Carper-Collins Incentivizing Offshore Wind Power Act

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

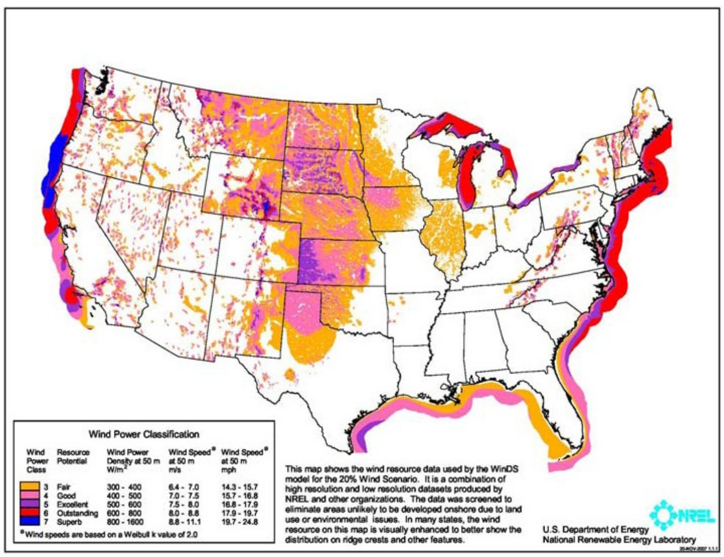
Harnessing our nation's offshore wind is a win-win-win. It means reliable, homegrown power, cleaner air, and real American jobs. For the U.S. to harness offshore wind and reap the economic benefits of this new industry, we need to provide a nurturing environment to get this industry off the ground. We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

Original Cosponsors

Senators Cory Booker (D-N.J.), Sherrod Brown (D-Ohio), Ben Cardin (D-Md.), Chris Coons (D-Del.), Kirsten Gillibrand (D-N.Y.), Angus King (I-Maine), Robert Menendez (D-N.J.), Edward Markey (D-Mass.), Barbara Mikulski (D-Md.), Jack Reed (D-R.I.), Brian Schatz (D-Hawaii), Elizabeth Warren (D-Mass.) and Sheldon Whitehouse (D-R.I.).

Current Law

In the Tax Increase Prevention Act of 2014, Congress amended section 45 of the tax code to extend production tax credits for all wind projects that start construction in 2014. As a result, any producer that starts construction on a wind facility before December 31, 2014, can claim a production tax credit of 2.2¢/kWh for electricity produced from the wind. The tax credit is available for 10 years after the date the facility is placed into service. In addition to extending the production tax credit, Congress also extended the investment tax credit for all wind facilities. That means 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, 2014.



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 can create good-paying domestic jobs. Learning from our European neighbors who have seen more than 50 offshore wind projects deployed since 1991 – we know an offshore wind project can create up to 1500 jobs in construction and operation and maintenance alone.

Industry has shown extreme interest 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, by extension, for consumers. If the U.S. wants to invest in offshore wind, a long-term extension of the investment tax credit is critical.

<u>Summary of the Carper-Collins Incentivizing Offshore Wind Power Act</u>

In order to recognize the longer start-up time for offshore wind facilities as compared to onshore wind facilities, 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 the 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.