



# MODULE 4: LIFE CYCLE COSTING & PRACTICAL APPLICATIONS OF THE CVD



Co-funded by the Intelligent Energy Europe Programme of the European Union

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## **4.1: LIFE CYCLE COSTING (LCC): INTRODUCTION AND OVERVIEW**



## LIFE CYCLE COSTING (LCC)

Sometimes confused with.....

- **Life Cycle Assessment (LCA)**
  - **NOT the same as LCC!**
  - = Assessment of lifetime environmental impacts of a product or activity (not necessarily monetised)



## LIFE CYCLE COSTING (LCC)

Also known as.....

➤ **Whole Life Costing (WLC)**

- Sometimes means the same as LCC...
- ...but it can also be considered to be broader in scope
- Is most commonly used in the UK...
- ...for our purposes it is best avoided



## LIFE CYCLE COSTING (LCC)

Also known as.....

- **Operational Lifetime Costs (OLC)**
  - **NOT the same** – but can be part of overall LCC
  - = Monetised environmental costs
  - We will look at this next....



## LIFE CYCLE COSTING (LCC)

Also known as.....

- **Total Cost of Ownership (TCO)**
  - The same as LCC for our purposes
  - = The total costs associated with buying or leasing a product, from beginning to end.



## LIFE CYCLE COSTING

### What does LCC/TCO cover?

- Acquisition costs (purchase price & delivery)
- Installation (product/ associated infrastructure)
- Operating costs (including fuel/ energy use)
- Maintenance and repair costs
- Taxes and fees (especially important when comparing alternative fuel/ technology types)
- Disposal costs/ resale value



## LIFE CYCLE COSTING

### Barriers to LCC

- The concept of using LCC is fairly obvious, but there are often occasions when it is not used by procurers to calculate costs... Why?
  - lack of communication and split budgetary responsibility between departments - making LCC too complex
  - short term budgets
  - changing politics within municipalities
  - intense public scrutiny (and bad feeling) about local government spending cuts on other public services





## LIFE CYCLE COSTING

### Encouraging the use of LCC

- Demonstrate savings over the long term to gain buy in from the senior level and passengers.
- Use the fact that it is a more effective forecasting tool for finance departments.