



To: New Jersey Board of Public Utilities (BPU)

From: NJEDA Staff Providing Input to BPU on NJ3 Solicitation

Subject: Third Offshore Wind Solicitation (NJ3) – Economic Impact Evaluation

Date: January 5, 2024

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***Background:***

To support the New Jersey Board of Public Utilities (BPU)’s evaluation of the State’s third offshore wind solicitation, select staff members from the New Jersey Economic Development Authority (NJEDA) reviewed particular sections of submitted proposals and provided input to BPU’s evaluation committee regarding each proposal’s economic impacts to the State, one of the formal evaluation criteria for the solicitation. NJEDA’s input to BPU was advisory only, and NJEDA staff did not provide scores regarding economic impacts. These staff members refrained from interaction with offshore wind industry representatives during this time period and refrained from discussing any aspects of the solicitation with other NJEDA personnel or third parties.

At BPU’s request, NJEDA reviewed relevant proposal materials, formulated clarifying questions related to economic impact content within the proposals, and provided input on the quality and quantity of economic benefits outlined within each proposal, as well as additional industry context relevant to the offshore wind sector and related infrastructure in the state. NJEDA staff also provided information on the expected capacity of the New Jersey Wind Port (NJWP) as relevant to proposed manufacturing and marshalling activities outlined within solicitation proposals. NJEDA did not participate in the scoring of proposals used in BPU’s overall solicitation evaluation.

***NJEDA Priorities & Proposal Analysis***

***Statewide Supply Chain Development***

Given the state of the development of the East Coast offshore wind industry, NJEDA prioritizes the development of major manufacturing facilities that will sustainably anchor a domestic supply chain here in New Jersey. Such investments drive down the long-term cost of offshore wind by reducing logistics and transportation costs for critical components. In addition, these investments catalyze additional organic private sector investment within their supply chains and assure that the money spent by New Jersey ratepayers continues to support the New Jersey economy instead of being exported to other states or countries.

Within the overall supply chain, NJEDA's preference is for new Tier 1 full-scale manufacturing facilities that have significant in-state job-creation benefits. Per the solicitation, the State preferred blade and tower manufacturing facilities, however no blade facilities were proposed in the NJ3 solicitation. Tower manufacturing is valued highly given towers lack OEM-specificity and have an ability to be procured by multiple turbine suppliers. In addition, tower manufacturing in New Jersey is favorable given its ability to allow projects to achieve domestic material content bonuses within federal incentives relevant to the offshore wind industry. Consequently, there is the potential for towers manufactured in State to be used broadly in the overall American offshore wind industry—beyond just projects located off the coast of New Jersey. NJEDA prefers a tower facility proposal that is self-sufficient within the NJ3 solicitation and does not rely on additional awards in future solicitations (within New Jersey or elsewhere) for facility investment decision making. A larger overall award size within NJ3 helps support the viability of a self-sufficient manufacturing facility.

Beyond new Tier 1 facilities as first priority, NJEDA (in order of preference) also highly values investments that expand existing active supply chain facilities in the state, create new Tier 2 manufacturing facilities, and spur other related supply chain capital investments. Within the context of manufacturing, NJEDA preference is for facilities that commit to as close to full scale manufacturing as possible. Facilities that involve “finishing” or “final assembly” type activities are valued below facilities that include major production or core assembly scopes. This is because full scale manufacturing jobs are high skill, stable, and typically longer-term employment opportunities.

Emphasis is placed on investments that prioritize local project spending and related in-state job creation. Aside from solely considering the size of promised in-state spending or job creation within each proposal, NJEDA also provided feedback on the relative credibility and likelihood of fruition for the positive economic impacts proposed by the developers. Related to credibility, supplier commitments to create new manufacturing-related facilities with no contingencies attached are strongly preferred over commitments that contain contingencies. Otherwise, such commitments with as few supplier contingencies as possible, especially any related to external factors or outcomes of future offshore wind project solicitations, are preferable.

