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New NRRI Paper Addresses the Economics of Decarbonization

WASHINGTON (February 8, 2022) — The National Regulatory Research Institute has released a new paper on decarbonization that describes an important tool for decarbonizing the electric system and the economy -- carbon capture and sequestration, also known as CCS. NRRI is the research arm of the National Association of Regulatory Utility Commissioners, which represents the interests of state utility regulators.

The Economics of Carbon Capture and Sequestration, funded by the Department of Energy, National Energy Technology Laboratory, provides the first comprehensive overview of the economics of carbon capture and sequestration. It describes the different factors (both revenues and costs) that affect the economic viability of CCS. In terms of revenue, the challenges associated with financing CCS faced by organized markets are presented, along with the benefits of direct subsidy payments as opposed to tax credits.

Current and emerging issues associated with pricing in the wholesale electric markets and evaluations of the impacts of carbon offsets on the economics of CCS as a revenue source and as a competitive alternative for decarbonization are provided. Finally, the report explores the importance of decarbonization plans in determining the need for CCS.

“An important aspect of the paper is its discussion of the role of utility regulation on the success of CCS both in terms of the examination of the prudence of adding CCS plants into utility rate base and by reviewing alternative methods to reduce the revenues needed to fund CCS,” said NRRI Director Carl Pechman, who co-authored the paper.

“This report is not only timely, but it is also a major contribution to the national conversation on decarbonization,” said NRRI and NARUC Executive Director Greg White. “NRRI continues to offer pathbreaking, in-depth research to help utility regulators and stakeholders understand the cutting-edge issues facing them.”

The paper is available online at https://bit.ly/NRRI_Decarb2022.

<https://pubs.naruc.org/pub/5E2BBD6A-1866-DAAC-99FB-BAD3DC5213C2>.

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About NRRI

The National Regulatory Research Institute (NRRI) was founded in 1976 by the National Association of Regulatory Utility Commissioners (NARUC). NRRI serves as a research arm to NARUC and its members, the utility regulatory commissions of the fifty states and the District of Columbia in the United States. NRRI's primary mission is to produce and disseminate relevant and applicable research for NARUC members.