August 24, 2023

Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Subject: Support for Equinor's New Petition to the Public Service Commission

Dear Members of the Public Service Commission:

The Port of Albany and its intended offshore wind manufacturing site operator - Marmen Welcon would like to express our support for Equinor-bp's (Empire Offshore Wind LLC and Beacon Wind LLC) petition filed with the New York State Public Service Commission (PSC). These projects hold immense potential in advancing New York's clean energy goals while driving economic growth.

We are certain that should this petition not be supported, the projects and their immense economic impacts will not be realized in and for New York State.

Equinor-bp is an integral part of New York's renewable energy strategy. By harnessing the power of offshore wind, Equinor-bp aims to significantly contribute to the state's renewable energy targets, combat climate change and advance New York's renewable energy economy. This has the potential to positively benefit all parts of New York's economy and residents. By approving Equinor-bp's petition, the PSC will play a pivotal role in ensuring the availability of clean power for multiple regions throughout the state, reducing our reliance on fossil fuels, and mitigating the environmental impact of traditional energy sources. Offshore wind is a huge component and one of the primary reasons that we can advance the decarbonization of our electric grid at scale. The element of time is integral, and our decisions today will have an impact on the success of the state achieving its climate action goals.

The Port of Albany and Marmen Welcon identify Equinor-bp's offshore wind projects in the State of New York as strategic partnerships that effectively and efficiently pair the generation of renewable energy with developing critical supply chain, new market investments and job creation. The core of this New York offshore manufacturing hub has always been the construction of a wind tower manufacturing facility at the Port of Albany.

It is important to recall that since responding to the NYSERDA offshore wind energy solicitation in October 2020 Equinor has been committed to delivering the first offshore manufacturing facility at the Port of Albany. As stated in their November 12, 2020, press release:

> "*Developed jointly with leading wind industry manufacturers Marmen and Welcon, Equinor stands ready to transform the port for manufacturing offshore wind towers and transition pieces, creating up to 350 jobs" and "Development of a tower manufacturing facility at the Port of Albany is contingent upon NYSERDA selecting Equinor's bid and a multi-port infrastructure investment plan (PIIPs)."*[1]

[1] https://www.equinor.com/news/us/backing-port-albany-host-offshore-wind-manufacturing-facility

On January 13, 2021, Equinor was awarded the project and was part of New York's focus on creating the largest offshore wind program in the nation; making New York State a global wind energy manufacturing powerhouse; all while creating green jobs to support communities and small businesses as we face the global threat of climate change. New York State boasted the project's ability to advance our green manufacturing capacity and the jobs that go with it by establishing the nation's first offshore wind tower manufacturing facility at the Port of Albany and transforming a brown field into a state-of-the-art factory for wind towers. Noting that the project will create 500 construction jobs and will employ equal or more highly skilled full-time workers.

Equinor-bp, Marmen Welcon and Port of Albany's plan to build the first offshore manufacturing facility at the port of Albany has been directly affected by the impact of unforeseeable economic conditions, including massive inflation, supply chain disruptions and rising interest rates. Despite numerous attempts and collective effort to find solutions to fill the funding gap, we were unable to define a plausible course of action. We thus consider the Petitioners' request to be fully justified.

We believe that a positive response from PSC should be linked to specific requirements that would ensure that funding gaps for integral projects related to the success of New York State reaching its renewable energy goals and the positive economic impacts from the growth of the offshore wind industry in New York are taken into strong consideration. We believe approving Equinor-bp's petition to the PSC is integral to this reality and that this is also the right opportunity to solve the tower manufacturing project funding needs.

We note that responding to a similar challenge, on June 20, 2023, the State of New Jersey introduced Bill S4019[2], which concerns qualified offshore wind projects and federal tax benefits for certain offshore wind investments. Under this bill around 20% of the additional money provided for the Ocean Wind project will serve as funding for qualified wind energy facility (in this case it refers to the EEW monopile facility at the Port Paulsboro). That 20% is guaranteed and available upfront for the manufacturing facility. States are facing similar challenges and New Jersey sought solutions to keep their offshore wind projects moving forward.

Furthermore, granting the requested relief of the Petitioners with associated requirements to secure the funding gaps, the New York PSC would ensure sufficient manufacturing capacity is available to meet New York State offshore projects' requirements – as well as supply other state's projects, as the lack of available capacity might seriously impact and delay the State's objectives.

