Incentivizing Offshore Wind Power Act

Senators Tom Carper and Susan Collins

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. Senators Carper and Collins’s legislation helps catalyze offshore wind deployment through the tax code with an extension of the investment tax credit for the first offshore wind projects.

Additional Cosponsors


Current Law

In the Consolidated and Further Continuing Appropriations Act of 2015, Congress amended Section 45 of the tax code to extend production tax credits (PTC) for all wind projects for five years, first phasing-down and then ending in 2019. In addition, in lieu of the production tax credit, under Section 48, companies may claim an investment tax credit (ITC) for qualifying wind facilities. As a result, any producer that starts construction on a wind facility before December 31, 2019, can claim either the PTC or the ITC. The credit available for 10 years after the date the facility is placed into service. The credit is 30% (2.2¢/kWh) for projects commencing by December 31, 2016, phasing down to 24% (1.84¢/kWh) for projects commencing in 2017, 18% (1.38 ¢/kWh) for projects commencing in 2018, and 12% (.92 ¢/kWh) for projects commencing in 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 and potentially utilizing existing transmission infrastructure. Offshore wind projects can create good-paying domestic jobs. Learning from our European neighbors who have seen over 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 great 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.
Summary of the Incentivizing Offshore Wind Power Act

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