March 25, 2013

The Honorable Mark Warner  
The Honorable Timothy Kaine
United States Senate  
United States Senate
475 Russell Senate Office Building  
B40C Dirksen Senate Office Building
Washington, DC 20510  
Washington, DC 20510

Dear Senators Warner and Kaine:

Members of the Virginia Offshore Wind Development Authority (VOWDA) respectfully request your support for the Incentivizing Offshore Wind Power Act, recently introduced by Senator Tom Carper (D-DE) and Senator Susan Collins (R-ME). This proposed bill has bipartisan co-sponsorship support, and aims to provide to the offshore wind industry a stable financial incentive by amending Section 48 of the tax code to extend the 30% investment tax credit (ITC) for the first three (3) GW of offshore wind facilities placed in service.

In 2010, VOWDA was created by the Virginia General Assembly for the purposes of facilitating, coordinating, and supporting the development of the offshore wind energy industry, offshore wind energy projects, and associated supply chain vendors in the Commonwealth.

We believe that the limited, focused and reasonable incentives in the Incentivizing Offshore Wind Power Act should be supported for several reasons:

- Offshore wind is uniquely appropriate for limited, fiscally sensible subsidy, and this legislation is fiscally conservative and well targeted. Land wind development has come down in cost to a point where it is more competitive with conventional power generation methodologies, but offshore wind developers need incentives to help offset the higher costs of investing long-term in these projects.

- Offshore wind faces higher technological hurdles because of the hostile ocean environment. There is no experience with offshore wind turbines in the Atlantic and the experiences in Europe do not translate well. The Atlantic is prone to hurricanes, for example.
This is historically the type of technology deployment and demonstration that is appropriate for limited federal government financial support, to give a new industry a chance to establish footing and move on without continued subsidy.

VOWDA members believe that offshore wind development has the potential to provide a substantial amount of clean power generation that diversifies the national portfolio of power generation fuels.

The proposed legislation could provide the additional incentives needed to attract significant commercial investment in Virginia’s offshore wind industry. This year, the Commonwealth is on track to have one of the first commercial offshore wind lease sales on the east coast. Virginia has distinguishing offshore wind resources — a gradually sloped, shallow Outer Continental Shelf, strong wind resources, and close-by port facilities. There are significant potential jobs benefits to the Commonwealth as it is well positioned along the mid-Atlantic, has deep water ports with unlimited air clearance (no bridges to sail under) and a well-developed and diverse maritime industry. The shipyards and other businesses in the port supply chain that support Virginia’s vast federal military operations are readily adaptable to play a role and reap economic benefits from supporting construction, operations and maintenance for an offshore wind industry. In addition, Virginia’s Defense facilities have a mandate to increase the percentage of their energy needs from renewable sources, to improve energy security. Offshore wind development can help to meet that goal.

VOWDA recognizes that there will continue to be extensive debate and deliberation this summer on the subject of comprehensive tax and spending reform. However, VOWDA believes it would be prudent to act now using this legislative vehicle to accomplish the goal of limited, fiscally sensible support with a cap.

Thank you for your attention to this matter. Please contact Cathie France at the Department of Mines, Minerals and Energy (Cathie.France@dmme.virginia.gov or 804-692-3211) with any questions you may have.

Sincerely,

Robert Matthias
Chairman

c:  Cathie J. France, Deputy Director for Energy Policy
    Department of Mines, Minerals and Energy