



Illinois Power Agency
105 West Madison Street
Chicago, IL 60602

Re: Public Comment on the Illinois Power Agency's 2024 Policy Study Draft

February 12, 2024

To Whom It May Concern:

We write to you on behalf of the 550+ members of the Oceantic Network. The initiative by the Illinois General Assembly to request the Illinois Power Authority's (IPA) examination into the proposals concerning utility-scale offshore wind projects, energy storage procurements and programs, and the development of a high-voltage direct current transmission line is commendable. Understanding the U.S. offshore wind market is crucial, particularly in the context of Illinois' ambitious renewable energy goals. The IPA's comprehensive approach in analyzing these proposals, incorporating technical modeling and in-depth research, is vital for shaping future legislation. As the IPA considers stakeholder feedback and refines its recommendations, we recognize the importance of this draft Policy Study as a preliminary yet foundational step towards advancing Illinois' renewable energy landscape. However, we believe the study does not completely reflect the transformation period the U.S. offshore wind industry is experiencing. While the study discusses the difficulties faced by offshore wind projects along the East Coast, highlighting commercial pressures, project cancellations, and developers' demands for higher prices, it doesn't complete the narrative – demand for offshore wind is only growing, state efforts to support a market reorganization are succeeding, and billions of dollars in new investments are already hitting U.S. shores in just the past four months. By submitting these comments, our aim is to deliver up-to-the-minute information that paints a more complete and precise view of the U.S. market, thus providing a comprehensive perspective .

Oceantic Network

Oceantic Network (Network) is the largest membership based nonprofit organization solely focused on the development of the offshore wind industry and its supply chain. Since 2013, the Network has brought together business and government, both domestically and internationally, to educate and to prepare companies and small businesses to enter the offshore wind market. The Network uses the voice of its members to educate and support federal, state, and local policies to advance the development of the U.S. offshore wind industry. The Network empowers its members with the education, tools, and connections necessary to participate in this booming industry.

The Network continuously tracks the offshore wind market – supply chain contracts, investments, and contract developments - for both its members and offshore wind



stakeholders and developed the Offshore Wind Market Dashboard as a pivotal tool that underscores our capacity to offer insightful input into the U.S. offshore wind (OSW) market conditions. It aggregates essential information on all active and forthcoming U.S. offshore wind energy projects, including articles, contracts, legislative updates, and detailed project specifications. This platform not only facilitates access to contractor details, OSW training opportunities, and ports and vessels data but also stands as a testament to our commitment to providing a one-stop information hub. With daily updates sourced directly from our industry engagements and dedicated staff members responsible for its curation, the reliability and timeliness of the data are paramount. We ensure data integrity through a rigorous validation process, including a biannual internal audit and direct sourcing from public domains or with explicit permissions. Our dashboard's credibility is further evidenced by its use in high-level briefings, including to President Biden and cabinet officials, and its frequent citation in media and White House industry fact sheets. This valuable tool forms the foundation of our comments and analyses, reflecting the burgeoning state of the offshore wind sector both in the U.S. and globally.

Our comments will focus on the issues outlined under "Successes and Challenges, Recent Contract Default Issues" starting on page 120 of the IPA study. This section discusses the difficulties faced by offshore wind projects, but perhaps due to the time of its writing, it does not reflect the market reorganization and advancement we are witnessing both domestically and globally.

U.S. States Are Advancing, Not Retreating From, Offshore Wind

The IPA report highlights the *recent contract default issues*, but does not mention how the States have shown flexibility in their actions to help maintain the market. Developers terminated a total of 8.9 GW of power offtake contracts into East Coast states while paying fines worth hundreds of millions. While these terminations were the result of financial challenges making individual projects unviable, they also reflect the pathways forward states have developed to support the industry at large. New England states are allowing terminated projects to bid into new solicitation rounds with minimal penalties. After New York's public utility board rejected proposals from nearly every renewable energy sector to renegotiate contracts, the state set in motion an expedited procurement round. This expedited procurement round, unprecedented in nature and executed in a swift and decisive manner, will likely allow at least two projects to rebid and secure a more competitive power price, generally keeping projects on their pre-existing timelines. New Jersey hastened its procurement schedule to recoup any lost generation capacity as quickly as possible.

By this time next year, the Network expects up to 24 GW of offshore wind power generation will be under contract, an increase from 17.5 GW at the beginning of 2023 despite the significant financial challenges leading to project terminations.



