

Carper-Collins, Incentivizing Offshore Wind Power Act

Providing incentive tax credits to the first movers in the offshore wind industry

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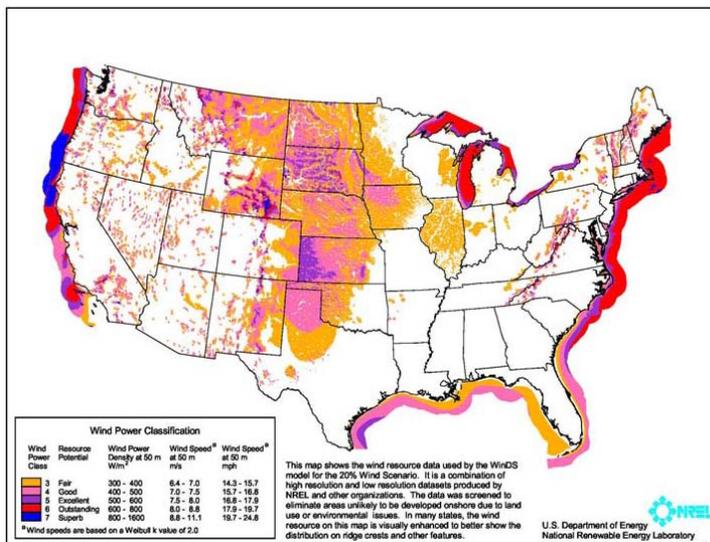
Senators: Collins, Brown, Cardin, Coons, King, Markey, Menendez, Reed, Schatz, Warren, Whitehouse

Summary: Harnessing our nation's offshore wind is a win-win-win. It means reliable, homegrown power, cleaner air, and real American jobs. For the U.S. to harness offshore wind and reap the economic benefits of this new industry, we need to provide a nurturing environment to get this industry off the ground. We can help catalyze offshore wind deployment through our tax code with an extension of the investment tax credit for the first offshore wind projects.

Current Law:

In the Consolidated Appropriations Act of 2016, Congress amended section 45 of the Tax Code to extend production tax credits for all wind projects that start construction by 2019. As a result, any producer that starts construction on a wind facility before December 31, 2019 can claim a PTC of 2.2¢ per kWh for electricity produced from the wind. The tax credit is available for 10 years after the date

the facility is placed into service. Under section 48, in lieu of the production tax credit, companies may claim a 30 percent investment tax credit for all wind facilities that start construction by December 31, 2019.



Opportunities in Offshore Wind:

Offshore wind is different than onshore wind, in that the wind blows faster and more uniformly at sea than on land and it does not have the view shed challenges that land-based projects have encountered. A faster, steadier wind means more consistent electricity generated per turbine. As a result, offshore wind offers enormous potential

for producing domestic clean energy in areas located close to large population centers (see DOE NREL chart) and potentially utilizing existing transmission infrastructure. Offshore wind projects also provide enormous opportunities for good-paying domestic jobs because of the labor required for installation and operation. According to the International Economic Development Council (IEDC), offshore wind creates more jobs per megawatt than fossil fuels or onshore wind.

Industry is extremely interested in developing offshore wind in the United States despite the unique challenges offshore wind presents. The ideal offshore winds are often found in federal waters – requiring federal permits and other logistical complications that can add years to the construction timeline. The long investment time, infancy of the industry, and higher initial costs of offshore wind, make offshore wind unique from onshore wind. Investors need a quicker return on such a long-term investment, which is why the investment tax credit is advantageous for offshore wind projects and the production tax is not. Tax certainty for the first offshore wind movers is expected to ultimately reduce costs for future projects and for consumers. If the U.S. wants to invest in offshore wind, a long-term extension of the investment tax credit for offshore wind is needed.

Summary of the Carper-Collins Incentivizing Offshore Wind Power Act (S.1672):

Recognizing the longer start-up time for offshore wind compared to onshore wind, Senators Carper and Collins's legislation would amend Section 48 of the Tax Code by creating an investment offshore wind tax credit for the first 3,000 MW offshore wind facilities placed into service. The legislation would:

- Require the Secretary of Treasury to consult with the Secretaries of Energy and Interior when establishing the credit;
- Provide a 30 percent tax credit on the investment in offshore wind for the first 3,000 MW generated;
- Give Treasury the authority to make final decision on who is awarded the tax credit. Once a credit is awarded, companies would have five years to install the wind facility;
- Prohibit companies from receiving other production or investment tax credits in addition to the offshore wind investment tax credit created under the bill; and
- Define offshore facility as any facility located in the inland navigable waters of the United States, including the Great Lakes, or in the coastal waters of the United States, including the territorial seas of the United States, the exclusive economic zone of United States, and the outer Continental Shelf of the United States.