

Alert 10-199

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## New Jersey's Offshore Wind Economic Development Act

On August 19, 2010, New Jersey Gov. Chris Christie signed the "Offshore Wind Economic Development Act" (the "Act") into law. The Act amends and supplements the "Electric Discount and Energy Competition Act" (P.L.1999) by creating an offshore renewable energy certificate program and authorizing the New Jersey Economic Development Authority (the "EDA") to provide guaranteed income to offshore wind energy facilities.

### Highlights

- Mandates the state Board of Public Utilities ("BPU") to establish an "offshore wind renewable energy certificate" or "OREC" program, requiring that a percentage of the kilowatt hours sold in New Jersey by each electric power supplier and each basic generation service provider derive from offshore wind energy in the Atlantic Ocean.
- Authorizes the EDA, as a supplement to the "Urban Transit Hub Tax Credit Act," to provide financial assistance to manufacturers of equipment associated with qualified offshore wind projects.
- Provides for guaranteed income for qualified offshore wind projects, and associated equipment manufacturers and assembling facilities in New Jersey.
- Requires that any entity seeking to create an offshore wind plant submit an application to the BPU with information about the proposal, including the projected revenue from the sale of ORECs, renewable energy certificates, air emission credits or offsets, or any tradable environmental attributes created by the project.

### OREC

The Act directs the BPU to develop an offshore wind renewable energy certificate program to require that a percentage of electricity sold in the state be from offshore wind energy. This percentage would be developed to support at least 1,100 MW of generation from qualified offshore wind projects.

### Tax Credit

The Act allows up to \$100 million for Corporate Business Tax credits for certain qualifying capital investments in new offshore wind facilities. As defined by the Act, qualifying offshore wind projects must be located in "wind energy zones" within the Atlantic Ocean and be connected to the electric transmission system in the state.

### Guaranteed Income

The Act amends the "Regional Greenhouse Gas Initiative" ("RGGI") concerning the uses of revenues received from the auction of greenhouse gas emission allowances and deposited into the Global Warming Solutions Fund. In doing so, the Act authorizes the EDA to provide financial assistance to qualified offshore wind projects and associated equipment manufacturers and assembling facilities, to promote economic development in the state.

### Application Process

The Act authorizes the BPU to accept applications for qualified offshore wind projects, and includes specific filing requirements to provide the BPU with the necessary foundation to make an informed decision on the value and viability

of the proposed offshore wind projects. The Act designates elements that the BPU must consider in its review, including a recognition of the total subsidy to be paid by ratepayers over the life of the proposed project, and whether a cost-benefit analysis of the proposed project demonstrates a net positive benefit to the state. The Act is designed to provide the BPU with the flexibility necessary to develop procedures and set requirements to ensure the development of offshore wind energy in a cost-effective and state-beneficial manner.

## Conclusion

Through the Act, the state of New Jersey is becoming a major player in the East Coast offshore wind rush. The state's Energy Master Plan calls for the development of 3,000 MW of offshore wind by 2020.

The Act recognizes that offshore wind projects may create significant economic development and environmental benefits for the state, but that such benefits must be balanced with the cost and the overall impact upon the state, and that the development of offshore wind projects must provide a net positive benefit, both economically and environmentally, for New Jersey.

By obligating the state's electric power and basic generation service-providers to buy power from offshore wind projects to meet their state renewable energy targets, the state has become increasingly more attractive site for developers. The BPU has received proposals to build wind turbines 12 to 20 miles off the coast from four power companies. Through these incentives, New Jersey hopes to set up wind infrastructure capable of generating 1,100 MW of electricity—enough to power at least 250,000 homes.

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