In 2023, the industry marked a substantial milestone quietly. For states with jurisdiction over their coastal lines and inland waters, such as the Great Lakes, this represents a notable advancement. Louisiana, which has been permitting carbon projects within its state waters for decades, approved operating agreements with the 60,000-acre Cajun Wind and 6,000-acre Diamond Offshore Wind projects. The operating agreements include up-front payment costs between \$300,000 and \$400,000 and royalty fees between 1.5% and 2.2%. The projects must work through an untested environmental review process but nevertheless showed a state adopting existing regulatory frameworks to advance offshore wind. State water projects have potential benefits, including lower transmission costs, potentially faster environmental review, and auction fee avoidance. With the federal market maturing and becoming more expensive, state water projects represent a new frontier for the industry. However, states must still set up regulatory frameworks to support industry growth.

Project Cancellations

Ørsted/Eversource each booked significant impairments while advancing the projects forward. In October, Orsted cancelled New Jersey's Ocean 1 and 2 projects citing rising costs and lack of a vessel.

New Jersey rebounded quickly by awarding new projects to fill in the gaps. The New Jersey Board of Public Utilities (NJBP) recently selected two projects to deliver 3.7 GW of offshore wind generation in its fourth offshore wind solicitation round. EnergyRE and Invenergy's 2.4 GW Leading Light project and Corio Generation, TotalEnergies' 1.342 GW Attentive Energy 2 project were awarded contracts. New Jersey now has more than 5.2 GW contracted, marking substantial progress toward its 11 GW by 2040 goal.

Along with these projects and Atlantic Shores Offshore Wind, which is currently under development, New Jersey has already made huge strides in developing its offshore wind supply chain. The winning projects committed to use of the New Jersey Wind Port for marshalling activities, supporting the expansion of EEW's monopile facility in Paulsboro and procuring foundations from it, purchase of towers from an undetermined New Jersey-based tower manufacturer, and location of secondary tower and transition piece manufacturing at the Wind Port. Both projects also committed to funding local supply chain outreach programs and developing a new operations and maintenance port in northern Jersey.

The industry's resilience is further demonstrated through strategic adjustments to navigate financial pressures. States and developers are collaborating to reconfigure off-take agreements, ensuring they align with the current economic landscape. This adaptive approach is essential for sustaining the market's growth and stability. Moreover, the advancements in supply chain development, despite setbacks, reflect a commitment to building a robust domestic infrastructure for offshore wind. Significant investments in manufacturing, ports, and vessels, coupled with the operationalization of facilities like Nexans' South Carolina facility and EEW's



New Jersey foundation facility, exemplify the progress being made. These achievements highlight the industry's capacity to create a sustainable, interconnected energy landscape.

Market Stabilization Is Generating New \$1 Billion Investments

While acknowledging the recent contract default issues and the broader challenges facing offshore wind development due to difficulties of rising project costs, supply chain constraints, and financial market volatility, it's essential to highlight the resilient and forward-looking trajectory of the offshore wind industry, particularly as it pertains to the potential development in Illinois and the broader U.S. market.

The Network closely tracks the market and found that public and private investors committed \$22.7 billion (as of this comment submission) in new funding for ports, supply chain facilities, shipbuilding, and transmission developments despite having only a few projects actively under installation or operation. As this response will iterate, the U.S. is seeing significant new investments in just the past few months as the market completes its reorganization and advanced forward on stronger financial footing. In October, GE announced a \$1 billion offshore wind blade and nacelle manufacturing facility to be located near Albany, New York, based on the strength of future orders in the U.S. market. Earlier this month, a new \$700 million tower and forge facility was announced by U.S. Forged Rings for an undisclosed location on the East Coast; the investment was notable as it will be privately financed and untethered to any one offshore wind project making it an investment based solely on the future potential of the U.S. market. Each of these facilities will create hundreds of jobs at the location and foster development of robust local supply chains to feed the facility. The federal government announced a \$400 million investment into a new port terminal in northern California that will become a major manufacturing and deployment hub. The private financial markets are responding positively to recent events in the U.S. market – global investment firm Corio invested hundreds of millions into an East Coast project last fall.

Despite the market challenges, 2023 concluded on a notably positive note, with the U.S. offshore wind industry achieving significant milestones. The energization of the nation's first two commercial-scale projects not only marks a historic achievement but also signals the industry's transition from conceptual designs to large-scale deployment. This development underscores the robust fundamentals of the U.S. offshore wind market and its capacity to overcome hurdles.

United Kingdom (UK) Round 5 and 6 Offshore Wind Auctions

Although the Network's primary focus is on the U.S. market, we maintain close relations with our international counterparts. Recognizing that the U.S. is an integral component of the global offshore wind industry, it would be unwise to consider international markets in isolation as we share many of the same global developers and Tier 1 Suppliers.



