

**Table 5.1** Options for Financing CCS

	Emissions trading	Mandating CCS	Utility mandates	Energy regulator approval of higher costs	CCS trust fund or other specific govt subsidies
<b>Benefits</b>	<p><b>Market selection:</b> allows the market to select CCS if it is the most cost-effective mechanism for reducing GHGs (compared to other means such as renewable energy or energy efficiency).</p> <p><b>Cost-effectiveness:</b> for this reason, it may be one of the most cost-effective means of encouraging CCS.</p>	<p><b>Faster pace of deployment:</b> higher technology development and CCS deployment rates in the near-term.</p> <p><b>Wider deployment:</b> likely also to encourage more extensive deployment.</p>	<p><b>Distributing the cost:</b> spreads the costs of building CCS infrastructure to all generators, by requiring those utilities that do not build CCS plants to subsidise those that do.</p>	<p><b>Possibility for incentives and certainty:</b> when approved, it may provide greater incentives and certainty to electricity generators to move forward with CCS.</p>	<p><b>Simpler:</b> such an approach may be easier to implement.</p> <p><b>Certainty:</b> arguably provides for a more certain, stable source of funding.</p> <p><b>Faster pace of deployment:</b> may encourage faster deployment and technology development.</p>
<b>Limitations</b>	<p><b>Slow to take off:</b> may be insufficient to encourage rapid development of CCS, particularly in the near-term.</p>	<p><b>Higher costs:</b> may not be the most cost-effective means of reducing GHGs in the near-term.</p> <p><b>Technology lock-in:</b> risks locking in non-optimal technology or discouraging further innovation.</p>	<p><b>Higher risk for first to invest:</b> utilities that invest in CCS up front will have to assume significant risk that they will recover their investment in a suitable time period.</p>	<p><b>Uncertainty:</b> regulatory commissions will vary in their decisions – taking account a range of factors such as the risks to and impacts on consumers – and are also likely to take time to do so. This kind of process may therefore slow down CCS development and in some instances, reduce certainty.</p>	<p><b>Higher costs:</b> this may be a more costly option for governments, particularly in the near-term.</p>
<b>Comments</b>	<p>Impacts may vary depending upon the precise nature of the proposal, such as whether a cap-and-trade scheme is combined with other policy instruments to overcome cost differences between CCS and 'business-as-usual' technologies.</p>	<p>Risks locking in particular technologies, which could distort costs.</p>			