Life Cycle Costing: An Introduction

The chapter gives an introduction to life cycle costing (LCC) and how it can be used to support decision-making. It can form the economic pillar in a full life cycle sustainability assessment, but often system delimitations differ depending on the goal and scope of the study. To provide a profound understanding this chapter describes several approaches and terms, fundamental principles and different types of costs. A brief introduction is given to conventional LCC and societal LCC but the main focus is on environmental Life Cycle Costing (eLCC) as the LCC approach that is compatible with environmental Life Cycle Assessment (LCA) in terms of system delimitation. Differences are explained and addressed, and an overview is given of the main cost categories to consider from different user perspectives. As inventory data is often sensitive in financial analyses, a list of relevant databases is provided as well as guidance on how to collect data to overcome this hurdle. In an illustrative case study on window frames, the eLCC theory is applied and demonstrated with each step along the eLCC procedure described in detail. A final section about advanced LCC introduces how to monetarise externalities and how to do discounting.

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