

Delaware Opportunities for Offshore Wind Businesses

A. The Advantages of Delaware

Delaware is an ideal place to enter the emerging offshore wind market. It provides a centrally located, strategic location with dynamic logistics, a strong pro-business environment, unrivalled research expertise, a talented workforce, and access to major east coast markets. A low-cost business environment with a responsive government that understands the needs of business are all key reasons for establishing a business in Delaware. The Delaware Economic Development Office and the Department of Finance offer tax incentives, infrastructure development support, grants, and incentives for new and expanding businesses.

Delaware's Port of Wilmington, a mid-Atlantic deepwater port situated at the confluence of the Delaware and Christina Rivers and four hours from the Atlantic Ocean, has been handling progressively more complex wind power projects since 2001. The Port boasts excellent rail and highway connectivity, ample berth and storage space as well as modern heavy lift cargo handling equipment. The Port's greatest asset is its skilled, experienced, and highly productive workforce that facilitates the safe and timely delivery of this delicate and high-value project cargo to its destination. Furthermore, Delaware's unique collaboration between the State's Departments of Transportation and Public Safety and Homeland Security ensures the timely and cost-effective truck permitting and police escort services essential for quick and unimpeded movement through Delaware. Planned Port expansion will provide greater storage and staging capacity for future wind-energy-related project cargo.

The University of Delaware's College of Earth, Ocean, and Environment conducts research on offshore wind power and maintain a land-based turbine on campus. The University is currently working in partnership with the University of Maryland and Old Dominion University, with U.S. Department of Energy funding, to establish partnerships between university researchers and wind industry companies. Five other projects are creating meteorological models, integrating system design of an offshore wind plant, generating spatial planning tools, evaluating offshore transmission to the existing grid, and studying the public's perceptions of offshore wind projects. The University is also the home of the Center for Composite Materials, an internationally recognized interdisciplinary center of excellence for composites education and research currently involved with wind industry projects.

B. Government Policies Pertaining to Offshore Wind Power

Public policies are in place to create a robust market for offshore wind with mandated priority given to energy efficiency and renewables before new fossil fuel generation. Delaware was the first state in the nation to require utilities to consider environmental and health externalities in planning for energy resources.

Renewable Resource Portfolio Standard

Delaware's Renewable Portfolio Standard (RPS) was established in 2005 requiring retail electricity suppliers to purchase 10% of the electricity sold in the state from renewable sources by 2010. The RPS target has since been increased to 25% by 2025. Annual compliance benchmarks have been set to help achieve the overall target. Several renewable energy certificate (REC) multipliers are available for energy generated by wind installations in Delaware. The state has also created a REC multiplier for in-state manufacturing of components and installation by in-state labor.

Offshore Wind Planning

Delaware has demonstrated governmental and public support for offshore wind, culminating in the first power purchase agreement (PPA) for offshore wind energy. The PPA was between Bluewater Wind and Delmarva Power & Light (DP&L) in 2008. Subsequently, Bluewater Wind was acquired by NRG and under its new ownership had to forgo its PPA with DP&L as it was unable to secure financing for its 200 MW offshore project. However, a recent U.S. Department of Interior Finding of "No Significant Impact" for wind energy development off the coast of Delaware and nearby states may give NRG's Bluewater Wind a strong position to restart exploring offshore wind development as it currently holds the lease for the lease blocks.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

The Delaware Economic Development Office (DEDO) has a wide range of relevant programs and incentives for companies in the offshore wind supply chain. An array of incentives is available for all businesses.

Business Incentive Loans and Bonds

In 2009, Governor Markell announced the **Small Business Limited Investment for Financial Traction (LIFT) Program** to help small businesses get through the economic downturn. The loan program allows small Delaware businesses to defer interest payments on their line of credit for up to two years. DEDO pays participating banks the monthly interest directly. The maximum size loan to borrowers is \$25,000.

Tax-Exempt Bond Financing is available to new or expanding businesses. DEDO issues tax-exempt bonds and lends the proceeds to assisted businesses. The interest rate is lower than market rate.

The **Strategic Fund** is DEDO's primary funding source for loans and grants to businesses for job creation, relocation, or expansion. Low-interest loans, grants, and other customized options are available and are negotiated according to the specific needs of each business.

The **Renewable Energy Facilities Revolving Loan Fund** is available to help jump-start businesses specializing in energy efficiency. The new fund was made possible with a grant from the US Department of Commerce, which was matched by the Delaware Strategic Fund. It will

provide matched loans at market to below-market interest rates to businesses that cannot otherwise obtain capital, provided that those businesses will create or retain jobs in industries that promote energy efficiency and/or recycling. One job must be created for every \$10,000 loaned.

The **Delaware Access Program** allows banks to make somewhat riskier loans to small businesses that may otherwise not qualify for a loan. The program uses public resources to leverage private bank financing based on a risk-pooling concept. The borrower must pay a one-time premium charge, which is matched by the bank, and then the combined total is matched by DEDO.

Training Grants are available to assist companies with employee training.

Tax Credits

The **Investor Tax Credits Program** encourages investment in facilities, equipment, or research and development by providing tax credits for individuals who make qualified investments. The business must have annual gross revenues of \$5 million or less.

The **Research and Development Tax Credit** supports businesses that invest in R&D activities. Qualified businesses may take credits for the taxable year equal to 10% of the excess of the taxpayer's total qualified R&D expenses or 50% of Delaware's apportioned share of taxpayer's federal R&D tax credit.

The **New Job Creation Act** provides tax credits to businesses that are engaged in a qualified activity, hire five or more employees, and make an investment of at least \$200,000 in a qualified facility. **Clean Energy Technology Device** Manufacturers' may be eligible for a \$750 corporate income tax credit per employee for up to ten years.

The **New Economy Jobs Program** provides businesses up to a 65% rebate on its qualified withholdings payments in order to bring competitive, high-wage jobs to the state and to encourage firms to establish headquarters in state. This is a ten-year credit taken against corporate and personal income taxes. The company must add at least 50 high-wage net new jobs.

D. Other Applicable Incentives

Another technology fund, the **Green Energy Technology and Demonstration Program**, provides grants to projects that demonstrate market potential for renewable energy technologies and that accelerate the commercialization of these technologies in Delaware. Grants can cover up to 25% of the cost of equipment purchases, but may not exceed \$200,000 per project. Similarly, the **Green Energy Research and Development Program** offers grants that cover up to 35% of project costs, not to exceed \$250,000. Multi-year projects may be eligible for funding. These two programs have been suspended indefinitely under authority granted Delaware's Secretary of Natural Resources and Environmental Control under SB 266, passed in 2010.