MOST POLICY INITIATIVE

Decommissioning Bonds for Data Centers

Which states require financial assurances for data center projects?

Decommissioning bonds provide financial assurance for the costs of ending a project.

Decommissioning bonds provide financial assurance for the costs of ending a project. When a large facility, such as a factory or power plant, is no longer operating, the decommissioning process includes (Kolbeck-Urlacher 2022):

- shutting down the facility
- disposing of hazardous materials
- restoring the land to its previous condition

Decommissioning bonds are a financial assurance that requires the project developer to cover the costs of these processes (Travelers n.d.). This involves purchasing a bond, providing a letter of credit, or placing the money in escrow. These bonds hold the developer financially responsible for any environmental cleanup. They are designed to protect the government and the public from liability for restoration costs (Maryland Department of Natural Resources 2024).

State or local governments can require a developer to submit a plan detailing the decommissioning process before construction begins. This plan includes the costs of decommission as estimated by a third party. Governments can also require the developer to provide proof of financial assurance for these costs (Curtis et al. 2021). The city or county can claim the financial assurance if the developer goes bankrupt or does not complete decommissioning and restoration (New York State Energy Research and Development Authority 2025).

Research Highlights

Decommissioning bonds require a project developer to provide financial assurance for land restoration when the project is complete.

Forty states require decommissioning bonds for radiation licensing or construction permits, and some county governments require them for data center developments.

The impacts of financial assurances on project development and decommissioning are unknown.

Forty states require decommissioning bonds, but only one for data centers.

Forty states require decommissioning bonds to obtain a permit or begin construction on certain projects (**Figure 1**). Twenty-six states have them for renewable energy projects, like solar and wind farms (AR, CT, GA, HI, IL, IN, LA, ME, MD, MS, MT, NJ, NY, NC, ND, OH, OK, OR, PA, SC, TN, TX, UT, VA, WV, WY). Seventeen states require them for licensing to possess or use radioactive

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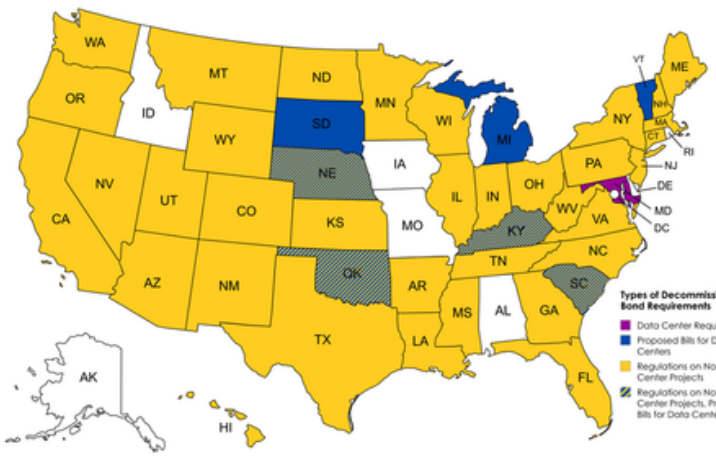

Figure 1. Decommissioning bond requirements by state. Decommissioning bonds ensure project developers cover the costs of facility shutdown, hazardous waste disposal, and land restoration when a project ends. Maryland (purple) includes decommissioning plans and bonds in its data center approval process. Seven states (blue) have proposed legislation requiring them for data centers. Another 35 states (gold) require decommissioning bonds for other types of facilities or permits. The most common requirements are for renewable energy projects or licensing to possess radioactive material.

materials, including medical or laboratory equipment (AR, CA, CO, FL, IL, KS, MA, MN, NE, NV, NH, NM, OH, OR, SC, UT, WI). Six states have bonds for other types of power plants, such as coal or nuclear plants (AZ, IL, KY, NH, TX, WA). Four states use them for drilling and mining activities (CA, CO, IL, WY).

MD is the only state to apply decommissioning bonds to data centers. Its Data Center Accountability Task Force evaluates proposals for data centers that use over 25 megawatts (MW) of power (Executive Order 01.01.2026.16). While the state does not require a bond, the Task Force must consider a developer's decommissioning plan and financial assurance in their evaluation process.

Seven states (KY, MI, NE, OK, SC, SD, VT) have proposed legislation to require decommissioning bonds for large data centers. The states' definition for large data centers varies from using more than 10 to 100 MW. MI would require the state public utility commission (PUC) to review the bond every three years to ensure it covers all decommissioning costs. Instead of requiring the developer to completely cover the decommissioning costs before beginning construction, SC would allow the developer to phase in the bond over the first five years of the data center's operation. VT would allow the PUC to set requirements for data center decommissioning and financial assurances.

County and municipal governments of varying sizes have passed decommissioning bond requirements for data centers. Examples include:

- Jefferson County, MO (population 227,000)
- Floyd County, GA (99,000)
- Logan County, CO (22,000)

These ordinances require the owner to submit a decommissioning plan and proof of financial assurance to the county. Cities such as Columbus, OH (population 906,000) and Memphis, TN (633,000) have considered similar measures.

The effect of decommissioning bonds is unclear.

There are limited data on the effects of financial assurances on project development and decommissioning. While greater bond requirements decrease taxpayers' financial risk, they increase upfront costs for developers (Mackie & Velenturf 2021). Bond requirements may delay project development, but evidence is anecdotal (Curtis et al. 2021).

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