



CLEAN ENERGY IS JUST OVER THE HORIZON

The Honorable Kevin Brady
231 Cannon House Building
Washington, DC 20515

The Honorable Mike Thompson
301 Cannon House Building
Washington, DC 20515

April 13, 2013

RE: Energy Tax Reform Working Group

Dear Chairman Brady and Vice Chair Thompson:

Deepwater Wind appreciates the opportunity to offer comments on energy tax reform. Deepwater Wind is a leading U.S. developer of offshore wind projects. The company is actively planning offshore wind projects to serve multiple East Coast markets located 15 to 25 miles offshore, including Massachusetts, Rhode Island, New York and New Jersey. The Block Island Wind Farm, one of two Rhode Island offshore wind farms being developed by Deepwater Wind, is on target to become the nation's first offshore wind farm, with construction to begin this year.

As the Committee looks to boost economic growth, encourage investment in clean technologies, and provide stability to taxpayers and businesses, we want to share our thoughts on how the tax code impacts the offshore wind industry and how it could be improved. We hope these comments are helpful to the Working Group's efforts.

Encouraging Offshore Wind Development Is a Pro-Growth Policy

Developing wind energy off our nation's shores is a critical part of boosting American energy independence and jumpstarting our clean energy economy. Because offshore wind generally blows more strongly and more uniformly at sea than wind does on land, it represents an enormous untapped resource for clean domestic power. The components of offshore turbines are so large that at the right economies of scale, offshore wind projects would create new, good-paying jobs in manufacturing, construction, maintenance and production. A recent report commissioned by the Department of Energy estimated the offshore wind industry could support thousands of jobs nationwide by 2030. In addition to adding to the fuel diversity of our energy supply, offshore wind can easily provide electricity to large population centers near the coasts.

Incentivizing investments in emerging, innovative technologies like offshore wind is a pro-growth policy.

Current Tax Incentives Can Be Improved to Incentivize Investment in Offshore Wind

Building and maintaining offshore wind turbines up to two dozen miles offshore in waters up to 100 feet in depth pose complex engineering problems. Although five thousand megawatts of offshore wind capacity have been installed in Europe over the past 20 years, investors are still hesitant to make significant investments in the U.S. because of a lack of policy certainty and of a mature supply chain. The current framework of energy tax credits could align better with the unique circumstances of the offshore wind industry. Because investors do not yet have production data for offshore turbines in the U.S., offshore developers find it easier to monetize a 30% investment tax credit rather than the Section 45 production tax credit, which works better for land-based wind developers. In addition, the longer lead time for the permitting and construction of offshore wind turbines, compared to onshore wind energy, means that the usual one-year extension of renewable tax credits—as well as the arbitrary date-based expiration itself--does not incentivize offshore wind significantly.

The Committee Should Consider Targeted Incentives for New Clean Energy Industries that Sunset when the Industry Achieves Scale

We encourage the Committee to think about how to continue to drive investments in new, clean technologies but to do so within a framework that sets clear perimeters for taxpayers and investors. To encourage private investment in the offshore wind industry, a bipartisan group of lawmakers has introduced the Incentivizing Offshore Wind Power Act (H.R. 924 and S. 401, respectively). The Act provides the offshore wind industry with enhanced stability by extending investment tax credits for the first 3,000 megawatts of offshore wind facilities placed into service (which represents approximately 500 of the latest offshore wind turbines). Companies would not be able to receive other production or investment tax credits in addition to the offshore wind investment tax credit.

By tying the tax incentives to the growth of the industry, the Incentivizing Offshore Wind Power Act will give certainty to the initial investors this industry needs to jumpstart installations, encourage the development of manufacturing facilities, create good paying jobs, and reduce costs for future projects and consumers.

The Act also recognizes that incentives cannot last forever. By capping the tax credits to a fixed, measurable result--the first 3,000 MW of installed capacity—rather than an arbitrary date, the Act links the sunset of the credit to a point at which the industry should start to compete without subsidy.

Offshore wind is a true 'win-win-win': it is cleaner for our environment, reduces our dependence on fossil fuels and foreign energy, and helps create jobs. If we want to harness this untapped, domestic energy source, providing investment tax incentives for our country's first offshore wind projects is essential. We hope you will consider the

circumstances of the offshore wind industry and the framework of the Incentivizing Offshore Wind Power Act as part of your tax reform discussions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Grybowski", is placed on a light-colored rectangular background.

Jeffrey Grybowski
Chief Executive Officer, Deepwater Wind