



State of New Jersey
Board of Public Utilities
Clean Energy Division
Trenton, NJ

March 27, 2024

**Re: OO24020109 – IN THE MATTER OF THE OPENING OF NEW JERSEY'S
FOURTH SOLICITATION FOR OFFSHORE WIND RENEWABLE ENERGY
CERTIFICATES**

I. Introduction

We write on behalf of the Oceanic Network (Network), which, with its 550+ members, is the largest membership-based nonprofit organization solely focused on the development of the U.S. offshore wind industry and its supply chain. Since 2013, the Network has brought together business and government, both domestically and internationally, to educate and to prepare companies and small businesses to enter the offshore wind market. The Network uses the voice of its members to educate and support federal, state, and local policies to advance the development of the U.S. offshore wind industry. The Network empowers its members with the education, tools, and connections necessary to participate in this booming industry. Our membership involves the entirety of the U.S. offshore wind supply chain, from international developers and state agencies to community colleges and local marine service providers.

The Network continuously tracks the offshore wind market – supply chain contracts, investments, and contract developments - for both its members and offshore wind stakeholders and developed the Offshore Wind Market Dashboard as a pivotal tool that underscores our capacity to offer insightful input into the U.S. Offshore Wind Market conditions. It aggregates essential information on all active and forthcoming U.S. offshore wind energy projects, including articles, supplier contracts, legislative updates, and detailed project specifications and timelines. Our dashboard's credibility is further evidenced by its use in high-level briefings, including to President Biden and cabinet officials, and its frequent citation in media and White House industry fact sheets. This valuable tool forms the foundation of our comments and analyses, reflecting the burgeoning state of the offshore wind sector both in the U.S. and globally.

II. State of the US Market, Project Financial Restructuring, and Imperative to Keep Industry Momentum Growing

The Network **commends NJBPU** and the leadership of Governor Murphy to accelerate its offshore wind procurement round and **encourages the state to adhere to its advised schedule**. The Network also commends the **effort to create a pathway for projects to secure new, financially durable offtake**. New Jersey has set a goal to source 100% carbon-free energy by

2035 and deploy 11 GW of offshore wind by 2040.¹ Any delay in achieving either goal will mean New Jersey residents enjoy far fewer economic, environmental, and health benefits from these public policy goals.

It is imperative for the state and for the national supply chain that projects in advanced development are able to proceed to construction as quickly as possible.

The U.S. market is emerging from a multi-year period of financial restructuring that has all-but-stopped progress across the nation. In early 2022, states awarded over 17.5 GW of offtake to developers, but macro-economic conditions, including rising inflation and interest rates and a component supply chain crunch, led projects comprising 51% of those GWs to tear up their offtake agreements (and many projects paying tens of millions in penalties), while another 10% secured new contracts through a special, expedited offtake round in New York, and a final 15% are still seeking offtake adjustments.² This restructuring has had a significant impact on the emerging supply chain by weakening manufacturing investments that were closely tied to projects. The Network tracked a dozen component manufacturing investments tied to the first 17.5 GW market – today only two are operating: the EEW Paulsboro facility and a cable facility in South Carolina.

However, states have shown leadership in charting a new path forward, which is building new momentum in the market. Including New Jersey, states are moving quickly to recoup lost capacity as well as add new projects that will expand the overall capacity under contract in the U.S. The Network anticipates that by the end of this year, states will have awarded offtake of between 20 to 24 GW and will kindle new supply chain investments.³ Already, a recent New York procurement round secured a \$1 billion investment in a blade and nacelle facility⁴; New Jersey's Third Procurement Round secured critical funding to allow EEW to expand their manufacturing operation, and secured orders for a potential tower facility located at the New Jersey Wind Port.

