



Lake Erie Energy Development Corporation
Statement for the Record

House Committee on Energy and Commerce
Subcommittee on Energy

Hearing on
“Federal Energy Related Tax Policy and Its Effects on Markets, Prices, and Consumers”

March 29, 2017

Chairman Upton, Ranking Member Rush and members of the Subcommittee, thank you for the opportunity to provide our view on how federal tax policy plays an important role for energy development in the U.S. The Lake Erie Energy Development Corporation (LEEDCo) and Icebreaker Windpower Inc., a subsidiary of Fred. Olsen Renewables USA (FORUSA), are pleased to present this written testimony.

Offshore wind on the East and West Coasts and in the Great Lakes holds tremendous technical potential to power our electric grid in a manner that advances many national energy and environmental goals: fuel diversity, energy independence, economic stimulus, job creation, and improved air and water quality. The nation’s first offshore wind project, the Block Island Wind Farm in Rhode Island, is a harbinger of a huge U.S. clean energy industry that will harness an abundant and infinite energy resource in areas where: the winds blow stronger, more consistently, and better timed to match peak electric loads; that are closer to high load regions; and, that are often out of sight.

LEEDCo and FORUSA are developing Icebreaker Wind, a six turbine 20.7 megawatt offshore wind demonstration project in Lake Erie, eight to ten miles off of the shores of Cleveland, Ohio. The mid-west faces rapidly growing energy needs, and many large existing generation resources face retirement or shut-downs. The Great Lakes contain 700 nuclear power plants worth of technical wind potential. Icebreaker will be the first *freshwater* offshore wind project in North America. Our demonstration project will show that we can tap into our nation’s abundant wind energy resource in a manner that is environmentally responsible and boosts local economies.

Just as hydraulic fracturing revolutionized the natural gas industry, our Mono Bucket foundation technology can have a similar impact for the U.S. offshore wind industry. We are currently in the permitting process and working to secure power purchase agreements for the remaining one-third of our output.

The U.S. offshore wind industry is in its infancy, and as a result the power output from offshore wind projects are currently above market prices. Support from private industry and sound government tax policies are needed to allow this promising clean energy industry to develop and grow, to achieve economies of scale, and to realize price reductions. Given the cost structure of the *offshore* wind industry, a federal Investment Tax Credit (ITC) makes the most sense for the offshore wind industry.

Federal tax policies have historically been instrumental in advancing other energy industries that were at the same stage of development the offshore wind industry is today. This would include nuclear power, shale gas, oil, as well as other renewable energy sources. This support has allowed these industries to advance to the point where their costs have declined and government support is no longer necessary. The Section 29 production tax credit for unconventional gas that was in effect from 1980 to 2002, in conjunction with R&D and other forms of government support, were critical factors leading to the shale gas revolution and the dramatic cost declines and shift from oil and coal to gas in the energy industry. Onshore wind is now competitive in the market because of past public policy support (i.e., the federal production tax credit and R&D investment). The same experience will hold true for offshore wind in the near future. In Europe -- where the offshore wind industry has grown to 11,000 megawatts and supports over 75,000 jobs -- the price has plummeted as the industry has grown to scale and been able to establish a competitive market. Current offshore wind projects in Europe are less expensive than coal and nuclear in Europe now.

For all of these reasons, LEEDCo and FORUSA urge your continued support of the long-standing practice of utilizing the federal tax code to invest in nascent energy industries, like the very promising American offshore wind industry. We thank you for your interest and look forward to working with the Committee on this important issue.

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