#### *Utilization of the New Jersey Wind Port*

Given the ongoing investment into the New Jersey Wind Port (NJWP) and its capacity as a purpose-built marshalling and manufacturing port, proposals that utilize the NJWP for marshalling and manufacturing facilities are valued highly by NJEDA. Its custom design and close proximity to OSW lease areas allow for optimization of project logistics and installation, and minimize associated transportation costs, leading to a lower cost of energy for ratepayers. Utilization of NJWP also reduces developer risk premiums tied to the uncertainty of port availability elsewhere on the East Coast. Further, co-location of marshalling and manufacturing avoids the significant costs involved in the double handling of components (i.e., the transporting of completed components from a manufacturing port to a marshalling port). At the same time, use of the NJWP will create ongoing jobs and investment in one of the most economically disadvantaged areas of the state, with these benefits extending well beyond the Port itself to the wider region as secondary

suppliers and service providers are expected to cluster close to the Port. While less desirable, proposals that utilize other in-state ports or facilities are still viewed more favorably than relying on out of state infrastructure for which New Jersey has no control and which are less likely to utilize New Jersey suppliers and create local jobs.

NJEDA would further emphasize that maximizing the capacity awarded under the solicitation will support large upfront private investments required to meet manufacturing and other local supply chain commitments of project awardees at NJWP and elsewhere in the state. This volume is especially beneficial regarding a proposed tower manufacturing facility at the New Jersey Wind Port, so long as all awarded projects procure from the same facility and thus provide the necessary supply contracts to justify the investment to build a new facility.

NJEDA provided feedback to BPU and its Consultant on the planned capacity of the NJWP as it relates to compatibility with proposal requirements, and any expected capacity constraints relative to multiple project awards. This included discussions around project timing, NJWP site space configurations, and any potential technical limitations. NJEDA is confident that the New Jersey Wind Port has the acreage and wharf capacity to support timely installation of a large aggregate capacity award.

#### *Supplier Engagement*

The development of an in-state OSW supply chain (especially stemming from Tier 1 and Tier 2 offshore wind components) is essential to ensuring long-term economic benefits for New Jersey. Given this, NJEDA views favorably specific, measurable commitments from developers and their OEMs to thoughtfully engage and provide ample opportunities to existing NJ manufacturers and suppliers, with an emphasis on SBEs (Small Business Enterprises) and MWVBEs (Minority-Women and Veteran Business Enterprises). Proposals that include targets for percentage of developer supply chain contract value awards to New Jersey firms and SMVWBEs are especially desirable.

#### *Workforce Development & Research*

NJEDA favorably views proposals that seek to build upon existing efforts to grow the offshore wind workforce and industry progress in the state. These include support and collaborations with the Wind Institute for Innovation and Training that can galvanize and coordinate cross stakeholder efforts for offshore wind workforce training, education, research, and innovation. The State places a strong emphasis on union labor for construction and operations, utilizing New Jersey's well-established and well-trained union workforce and a strong emphasis on providing job training and employment access for residents of overburdened communities. Additionally, NJEDA values strategies and programs to advance a robust and diverse New Jersey offshore wind workforce and talent pipeline, including partnerships with New Jersey academic institutions, community groups, and labor unions.

NJEDA also values well developed plans from developers to help drive innovation in the offshore wind industry, particularly those that open market opportunities for existing and startup companies in New Jersey, those that attract additional investment to build an offshore wind innovation hub in

the state, and efforts to enhance the use of offshore wind electricity through energy storage, green hydrogen technologies, and others.

### *Additional Community Benefits*

Given the diversity of applications and often early stage of development for many of the other additional community benefits embedded within proposals, it is challenging to evaluate the relative merit of one specific community benefit against another. NJEDA looks for the level of effort made to coordinate with community partners to evaluate the feasibility of a proposed benefit and bring a commitment to fruition. The worth of these proposed community benefits also are assessed relative to existing ongoing and planned programs within the state by public and private partners to help avoid duplicative investments that may be excessive.