

# Rhode Island Opportunities for Offshore Wind Businesses

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## A. The Advantages of Rhode Island

Rhode Island has been a strong supporter of renewable energy development and offshore wind. Following the adoption of the state renewable portfolio standard (RPS) in 2004, Rhode Island underwent a comprehensive study to evaluate its renewable energy potential; the study identified offshore wind as a prime resource. The state contracted with Deepwater Wind, a private company, to shepherd the development of offshore wind by identifying the best offshore sites, locating land near the state's key ports, working to pass relevant legislation, and securing a power purchase agreement between Deepwater Wind and National Grid.<sup>1</sup>

The state not only identified onshore and offshore wind as a specific action initiative in its 2010 Roadmap for an Advanced Green Economy report,<sup>2</sup> but also commissioned an offshore study in collaboration with stakeholders that determined that 15% or more of Rhode Island's electricity could be supplied by offshore wind farms.<sup>3</sup> In 2011, the state hosted a Northeastern event for the offshore supply chain at which Governor Chafee and U.S. Senator Whitehouse were the keynote speakers.

In addition to support for wind development, the Rhode Island Economic Development Corporation (RIEDC) has made growing key industries, including renewable energy, one of its top priorities for economic growth. RIEDC provides a broad array of business incentives and business support, including workforce development, site selection, export and trade services, financing programs, and enterprise zones. RIEDC offers manufacturing companies access to a variety of tax credits and assistance with permitting and regulatory issues.

Rhode Island is strategically located in proximity to major urban centers such as Boston and New York City. Its Port of Providence (ProvPort) is one of two deep water ports in New England, providing capacity for six vessels at a time along its one-mile linear berth. ProvPort is adjacent to Interstate 95.

Rhode Island University's Center of Excellence for Research on Offshore Renewable Energy will help accelerate offshore wind R&D and will complement Deepwater Wind's proposed facilities at ProvPort and Quonset Business Park. The Rhode Island Economic Development Corporation provided grant funds for infrastructure improvements to support Deepwater Wind's plans to stage offshore manufacturing at Quonset.

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<sup>1</sup> <http://www.altenergymag.com/emagazine/2012/01/alternative-energy-in-rhode-island/1835>

<sup>2</sup> <http://publications.riedc.com/qgcju.pdf>

<sup>3</sup> [http://www.energy.ri.gov/documents/renewable/RI\\_Offshore\\_Wind\\_Stakeholders\\_Final\\_Report\\_February\\_2008.pdf](http://www.energy.ri.gov/documents/renewable/RI_Offshore_Wind_Stakeholders_Final_Report_February_2008.pdf)

## **B. Government Policies Pertaining to Offshore Wind Power**

### **Renewable Energy Standard**

Rhode Island's Renewable Energy Standard (RES) was established in 2004 by the Public Utilities Commission requiring retail electricity providers to supply 16% of their sales from renewable energy sources by the end of 2019. The tiered requirement increased at an annual rate of 0.5% through 2010, increasing to an additional 1% from 2011 to 2014, and then an additional 1.5% to 2019.<sup>4</sup> In 2008, legislation directed RIEDC to coordinate the state's renewable energy policies and the Renewable Energy Fund (REF). Wind is an RES-eligible renewable resource.

### **Offshore Wind Planning**

In 2007, a Rhode Island commissioned study concluded that 15% or more of the state's electricity could be supplied by offshore wind and identified 10 areas suitable for wind farm locations. Following the report, former Governor Carcieri convened a group of key stakeholders to identify potential issues for each proposed site. Overall, the stakeholders approved of the concept of using offshore wind development to meet a portion of the state's energy needs. In 2009, RIEDC convened a group of stakeholders to identify critical initiatives for advancing the green economy. Subsequently, the group developed content for RIEDC's Roadmap for Advancing the Green Economy, which includes an initiative to build and strengthen the offshore and onshore wind supply chain. This initiative's five-year targets include developing a small wind farm at Block Island and supporting the commercial development of the Quonset Business Park as a supply chain hub. In addition, the roadmap identifies policy amendments for supporting wind development such as increasing the size of the REF, creating a model ordinance, and amending the RPS to require renewable energy certificates (RECs) from in-state production.<sup>5</sup>

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

RIEDC offers a wide array of financing programs and incentives for businesses, including an Enterprise Zone program, government procurement services, international trade and exporting services, and small business development. In 2011, RIEDC's Small Business Loan Fund approved \$2.4 million in loans to Rhode Island companies. RIEDC offers growth tools and support services specifically for the manufacturing and industrial products sector, including access to various tax credits and low interest loans, and guidance on permitting issues.

