New Jersey Opportunities for Offshore Wind Businesses

A. The Advantages of New Jersey

New Jersey is at the forefront of the burgeoning offshore wind industry in North America, as the first state in the nation to enact legislation and establish rules setting a Renewable Portfolio Standard (RPS) for Offshore Wind and the first to offer financial incentives for the development of offshore wind projects and associated manufacturing. As the gateway to PJM, the largest electric power pool in the country, New Jersey is perfectly situated—geographically and strategically—for siting of offshore wind energy facilities. Specifically, New Jersey offers the following assets to offshore wind manufacturers, suppliers and developers:

- Strategic central location on the East Coast
- Long coastline and shallow outer continental shelf
- Steady wind resource
- Educated, skilled workforce

Situated at the epicenter of the nation's largest business corridor, New Jersey is home to 18 of the world's Fortune 500 companies, with more than 1,400 multinational firms from over 40 countries. New Jersey's location provides access to more than 100 million consumers located within a 24-hour drive, and the State is one of the nation's most strategically relevant locations for manufacturing, as well as a gateway for exporting.

The Port of New York and New Jersey is the largest port complex on the Atlantic Seaboard, and the second largest in the United States. New Jersey's well-developed transportation infrastructure, proximity to the national market, and extensive warehousing and distribution capabilities literally give the State access to the world.

New Jersey is a destination for businesses across all industries, and the State is quickly emerging as a national leader in the renewable energy sector, including wind power.

New Jersey is:

- #1 for broadband telecommunications (Kauffman Foundation, 2010)
- #2 for information technology jobs (Kauffman Foundation, 2010)
- #2 for solar installations (GTM Research, 2011)
- #4 for efforts to succeed in the innovation economy (Site Selection, 2011)
- #4 for access to capital (CNBC, 2010)
- #5 for solar power generation (Business Facilities Magazine, 2010)
- #5 for foreign direct investment (Kauffman Foundation, 2010)
- #5 for "quality of life" (Forbes, 2010)

- Fastest-growing state in terms of solar development (CNNMoney.com, 2011)
- Among the top ten states for smart grid (Smart Grid News, GTR Research, Smart Planet 2009, 2010)

B. Government Policies Pertaining to Offshore Wind Power

Renewable Resource Portfolio Standard (RPS)

New Jersey's RPS was initially adopted in 2003 and amended in 2006 and is one of the most aggressive in the US, requiring electricity suppliers to provide 22.5% of their electricity sales through renewable resources by 2021. An offshore wind provision (see below) requires a percentage of electricity sold in New Jersey to come from offshore wind energy facilities.

Offshore Wind Planning

New Jersey has been at the forefront of offshore wind energy development since 2004, when New Jersey's Board of Public Utilities (BPU) recommended support of utility-scale wind energy projects off the New Jersey shore. A May 2006 report of a blue ribbon panel focused on environmental, regulatory, and economic factors[1] led to $12 million in grants for meteorological towers and additional State funds for a consumer survey and ecological baseline studies. In 2010, the New Jersey Department of Environmental Protection released its final report on the distribution of ecological resources in coastal waters, which was used to identify potential areas for offshore wind power development. Those portions of the coastal area that are more or less suitable for wind energy power facilities were determined based on potential ecological impact using predictive modeling, mapping and environmental assessment methodologies.

On August 19, 2010, Governor Chris Christie signed the Offshore Wind Economic Development Act (OWEDA), which establishes a mechanism for financing offshore wind energy projects, provides tax incentives for wind energy supply chain manufacturers and calls for a minimum of 1100 MW of offshore wind capacity. The Act provides for an open and transparent process by which qualified wind energy projects can apply for financing via an offshore wind renewable energy certificate (OREC) program. OWEDA set the criteria the BPU will use to accept or reject proposals from offshore wind development companies and established an RPS for offshore wind energy to ensure consistent demand for any offshore wind energy produced. The Act also provides for tax credits for wind energy facilities in wind development zones, provides financial incentives for offshore wind turbine manufacturers, and calls for the construction of a transmission system to deliver the wind-generated energy to New Jersey's grid. A wind energy facility is defined to include any building, machinery, or equipment used in manufacturing, assembling, developing, or administering the component parts of an offshore wind project. Wind energy zones include any property located in the South Jersey Port District.[2]

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[1] http://www.New Jerseycleanenergy.com/renewable-energy/technologies/wind/shore-wind#studies

[2] Offshore Wind Economic Development Act http://www.NewJerseyleg.state.New Jersey.us/2010/Bills/S2500/2036_R2.PDF

The federal government designated the New Jersey coast as one of the four East Coast "priority areas" for offshore wind energy development. The Obama administration announced plans in 2011 to fast-track wind projects in federal waters along several states, including New Jersey, and expects to hold the first auction for wind energy leases offshore New Jersey in 2012.

