloff, G. Energy tax breaks. Simply Green Magazine, September/October 2011, published by Chris Erasmus.
- [5] SANAS TR81-01. Technical requirements for the application of SANS/ISO/IEC 17 020:1998 in the assessment of inspection bodies' application of SANS 50 010:2011 Measurement and Verification of energy saving.



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