Since 2008, RIEDC has managed the state's Renewable Energy Fund, which has provided dedicated funding for renewable energy projects through grants and loans since 1996. The REF provides grants, loans, and other incentives for renewable energy financing. Funding is

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<sup>4</sup> [http://www.dsireusa.org/incentives/incentive.cfm?Incentive\\_Code=RI08R&re=1&ee=1](http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=RI08R&re=1&ee=1)

<sup>5</sup> Leaver, Robert and John Speck, *A roadmap for Advancing the Green Economy in Rhode Island* (RIEDC, 2010) p. 18. Available at <http://publications.riedc.com/ggcju.pdf>

available for municipal, business, commercial, and institutional projects, as well as for technical and feasibility studies.

In 2011, the legislature established the Distributed Generation Standard Contracts (DGC) program to provide additional dedicated incentives for renewable energy R&D, commercialization, start-ups, and other business activities. The performance-based incentive, managed by the Office of Energy resources, offers a fixed rate over fifteen years for eligible renewables, including wind. The legislation specifically calls on the state to offer 40 MW of distributed generation contracts for eligible renewables with annual targets. A 20 MW target is set for 2012. National Grid, the state's primary energy provider, is required to enter into contracts for an aggregate capacity of at least 40 MW by 2014. DGC is set to create a \$200 million development market over the next 3-4 years.

### **Business Incentive Loans and Bonds**

The **Rhode Island Industrial Facilities Corporation (RIIFC)** issues tax-exempt revenue bonds for manufacturing projects, covering up to 100% of the cost of the project including land, equipment, building, and other project costs. Up to \$20 million is available for each project. RIIFC also offers taxable bonds for manufacturing and commercial facilities nearly identical to the tax-exempt bonds, except that fixed assets are taxable.<sup>6</sup>

**RIEDC's Small Business Loan Fund** provides existing manufacturing business with a maximum of \$250,000 for the acquisition of buildings and equipment, new construction, and working capital.<sup>7</sup>

**RIEDC's Job Creation Guaranty Program** provides businesses looking to expand or relocate in Rhode Island with access to capital and credit. RIEDC guarantees loans by private lenders or guarantees bond obligations for technology and innovation-driven businesses.<sup>8</sup>

### **Tax Credits**

Rhode Island offers several tax credit programs designed to encourage small business growth and growth in manufacturing and technology. RIEDC publishes a summary of state and local business incentives and serves as a clearinghouse for other special incentives. A copy of its summary of state and local business incentives is available here:

[http://www.riedc.com/files/RIBusiness%20Incentives-%202011\\_0.pdf](http://www.riedc.com/files/RIBusiness%20Incentives-%202011_0.pdf)

The **Enterprise Zone** offers tax incentives to business expanding their workforce by 5% at facilities in designated enterprise zones. The tax credit is equal to 50% of the annual wages paid to a new employee, or up to 75% for an employee who resides in the enterprise zone. The maximum credit is \$5000 per employee.

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<sup>6</sup> <http://www.riedc.com/business-services/financing/riifc>

<sup>7</sup> <http://www.riedc.com/business-services/financing/sblf>

<sup>8</sup> <http://www.riedc.com/business-services/financing/job-creation-guaranty-program>

The **Manufacturing Investment Tax Credit** allows manufacturers to take a 4% corporate income tax credit for buildings, machinery, and equipment. The **High Performance Manufacturing Investment Tax Credit** allows qualified high-performance manufacturers a 10% investment tax credit against corporate taxes for buildings and tangible property.

The **Innovation Tax Credit** also offers a tax credit to encourage investment in high-growth innovation industries. The credit allows investors a 50% credit on eligible investments, with a maximum credit of \$100,000. Industrial and consumer product manufacturing and design businesses are included in eligibility.

Four research and development tax credits are available in Rhode Island: 1) Research and Development Expense Credit; 2) Research and Development Property Credit; 3) Elective Deduction for Research and Development Facilities; and 4) Research and Development Sales Tax Exemptions. These are available to corporations and sole proprietors, or passed through from partnerships, joint ventures, or subchapter S corporations. The **Expense Credit** offers a 22.5% tax credit for increases in qualified research expenses. The **Property Credit** offers a 10% tax credit for the construction or purchase of a property that is primarily used for R&D. Both may carry unused credits for up to seven years.

There are three **Foreign Trade Zones** in Rhode Island in which companies have certain duty exemptions or lower duty rates. In addition, foreign merchandise or products held for export are not subject to state or local property taxes.

Firms using bond financing programs offered through RIEDC are exempt from the state's **sales tax** on construction materials and equipment, machinery, computers, and equipment for the facility. To be considered for the sales tax exemption, the project must result in the firm's wages exceeding the median annual wage by 5% for full-time employment.