Maintaining this momentum is critical to support both the industry's and the supply chain's development, nationally and regionally. By quickly re-establishing and expanding the state's markets, New Jersey is giving confidence to potential and already realized investments in the nation's supply chain. Global demand for offshore wind continues growing at a rapid pace, making robust supply chain key to ensuring the nation can meet its development goals and control its deployment timelines. *The Demand for a Domestic Offshore Wind Energy Supply Chain*, a report published by NREL, studied the capacity to fulfill the administration's deployment goal of 30 GW by 2030 and found "additional facilities will be required to achieve a

¹ Executive Order No. 307 and 315

² See Oceantic Network U.S. Market Report 2024

³ Ibid

⁴ NYSEERDA Press Release, 10/24/23; NJBPU Press Release 1/24/24

fully domestic offshore wind supply chain.”⁵ This fact takes on increasing importance as the report notes it is “unlikely that international suppliers will have sufficient throughput to support the construction of both European and U.S. offshore wind energy projects.”

Already, the state of New Jersey has suffered greatly from an insufficient national supply chain amid a global crunch. The Network counts many New Jersey businesses as members who were directly and negatively impacted by the decision to halt Ocean Wind 1’s development and suffered job and revenue losses as a result. Along with the difficult economic period, development on the project was “particularly” due to a “vessel delay” that would force a multi-year delay and drive-up prices.⁶ Competition for specialized installation vessels is just one intense supply chain challenge on the global stage, a supplementary report released earlier in 2023, *A Supply Chain Road Map for Offshore Wind Energy in the United States*, found that the U.S. market would require \$22 billion in new investments in factories, ports, vessels, etc., to ensure the nation matches its 30 GW buildout, including investments in nearly two dozen more component facilities.⁷

The current Paulsboro monopile facility and the potential tower facility are both critical to the strength of the long-term U.S. market. By advancing this procurement round and creating a pathway for existing projects to re-enter the state’s portfolio, the state of New Jersey will not only directly support local job creation but also foster a stronger national market in which its investments should thrive.

III. Re-Bid Commitment Consequences

The Network respectfully disagrees with the proposed re-bid commitment security of \$100 million as the Network is unsure it will achieve its intended policy goal of encouraging project viability while potentially reducing benefits for New Jersey residents. As noted above, the entirety of the U.S. offshore wind market suffered through a unique economic shock that set back nearly every project’s finance, and a vast majority of projects found they needed to restructure their offtake. Exiting a contract is not a desired outcome for the project developer, whose goal is to quickly begin generating revenue. Project delays are costly, too; the Network found that in 2023, project developers wrote down more than \$7.3 billion in the U.S. market due to delays and cancellations.⁸

New Jersey has already taken an important step towards increasing project viability through NJBPU’s proposed inflation index which should help projects manage shifting economic conditions as they move through their long development timelines. New Jersey also protects

⁵ The Oceanic Network (formerly Business Network for Offshore Wind) contributed data and analysis to the report. Found at: <https://www.offshorewindus.org/wp-content/uploads/2022/03/The-Demand-for-a-Domestic-Offshore-Wind-Energy-Supply-Chain.pdf>

⁶ Reuters 11/3/23

⁷ The Oceanic Network (formerly Business Network for Offshore Wind) contributed data and analysis to the report. Found at: <https://www.nrel.gov/docs/fy23osti/84710.pdf>

⁸ See Oceanic Network U.S. Offshore Wind Market Report 2024

ratepayers by ensuring a competitive bidding process with robust economic benefits tests and an option by the Board to decline contracts it thinks are unfair. The unique nature of the 2022-2023 market reset, combined with the state’s efforts to offer greater flexibility within an offtake agreement, should support the state’s goal of project viability and adhering to existing offtake agreements.

Instead, the proposed rebidding amount could have unintended consequences by discouraging viable projects from bidding, thus becoming stranded lease areas; by driving up ratepayer costs; or by diverting funding from preferred targets like supply chain or workforce development. Project developers must spend substantial funding outlays to move a project into installation, including funding for auction fees, survey and permitting costs, and engineering contracting, and up-front deposits with O.E.M.s for component orders. These costs, which run in the hundreds of millions, will presumably be financed at present-day borrowing costs, raising the impact to ratepayers in today’s high interest rate environment. Adding another \$100 million to a pre-construction cost and preventing investment is a substantial risk for any project developer. A developer may seek to “recoup” lost income on this security by increasing its proposed OREC price or by squeezing elsewhere in the supply chain, neither is a desired public policy outcome.

