



October 20, 2021

The Honorable Bobby Rush
Subcommittee Chairman, Energy & Commerce
United States House of Representatives
2188 Rayburn House Office Building
Washington, DC 20515

The Honorable Fred Upton
Subcommittee Ranking Member, Energy & Commerce
United States House of Representatives
2183 Rayburn House Office Building
Washington, DC 20515

Dear Subcommittee Chairman Rush and Ranking Member Upton,

Thank you for the opportunity to submit this testimony to the Committee. This is a time of both appealing changes and difficult challenges. Affordable Energy for New Jersey (AENJ) is a broad coalition a business, labor, community, and civic associations that speaks on behalf for millions of New Jersey residents and thousands of NJ based businesses.

We believe that climate change is real and must be addressed. We also believe that our energy needs are growing and must be met with the affordable, reliable, and abundant resources we have available to us. These are not competing ideas, but are ones that exist simultaneously – in short, we do not believe in choosing winners and losers when it comes to energy policy. Like a healthy financial portfolio, our state and national energy portfolio must be diverse.

The prospect of expanding our offshore wind generation in NJ and nationally is exciting. However, there are a few key questions the committee will need to explore before investing hundreds of billions in taxpayer dollars toward this effort:

- 1. Will the work be done by an American workforce?**
- 2. Will offshore wind energy be affordable?**



With many projects proposed and awarded to a host of different developers and joint ventures, we can look at Rhode Island's 30-megawatt, six-turbine offshore wind project off Block Island as a benchmark. While underwater transmission lines and local on-shore prep was performed by members of the Rhode Island building and construction trades, the majority of the work performed on the specialty Wind Turbine Installation Vessel (WTIV) was completed by foreign nationals of that developer's country of origin – something that could be considered a violation of the Jones Act.

The limited supply of installation vessels also provides a challenge in this area. Currently, there are zero Jones Act-qualified offshore wind turbine installation vessels in the US. The first is under construction and not expected to set sail until 2023. This is important as New Jersey and New York have already approved construction of thousands of megawatts of wind power that will begin construction before any US ships are available. This sets up a nightmare scenario of billions of tax dollars subsidizing foreign corporations to bring a non-American workforce to complete the construction – offshoring both the profits and wages. Earlier this year, offshore wind projects became eligible for the investment tax credit. That tax credit will transfer billions of US taxpayer dollars to the foreign companies who are slated to construct offshore wind projects.

To assist in the analysis of cost for offshore wind generation, AENJ hired renowned energy economist Dr. Jonathan Lesser of Continental Economics. His analysis shows that when Block Island's six-turbines came online in 2016, the local utility paid \$245 per megawatt-hour for the project's electricity, with a guaranteed increase of 3.5 percent each year. In 2035, the last year of the contract, the price will be \$470 per MWh. By contrast, the average price of wholesale electricity in New England last year was about \$31/MWh.

In New York, average prices range between \$22 per MWh upstate to \$51 per MWh in Gotham. Elsewhere, the dozen offshore projects now under development have lower-priced contracts but they are still far higher than market prices. In New York, the first-year prices for the 816 MW Empire Wind and 880 MW Sunrise Wind projects will be \$99/MWh and \$110/MWh, respectively. That's cheap compared to electricity from some other wind projects in the Atlantic, which range from \$77.76/MWh to \$202/MWh.



In New Jersey, the already awarded 1,100 MW Ocean Wind project, which is scheduled to begin generating electricity in 2024, has a 20-year power purchase contract approved by the New Jersey Board of Public Utilities, of which the initial price of the power generated will be \$98.10 per megawatt-hour (MWh). The price will increase by 2% per year, so that in the last year of the contract, the price will be over \$145/MWh. By comparison, the average wholesale price of electricity in PJM – the regional electric organization that oversees the wholesale electricity market and operation of the regional power system – was \$27.32/MWh. For the first half of 2020, the average price was even lower, \$19.40/MWh. New Jersey residents and businesses will be forced to pay these higher costs, which will raise their electric bills and stifle economic growth. Furthermore, all of these contractual rates do not include the additional cost of ensuring there is sufficient electricity when the wind doesn't blow, something Europe has been dealing with recently.

Detailed statistical analysis of the performance of offshore wind farms in Europe over the last decade also shows that the units are plagued with operational problems and extended outages, leading to an average decrease in output of about 4% each year – almost half after 10 years, and higher than expected operating costs. And because of the way that most of the signed power contracts are structured, the project owners will be able to walk away from the project once it becomes uneconomic to operate, leaving ratepayers and taxpayers to pay the decommissioning bills, which are likely to run into billions of dollars.

We urge the committee to study and plan for this clean-energy transition thoroughly. Rushing to the wholesale embrace of offshore wind is likely to result in huge cost increases and less reliable energy supplies for the United States. Thankfully for the committee there have been several major allies in Europe that have rushed this transition and now find their official energy policy to be “hoping the winter is mild” while negotiating Russia to expand a pipeline. Please do not let that be our American future!

In this testimony we have included full copies of the reports, studies and analysis completed by Affordable Energy for New Jersey with Dr. Jonathan Lesser.

Thank you again for the opportunity.