



**SolarTech Power Solutions**

# **Power base station industry benchmark discount rate**



## Overview

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What is the discount rate for a power station?

The discount rate for a power station Elroy Dimson The British electricity supply industry evaluates investment proposals by discounting pre-tax cash flows at a specified required rate of return, currently 5% in real terms. After privatization, the industry will have to judge investments on an after-tax basis.

What are the future projections of energy discount rates?

The future projections of discount rates are inherently tied to a complex web of factors that are both interdependent and subject to change. As the world continues to evolve, so too will the methodologies and considerations for determining these rates, with a clear trend towards a more nuanced and holistic approach to energy project valuation. 8.

What is a good discount rate for nuclear projects?

A recent MIT study recommended that the discount rate for new nuclear projects should be as high as 11.5%<sup>4</sup>. For project evaluation, mostly in North America, utilities use the revenue requirements method (RRM).

How much would a nuclear option add to the value of national power?

As can be seen from Table 5, if 5% were the appropriate discount rate, the CEBG might expect to add almost one billion pounds to the value of National Power by selecting the nuclear option.

What influences the discount rate of private energy investments?

The discount rate of the private energy sector investments is influenced not only by risk, but also by returns in the bond market which can change significantly from one period to another. Both discount rates are, however, significantly influenced by availability of capital for investment and the cost of borrowing.

## What is a technology-neutral discount rate?

In the ISP, the technology-neutral discount rate is used to discount future costs and benefits of energy provision to appropriately reflect the time value of money. The technology-specific weighted average cost of capital (WACC) estimates inform the financing costs of different projects considered as part of the optimal future energy mix.

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