More dramatically, with global demand for offshore wind skyrocketing, the reality is that developers have more attractive markets to pursue. In the past few months, representatives from several leading developers, including ones already invested in the U.S., have warned they would invest funding elsewhere globally when given the choice.⁹ Even a modest commitment security could mean the developer de-prioritizes American projects for more lucrative foreign projects.

Instead, the goal should be to re-enter offshore wind projects into workable contracts as quickly as possible and move towards supply chain creation and project installation, thus making use of invested assets by the state and private industry. The Network understands and supports the desire of the state to encourage greater project viability and ensure that any re-bidding is a unique, one-time event for projects that signed commitments prior to 2023. We encourage the NJBPU to propose an alternative mechanism that does not require a long-term security that may ultimately get passed onto ratepayers or achieved through supply chain “savings.”

IV. Timing and Composition of Inflation Adjustment

The Network **commends** the NJBPU for an inflation adjustment mechanism to enhance project viability. The creation and usage of such an index by states will be one of the most important lessons learned from the U.S. market restructure of 2022-2023.

The Network encourages NJBPU to remain flexible and evolve the composition and timing of the adjustment as states put it in practice and learn through implementation. The Oceanic Network recently held its Leadership 100 Summit (L100) in November 2023 with representatives from the full range of the offshore wind supply chain, from developers and

⁹ Reuters, 11/2/23; Recharge 2/7/24; Wall Street Journal, 1/19/24

original equipment manufacturers to 1st and 2nd tier suppliers. Participants identified project viability as a top concern of market and supply chain development and implored that industry and stakeholders take as many lessons from the previous years as possible. An Ad Hoc Committee formed to build understanding and consensus around items such as inflation adjustments in state procurements.¹⁰

The NJBPU proposes to align the inflation adjustment to “three years before the proposed COD of the first phase of the Project, as submitted in its application.”¹¹ The Network concurs that assigning the date to an internal project development date is more advantageous to an external date, such as a federal Record of Decision (ROD) or a state offtake agreement. The Network respectfully suggests that aligning the date to the financial close (FID) is preferable. While New Jersey has made great strides in deconflicting project development as much as possible through the innovative State Agreement Approach and building the New Jersey Wind Port, the proposed alignment with a COD date submitted an application still puts the project at risk of external delays, such as a slowdown in the federal permitting process. The Network has tracked project milestones and finds that FID dates largely occur three years before COD. Allowing the adjustment to occur at FID will result in a more accurate price reflection of the reality, ensuring the greatest benefit for ratepayers and industry.

The NJBPU has also proposed a combination of different indexes for calculation of the inflation adjustment. This is an area of great debate and likely requires more consideration and study over the long-term, and the Network encourages NJBPU to be open to reforms in future rounds. New Jersey has already secured investments and commitments in steel component products (monopiles and towers), therefore it is understandable NJBPU has proposed building the adjustment model around both indexes. As the goal is to ensure that projects continue to be viable in changing macroeconomic conditions, a model that firmly tracks the Consumer Price Index (CPI) likely provides the clearest path to reflect the overall cost to build an offshore wind project. A CPI-based model, with weighting for certain steel inputs, should put New Jersey projects in a strong position to reach financial close and commence commercial operations on-budget and on-time.

V. Conclusion

The Oceantic Network thanks NJBPU for offering an opportunity to comment on the fourth offshore wind solicitation and encourages the agency to continue its leadership in developing a vibrant and robust offshore wind industry that will employ tens of thousands of New Jersey residents. The Network encourages NJBPU to continue advancing the fourth solicitation on the timeline and scale it proposed. The Network looks forward to supporting New Jersey’s leadership in building its industry.

¹⁰ Two papers are forthcoming from the Oceantic Network to recap the Summit’s discussions and to propose recommendations for state procurement processes in a new policy paper

¹¹ Page 7, New Jersey Draft Solicitation Guidance #4



Very truly yours,

/s/ Sam Salustro

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Oceantic Network