SROI: illustrative example

A client is considering an energy upgrade to his existing office which includes replacing the inefficient incandescent lights with more energy efficient LED lamps, replacing some overhead lighting with task lighting at workstations, and adding natural ventilation and daylighting to the space to save air conditioning and lighting costs. If we suppose that the initial capital expenditure of the upgrade is 50,000 RO and you get 5,000 RO annual savings on your energy bill it could be assumed the Return on Investment (ROI) is a paltry 10% per year – not so!

The problem with the standard ROI analysis is that it overlooks some of the potential benefits of the sustainability investment, and therefore undervalues the possible outcome. A more comprehensive Social Return on Investment (SROI) analysis would recognise the wider social, human and life cycle costs:

<u>Life Cycle Costs</u>

- the LED lights will last 10 years whilst the incandescent lights need replacing every year. Not only will this save on replacement costs but it will also reduce money spent on maintenance staff to replace the bulbs each year;
- the LED lights will produce considerably less heat and, in a building where the air conditioning is run for 80% of the year, the cooler LED lights will save money;

<u>Human Benefits</u>

- the findings of numerous surveys support the fact that people prefer, perform better and have less absenteeism, in spaces where they have control over their environment – like openable windows and task lighting;

<u>Social Benefits</u>

- In a country like Oman, where most of the energy comes from oil - the impact of depleting oil reserves may not show up on your energy bill today but may well in the future when subsidies are removed on fuel costs. The energy upgrade is also a risk mitigation strategy - lowering your exposure to rising and unpredictable energy prices.

All of a sudden we're starting to see a more robust picture with additional, measurable financial benefits, reduced risk, and perhaps some more difficult to measure, but equally important benefits such as reduced absenteeism and improved performance that have a real and significant financial value, even if they are difficult to measure.