

# Federal agency undermining state offshore wind plans, backers say

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Tensions are building between the struggling U.S. offshore wind industry and the federal agency that oversees it.

Industry leaders worry that a new federal program designed to spark offshore wind construction could end up killing proposals that have been in the works for years, according to developers at the annual Offshore Wind Power USA conference this past week in Boston.

The federal government has jurisdiction over much of the nation's offshore wind resources, but it only recently began developing regulations that would help the industry get off the ground. In the interim, states along the Atlantic coast began soliciting wind proposals and developing programs to help jump-start development.

Rhode Island, for instance, chose a developer to build a demonstration project in state waters, with the idea that the same developer would go on to build a wind farm on federal waters off the state's coast. New Jersey selected developers for three multimillion-dollar data stations to measure wind resources, a critical first step for the eventual development of the firms' proposed [wind farms](#).

But now, the federal Bureau of [Ocean Energy](#) Management (BOEM) has drawn up rules to auction the rights for those offshore contracts - and all these developers will have to compete with others for the rights to build their turbines at sea.

In panel discussions and conversations, the developers talked about how the process might undercut the time and money they and state agencies had spent pushing the projects along. This year the BOEM plans to hold its first competitive auction for two sites in the Massachusetts-Rhode Island [wind energy](#) area and one site in Virginia. The process will be similar to the one it uses to award leases for offshore [oil and gas drilling](#).

Jeff Grybowski is CEO of Deepwater Wind, the company Rhode Island chose to build a [demonstration project](#). He said he worries that his company could lose out in the federal auction, despite the work it has done to develop the first large-scale wind farm off Rhode Island.

Rhonda Jackson, a spokeswoman for Fishermen's Energy in New Jersey, expressed similar concerns about her firm's proposal to develop a utility-scale wind project near Atlantic City. Fisherman's Energy was one of the companies New Jersey chose to build a wind data station, and it already has plans for a pilot wind farm in state waters.

Currently, there are no wind turbines in federal or state waters. In Europe, however, nearly 1,700 turbines are spinning at 55 offshore wind farms.

All told, the Atlantic coastal region has an estimated 1 million megawatts in offshore wind power potential - about the same as the nation's installed capacity of electric power plants.

The BOEM is taking steps to allay the developers' concerns by giving companies that have already made progress on projects an advantage in the leasing process.

To bid on offshore wind leases, companies first have to pay a non-refundable fee, perhaps of \$1 million or more. But companies that have prior agreements with state agencies might have to pay only a fraction of

that amount if they win the auction.

"We're taking a step back to consider the policy issues . . . to make sure we come up with an answer that is right," BOEM director Tommy Beaudreau said at the conference. "We have tremendous respect for the state process."

But Grybowski said in a presentation that U.S. offshore wind farm developers could also face another problem: The BOEM rules give companies only half of what they need to build their projects.

The BOEM decides who can build projects in federal waters, but it's up to state utility commissions to decide whether to buy the electricity the wind farms will produce. If the power is too expensive, or if states opt to award power contracts to other companies, Grybowski said, the developers would lose out again.

Such a scenario "will result in the failure of this industry," he said, since offshore wind developers often can't attract financing for their projects without an agreement from a utility to purchase their power.

Jim Lanard, president of the Offshore Wind Development Coalition, said this leasing conundrum is largely the result of federal inaction during the George W. Bush administration. Congress ordered the government in 2005 to adopt offshore wind regulations to allow for competitive leasing, but it wasn't until President Barack Obama's first year in office that the ball actually got rolling. In the meantime, states pushed ahead on their own.

In an interview, Lanard said New York may have found a solution to this "bifurcated" process, wherein the feds issue leases and states handle power agreements.

The state-owned New York Power Authority recently asked the BOEM to sell it a commercial lease to build an offshore wind farm near Long Island. The federal agency could award the lease within weeks. The Power Authority then plans to solicit bids from private developers and pick the project it feels can best serve its ratepayers.

Lanard said his group is working with BOEM to find a way to "marry" the federal lease process with state electricity decisions.

BOEM director Beaudreau said that despite industry concerns, the bureau thinks the lease process can be made to work.

"Part of our mission is to build confidence around this industry, and to make the potential (for offshore wind) realizable," he said during a panel discussion. "We're moving forward with leasing for just that reason. I would rather take the bull by the horns on this and help push things along."

The BOEM has already awarded two commercial leases to proposed offshore wind farms: the Cape Wind project in Nantucket Sound, Mass., and NRG Bluewater's wind park off the coast of Delaware. No auctions were held for either of these leases. The Cape Wind project has been in the works for more than a decade, and NRG Bluewater was the only company that expressed an interest in the Delaware zone.

The conference, which ran Feb. 26-27, featured the outgoing secretary of the interior, Ken Salazar, as keynote speaker. He said he expects interest in commercial wind leases to continue to grow, and noted that the next batch of leases could include sites in Maine, New Jersey and North Carolina.

The Obama administration is "doing everything that we can to stand up sustainable renewable energy across the country," he said.

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