The offshore wind industry stands to gain additional momentum this summer as the Inflation Reduction Act (IRA) moves through Congress to its anticipated passage. The budget reconciliation package associated with the bill continues to reflect a substantial investment in the further development of renewable energy measures, several of which relate to offshore wind and related transmission infrastructure projects. Future offshore wind development prospects are particularly bright for several New England and east coast states, which earlier this summer joined the Biden administration in announcing a new federal-state partnership to grow American-made clean energy. While offshore wind is not the sole beneficiary of these legislative initiatives, the impacts could prove to be transformative for planned and contemplated offshore installations.
Inflation Reduction Act

The IRA contains several incentives for offshore wind development. These include:

- An energy investment tax credit (ITC) provides a scaled tax credit of up to 30 percent for offshore wind projects that begin construction before January 1, 2026.

- A new tax credit of 10 percent for the domestic production of wind components and specialized offshore wind installation vessels.

- An expansion of the Outer Continental Shelf Lands Act to include the exclusive economic zone of U.S. territories, including Puerto Rico, Guam, and the U.S. Virgin Islands. This would allow for the development of offshore wind projects in these areas. The Act instructs the Department of the Interior (DOI) to evaluate applicable lease opportunities.

- An end to the Trump-era moratorium currently prohibiting federal leasing on the outer continental shelf off the coast of the southeastern U.S.

- A $3 billion grant to install electrified equipment and reduce emissions at U.S. seaports, where infrastructure is a linchpin for supply chain development and management.

The IRA does impose certain restrictions on the leasing of offshore wind development. During the 10-year period following enactment, the DOI’s Bureau of Ocean Energy Management (BOEM) would not be allowed to lease wind development unless the agency held an offshore oil and gas lease sale in the previous year that offered certain defined opportunities for fossil fuel development on the outer continental shelf.

Federal-State Offshore Wind Partnership

On June 23, 2022, the White House announced a new federal-state partnership to grow American-made clean energy and further the Biden administration’s goal of 30 gigawatts of offshore wind by 2030. The eleven states taking part are Connecticut, Rhode Island, Massachusetts, New York, Delaware, Maryland, Maine, New Hampshire, New Jersey, North Carolina, and Pennsylvania. The main components of the partnership, which focus on the supply chain, are outlined in a White House press release, and noted below.

Mutual Federal-State Commitments

- Increase U.S. domestic manufacturing, logistics, and workforce to develop a robust U.S. offshore wind industry.

- Engage underserved communities, ocean users, tribes, and other stakeholders.

- Support the development of a domestic fleet of offshore wind installation and service vessels.
State Commitments

- Use opportunities for project solicitations to support domestic commitments in offshore wind procurements.
- Explore opportunities to take regional approaches to advance domestic offshore wind manufacturing.

Federal Commitments

- Facilitate timely and effective permitting and environmental reviews for offshore wind projects.
- Incentivize investment in the U.S. offshore wind supply chain by utilizing the lease auction process.
- Develop an offshore wind supply chain roadmap to identify critical gaps in offshore wind development.
- Leverage federal funding opportunities to promote a U.S.-based offshore wind supply chain.

A commission consisting of the U.S. Department of Energy and the states of New York and Maryland will also continue to develop a national offshore wind supply chain roadmap. The first step in developing the roadmap was a report, released in March 2022, that demonstrated the substantial need to increase the number of domestic vessels to assist in offshore wind development and construction. Currently, only some ten vessels have the capacity to construct large offshore wind turbines, globally.

In an effort to alleviate this vessel shortage in the United States, the Department of Transportation’s Maritime Administration has listed wind turbine installation vessels as “Vessels of National Interest.” This categorization will provide the proposed construction of such vessels with priority federal funding through the Federal Ship Financing Program. A second report further detailing the roadmap is expected to be published by the end of 2022 and will detail scenarios that would increase U.S. manufacturing of major components for the offshore wind supply chain. In Connecticut, the city of New London continues to shine as a focal point of offshore wind development in New England. Earlier this summer, the State Pier Project attracted national attention as U.S. Secretary of Energy, Jennifer Granholm, visited New London to inspect the progress of the project. In her remarks, Secretary Granholm noted President Biden’s interest in the project and its suitability to serve as a model for other heavy-lift capable ports that will be necessary to create and maintain offshore facilities.

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