New Report: Energy Efficiency and Renewable Energy Provide Low-Risk, Low-Cost Options for Utility Investment

BOSTON, November 17, 2014 /3BL Media/ - As public attention is focused on the U.S. Environmental Protection Agency's proposal for reducing carbon pollution from U.S. power plants, a new Ceres report finds that energy efficiency and specific renewable energy technologies are the most attractive options for U.S. utilities to meet future energy demand.

The paper examines wide-ranging challenges facing the U.S. electric utility industry – such as aging power plants, fast-evolving energy technologies and environmental regulatory pressures – and offers recommended steps that utility commissioners can take to minimize risks and costs for utilities and consumers as future investments are being considered. The report is available at https://www.ceres.org/resources/reports/practicing-risk-aware-electricity-regulation-2014-update/view.

The report, authored by utility industry and finance experts, concludes that almost without exception the riskiest investments for utilities – the ones that could cause the most financial harm for utilities and their customers – are large base load fossil fuel and nuclear plants. In sharp contrast, energy efficiency, distributed energy and renewable energy (whose costs, in some cases, have come down dramatically) are seen as more attractive investments that have lower risks and costs. Natural gas power plants are identified as fairly low cost, but with a higher risk profile due to fuel price volatility and exposure to carbon costs.

"As utility regulators are evaluating billions of new capital investments every year by utilities, it is important that they recognize the relative costs and risks of the various spending options, whether energy efficiency, renewable energy or new fossil fuel and nuclear power plants," said Mindy Lubber, president of Ceres, which commissioned the report, Practicing Risk-Aware Electricity Regulation: 2014 Update. "The report's risk profiles make clear that energy efficiency is the cheapest, safest investment by far, followed by wind and solar energy technologies whose costs have dropped dramatically the past two years."

The Ceres report is a follow-up to its 2012 report, Practicing Risk-Aware Electricity Regulation: What Every State Regulator Needs to Know.

The new report cites various new developments in the utility sector since 2012, including: proposed EPA regulations for reducing carbon pollution from new and existing power plants; significant events, such as Hurricane Sandy, that elevate the importance of electric grid resilience; and sharply lower production costs for renewable technologies such as utility-scale solar photovoltaic (PV).

The report also evaluates the levelized energy costs (LCOEs) for various generation resources, using analysis from four authoritative sources: Bloomberg New Energy Finance, Citi, Lazard and the U.S. Energy Information Administration (EIA). According to the report's risk and cost profiles, shown in the graphic below, utility-scale solar PV power shows the biggest decline in relative costs among all resources, while the estimated LCOE for fossil fuel plants with carbon capture and storage moved those resources higher in the cost ranking.

About Ceres
Ceres is an advocate for sustainability leadership. Ceres mobilizes a powerful coalition of investors, companies and public interest groups to accelerate and expand the adoption of sustainable business practices and solutions to build a healthy global economy. Ceres directs the Investor Network on Climate Risk (INCR), a network of over 100 institutional investors with collective assets totaling more than $13

trillion. Ceres also directs Business for Innovative Climate and Energy Policy (BICEP), an advocacy coalition of nearly 30 businesses committed to working with policy makers to pass meaningful energy and climate legislation. For more information, visit www.ceres.org or follow on Twitter @CeresNews.

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