While the study highlights the highs and lows of the United Kingdom (UK) Round 4 and 5 auctions respectively, it fails to mention the change in U.K. policy to reset their market in Round 6. For Round 6, the U.K. government decided to increase the maximum price for offshore wind projects in the upcoming Contracts for Difference (CfD) auction by 66%, setting it at £73/MWh for fixed offshore and £176/MWh for floating offshore wind projects. This adjustment, informed by a thorough review of global supply chain impacts and other factors, aims to ensure economic viability and attract sustained investment, reinforcing the UK's status as a leading nation in clean energy. The CfD scheme guarantees a set price for electricity produced by renewable projects, a policy that has seen the UK's renewable electricity generation soar from 6% in 2010 to 48% in recent years. The forthcoming CfD auction (AR6) will feature a dedicated funding pot for offshore wind to foster competition among the numerous projects ready to bid. This strategy aligns with the UK's goal to achieve up to 50GW of offshore wind capacity by 2030, including a potential 5GW from floating wind technologies. The CfD initiative, in place for nearly a decade, has contributed to reducing the cost of renewable energy, promoting economic growth, and is expected to generate tens of thousands of jobs by 2030. (Source: <https://www.gov.uk/government/news/boost-for-offshore-wind-as-government-raises-maximum-prices-in-renewable-energy-auction>)

US Market Outlook - 2024 and Beyond

Despite the financial and operational challenges that have surfaced, including contract terminations and supply chain disruptions, the offshore wind sector is witnessing a pivotal transformation. The federal government's streamlined permitting processes and the proactive stance of states in soliciting new projects are setting the stage for a "Sea Change." This transformation is characterized by a significant increase in state procurement, with projections indicating that up to 15.5 GW of new power off-take agreements could be awarded by the end of 2024. This not only aims to replenish lost contracts but also potentially elevates the total contracted capacity to around 25 GW, affirming the strong and growing demand for offshore wind energy.

Overall, offshore wind's financial outlook remains positive. Major cost drivers are likely to dissipate over 2024, however long-term supply chain pressures are unlikely to be relieved any time soon as global demand continues soaring, offering future challenges to the industry but opportunities for new manufacturers. As indicated, a majority of cost pressures came from rising interest rates, and the U.S. Fed recently signaled an openness to lowering interest rates over the course of 2024 as inflation continues to cool.⁴ Steel prices remain elevated from pre-pandemic levels but have fallen significantly from peak COVID prices.⁵ While offshore wind demand continues to greatly exceed supply chain capacity, advisory firm Green Giraffe offered "glimmers of hope" and noted that supply chain companies like turbine, monopile, and cable manufacturers have begun returning to profitability as commodity prices moderated and countries allowed higher offtake rates. BloombergNEF projects that LCOEs will fall by more than 10% for projects financed in 2025.⁶ Despite the good news, the firm notes that manufacturing expansion was still extremely expensive when compared to final product profit margins.⁷



Conclusion

In conclusion, while acknowledging the challenges, the Oceantic Network remains optimistic about the future of offshore wind development. The offshore wind industry is building momentum in the United States and is, in turn creating jobs. Clean power is flowing to Massachusetts, Long Island and New York City communities on projects already putting residents in Connecticut, Massachusetts, New York, and Rhode Island to work. The supporting supply chain is building significant capacity away from project sites in places like the Gulf of Mexico and the industrial Midwest. New projects will likely break ground in Virginia and New England, while places like Louisiana experiment with state water projects. Investments are flowing to all four U.S. coasts. This momentum is the direct result of the potential of the U.S. offshore wind industry which has been fostered by unrelenting state demand for the renewable energy and supportive government actions to bring certainty and longevity to the industry.

Looking ahead, the offshore wind industry is poised for accelerated growth and stability, driven by increased state demand, federal support, and strategic investments in supply chain infrastructure. Illinois, with its consideration of a pilot project in the Great Lakes, stands to contribute to and benefit from this burgeoning sector. The potential for offshore wind in the Great Lakes and across the U.S. is immense, offering a pathway to achieve renewable energy targets, stimulate economic development, and enhance energy security.

The industry's capacity to adapt, combined with supportive policies and strategic investments, will ensure its long-term success. We are committed to working with all stakeholders to advance the deployment of offshore wind energy, recognizing its pivotal role in transitioning to a sustainable and resilient energy future.

Thank you in advance for your attention to this matter,

A handwritten signature in blue ink, appearing to read "S. Salustro", is positioned above the typed name.

Sam Salustro
VP, Strategic Communications
Oceantic Network