

## ContainerPower Energy Solutions

# General internal rate of return for energy storage projects



## Overview

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Is the internal rate of return a profitability measure for battery storage systems?

Multiple requests from the same IP address are counted as one view. This paper assesses the profitability of battery storage systems (BSS) by focusing on the internal rate of return (IRR) as a profitability measure which offers advantages over other frequently used measures, most notably the net present value (NPV).

Does internal rate of return matter in battery storage systems?

Author to whom correspondence should be addressed. This paper assesses the profitability of battery storage systems (BSS) by focusing on the internal rate of return (IRR) as a profitability measure which offers advantages over other frequently used measures, most notably the net present value (NPV).

What is internal rate of return (IRR)?

Internal Rate of Return (IRR) This paper is based on the IRR as a key economic metric for assessing the profitability of investment projects.

Should internal rate of return (IRR) be used to assess profitability?

We argue in favour of the internal rate of return (IRR) as a preferred method to assess profitability given the advantages over the popular net present value (NPV) and many other frequently used profitability measures.

Why is IRR important in battery storage?

Since battery storage purchase represents large capital expenditure for the observed BSS, the level of IRR greatly defines optimal battery size and overall operational setting.

Does subsidy retraction affect sequential investment in energy storage?

A real options model for sequential investment in energy storage is developed. Policy uncertainty of subsidy retraction, provision or transformation is considered. Sequential investment promotes earlier project deployment than lumpy investment. Retraction has a greater impact on investment than the provision of subsidies.

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