As mentioned in a recent analysis made by Wood Mackenzie in August 2023, titled "Cross currents: charting a sustainable course for offshore wind"[3], there is an important concern over massive shortage of manufacturing capacity:

[2] https://www.njleg.state.nj.us/bill-search/2022/S4019/bill-text?f=S4500&n=4019_R1
[3] https://www.woodmac.com/horizons/cross-currents-charting-a-sustainable-course-for-offshore-wind/

> "*The offshore wind sector is navigating uncharted waters as it grapples with a fresh set of challenges in cost escalation and supply chain pressures. Much recent focus has homed in on a number of problematic projects in the US and UK. These projects won competitive tenders that locked in their remuneration schemes but have recently found themselves facing low projected returns due to unanticipated cost increases. This has left the offshore wind industry at a critical juncture. Dealing with such challenged projects is a real set-back for the industry and the energy transition. More importantly, however, they contribute to a larger issue lurking just around the corner – ramping up the supply chain to meet developer and government objectives. These supply-chain challenges need to be addressed as a matter of urgency, as lead times on new manufacturing facilities are typically three to five years, with an additional one to two years until fully up and running. Governments have made clear their commitment to offshore wind as an important pillar of decarbonization and energy security. However, despite the offshore wind industry proving its ability to provide carbon-free generation at premium but relatively competitive prices, the supply chain supporting the industry is struggling to scale up and will be an impediment to achieving decarbonization targets if change does not happen. The supply chain constraints stem from uncertainty over demand and a lack of profitability. As the dominos start to fall, the sector – most notably the policymakers – must take this opportunity to chart a more sustainable path for offshore wind*."

Additionally, as indicated in Rystad Energy Research Study[4] published June 28, 2023, the European wind tower capacity is already running out of time to fix that problem and industry experts foresee upcoming capacity shortage:

> "*Rystad Energy's offshore wind capacity outlook shows that wind tower manufacturing capacity will keep pace and exceed demand before 2028. However, that year is the turning point, and in 2029, demand will surpass manufacturing capacity by a significant margin. Steel demand for offshore wind towers will total more than 1.7 million tons in 2029, but manufacturing capacity will be a maximum of around 1.3 million tons, meaning supply can only meet about 70% of demand. If Europe is to reverse this trend, manufacturers need to initiate expansion in the next two years, since it takes between two and three years to build new facilities. These forecasts assume no major steel shortage, so manufacturers can work at full capacity. If a shortage materializes, Europe could face a supply issue even earlier than expected*."

We must also be cognizant that the federal Inflation Reduction Act (IRA) tax credits related to offshore wind investments and manufacturing have a short lifespan, as compared to the maturity of domestic projects. If projects are delayed, or are later to get to market, the federal benefit will be less of an incentive to offshore wind developers and / or manufacturers considering the domestic marketplace.

[4] https://www.rystadenergy.com/news/shortage-looming-as-europe-s-demand-for-offshore-wind-towers-in-europe-to-surpass

Furthermore, Equinor-bp's projects will have a transformative effect on the regional and state economy by propelling major investments, creating construction and long-term jobs, and fostering sustainable development. Not only will the renewable energy from Equinor-bp's project power millions of homes in downstate New York, there are staggering investment and job opportunities available to Upstate New York by developing critical offshore wind supply chain. The Port of Albany and Marmen Welcon are committed to ensuring the development of the nation's first offshore wind tower manufacturing facility at the Port of Albany is realized. Equinor-bp has invested in the Port project, and when complete it will generate numerous employment opportunities in the manufacturing and renewable energy sectors, supporting local communities -including adjacent environmental justice communities and enhancing economic resilience. And it must be noted that Equinor has already made substantial investment to assist project progress at the Port of Albany while we all seek to solve the overall funding need.

It is important to emphasize that Equinor-bp's commitment to environmental stewardship and community engagement aligns perfectly with New York's values and goals. By supporting Equinor-bp's petition, the PSC will not only demonstrate its dedication to clean energy but also encourage the growth of the renewable energy industry, driving innovation and economic prosperity for the state.

The Port of Albany and Marmen Welcon strongly urge the PSC to carefully consider the immense benefits that Equinor-bp's projects bring to New York and consider the overall benefit to consumers everyday lives with the local investments, jobs and future benefits of contributing to prevention rolling black outs. Also, a tower manufacturing facility in New York could reduce the price of electricity for New York consumers. According to the proposed IRA guidance, the towers made in the U.S. with U.S. steel are a necessary (but not sufficient) condition for the developers to receive an extra 10% tax credit. With the uncertainty surrounding the construction of such a facility, developers do not consider the 10% in their project analysis. But assuming that such a condition is fulfilled, rate payers could benefit from reduced OREC prices and it would help mitigate the rate increases requested by the petitioners. By approving Equinor-bp's petition with associated requirements as mentioned above, we can accelerate the transition to clean, renewable energy, foster economic growth, and secure a sustainable future for our state and its communities.

Thank you for your consideration.

Sincerely,

Richard Hendrick, CEO
Port of Albany

Patrick Pellerin, President
Marmen Welcon