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

There's a lot going on in New Jersey as the state continues to enhance its business climate, streamline its regulatory process and advance pro-business initiatives. To learn more about New Jersey's expertise and incentives to attract and support business growth, call the Business Action Center at (866) 534-7789 or visit the State's Business Portal at www.newjerseybusiness.gov.

New Jersey's current incentive and financing programs include:

Business Employment Incentive Program (BEIP): Companies seeking to relocate to or expand in New Jersey may be eligible for grants based on the number of new jobs created. By adding at least 10 jobs within two years, eligible technology companies can be reimbursed for up to 80% of gross withholding tax paid by new employees for up to 10 years, to a maximum of $50,000 per employee over the course of the grant.

Grow NJ offers eligible businesses a tax credit of $5,000 per job, per year, for 10 years. Businesses would need to retain 100 full-time jobs or create 100 full-time jobs in a desirable industry and make capital expenditures of at least $20 million. Under this program, the per-project benefit limited to capital investment is capped at $40 million. The base credit may be increased up to $3,000 per job.

Sales and Use Tax Exemption (STX) is a program that offers companies a sales tax exemption certificate which applies only to property purchased for installation at the approved project site. This certificate allows the business to purchase machinery, equipment, furniture, fixtures, and building materials for the project without the imposition of the state's 7% sales tax. Eligible companies must have 1,000 or more employees in New Jersey and relocate 500 or more to a new business location. Manufacturing companies may be eligible if they relocate 250 or more employees to a new facility. Companies must maintain the retained full-time jobs in New Jersey for five years.

The **Energy Efficiency Revolving Loan Fund (EERLF)** offers low-interest financing (2% to 4%), to support up to 80% of total eligible project costs, not to exceed $2.5 million.

The **Economic Redevelopment & Growth Program** is a cash grant program that allows developers and municipalities to capture up to 75% of new state and local incremental eligible taxes actually realized from a project's development to help fill a demonstrated project financing gap over a period not to exceed 20 years and not more than 20% of the eligible capital expenses.

The **Edison Innovation Green Growth Fund** offers loans up to $1 million with a performance grant component to support technology companies with Class I renewable energy or energy efficiency products, or systems that have achieved “proof of concept” and successful independent beta results, have begun generating commercial revenues, and will receive 1:1 match funding by time of loan closing.

The **Clean Energy Manufacturing Fund** is designed to support companies looking to site a Class I renewable energy or energy efficiency product manufacturing facility in New Jersey. New Jersey clean technology manufacturers can receive funding under two separate components: project assessment and design, and project construction and operation. In total, up to $3.3 million in grants and interest-free loans is available: up to $300,000 for pre-development and up to $3 million as a low-interest, 10-year loan to support site improvements, equipment purchases, and facility construction and completion.

Tax-Exempt Bonds, Loan and Guarantees: For manufacturers that are about to use their net income to service debt, the New Jersey Economic Development Authority (EDA) may provide traditional financing options, including the issuance of tax-exempt bonds. The EDA issues bonds for manufacturers to finance projects such as real estate acquisitions, machinery and equipment purchases, and for building construction and renovations. Manufacturers can borrow from $500,000 to $10 million and terms range up to 10 years for equipment and up to 20 years for real estate. As companies mature, the EDA can provide direct loans, or partner with banks and other lenders to provide loans and guarantees to sustain business growth.

The **Technology Business Tax Certificate Transfer Program**: Unprofitable New Jersey-based technology companies with fewer than 225 U.S. employees can apply for the ability to sell net operating losses and research and development (R&D) tax credits to unrelated profitable corporations. Net operating losses and R&D tax credits may be sold for at least 80% of their value, up to a maximum lifetime benefit of $15 million per business.