

# Carbon Trust increases interest-free loans

The Carbon Trust has increased its maximum interest free loan for energy efficient plant and machinery to half a million pounds after agreeing its first £400,000 deal.

By Richard Tyler

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Easy decision: plant changes at Astrum will be cost neutral within four years, says Mike Hutchinson (right), the operations director at Astrum. He is pictured with Richard Dainton from Air Energy Photo: North News & Pictures Ltd

Astrum, a military vehicle castings maker which employs 240 people, has become the government agency's largest single borrower after it applied to replace its air compression system at its foundry in Stanhope, County Durham. The decision will cut the cost of generating compressed air by 50pc.

Mike Hutchinson, from Astrum, said: "It was a no brainer. It's cost neutral for four years and after that we will be saving." The monthly electricity savings will pay for the capital repayments on the interest-free loan, he added.

Astrum began reviewing its energy use over a year ago in anticipation of further energy price rises. The company tackled savings like more efficient use of lighting and then began assessing the efficiency of its production processes. "We identified

opportunities for savings, but did not really understand what they were," said Mr Hutchinson.

They hired a consultancy, Air Energy Management, to review their findings, suggest improvements and advise on the best equipment.

But limited resources meant that Astrum had to prioritise its investments, and tackling the efficiency of its air compression equipment was not at the top of the list.

The [Carbon Trust](#) loan made the difference, said Mr Hutchinson. "It's something that would have been on our plans but it's accelerated it," he said. "We probably would have done it in stages but we would not have got the benefits immediately."

Richard Dainton, managing director of Air Energy Management, said Astrum's experience was not unique. "Most factories don't realise how much energy they are wasting," he said. "The way I try to do it is to reduce the demand on the system."

The new equipment from Teseo UK, a company based in Witham, Essex, has improved the efficiency of the system and Astrum has also added more control so it can vary the air pressure around the main ring so that it minimises leaks and only compresses the air to the levels needed. Waste heat from the compressors is being used to heat the production areas of the factory, removing the need for diesel-powered heaters.

Mr Hutchinson said the paperwork involved in the application was not onerous. Once the application had been assessed the loan was agreed and made available to be drawn down within 10 days. "It was completely hassle free," said Mr Hutchinson.

The Carbon Trust has more than £100m to lend to small and medium businesses over the next 18 months. Hugh Jones, director, said it had made 800 loans so far this year and was on track to lend all its money by early next year. The average size of each loan is £38,000.

He said they had decided to increase the maximum loan size to £500,000 because they were receiving more applications for expensive equipment, like plastic moulding lines.

Mr Jones said that manufacturers were aware of the bottom line benefits from energy efficiency but the lack of capital had prevented many from investing. "Free money is great but businesses have not been taking these loans unless they have been convinced that there's a benefit," he said.

Official statistics released last week showed business investment fell 20pc year-on-year in the last quarter.