September 28, 2021

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Charles Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi and Leader Schumer,

President Biden spoke recently on the importance of the ongoing infrastructure negotiations and their role in addressing climate change, making the key point that climate change is "something that . . . can be solved by humans."[1] In the offshore wind industry, we stand ready to be a vital part of that buildout. In the next few years, we can deploy billions of dollars to build multiple gigawatts of renewable energy along America's coasts and close to our major cities. The work is already beginning, and we are proud not only of the environmental benefits but also the increasingly positive outlook for domestic jobs and a revival of American manufacturing and increased shipbuilding associated with offshore wind. We have seen hundreds of union jobs announced and significant new supply chain facilities underway just with the first-mover project as part of a sweeping project labor agreement.[2] However, we do have some concerns with the design—not the existence—of labor and domestic content provisions included in the House Ways and Means Committee's Subtitle G on renewable energy budget reconciliation text.

We applaud Chairman Richard Neal and the Committee members' work to incentivize renewable energy. Subtitle G's Section 136101 includes extensions of investment and production tax credits which will help foster the generational opportunity provided by offshore wind. The extension of these credits, particularly at the included "bonus rate", into the next decade is critically important. That "bonus rate" is key for meeting the intended outcomes of Section 136101, especially in light of the fact that the "base rate" falls precipitously lower by some 80%, a punitive difference. This makes the qualifiers included in Subtitle G more important as they determine eligibility for the full credit.

However, the design of the labor requirements—prevailing wage rules and mandates around apprenticeships—to qualify for the full credit are problematic in their current form. Prevailing wage requirements *may* prove surmountable, though we caution that the industry is founded upon a national supply-chain with widely varying wages, labor laws, and costs of living. Further, there is no established prevailing wage for this type of work being performed in federal waters.

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[1] https://apnews.com/article/joe-biden-california-colorado-climate-fires-380ae214852657659de21cbcf198bd95
[2] https://www.markey.senate.gov/news/press-releases/building-trades-unions-and-vineyard-wind-sign-historic-project-labor-agreement

The uncertainty and delay incurred while we wait for these regulations to be established could create an unnecessary hurdle for first-mover projects.

For the apprenticeship requirements, we see even more difficulty. Marine construction, operations, and maintenance is a specialized area with already steep licensing requirements. It is unclear if the industry would be able to secure apprentices with the right qualifications and safety training to join in this work at the outset. For projects being conducted in the marine environment, safety must always be paramount, and we have heard significant doubts about the ability to rapidly deploy trained apprentices. At the same time, for both qualifications the "cure" penalty—some $5,000 per employee and $500 per labor hour respectively—are remarkably steep for an industry in its infancy.

At the same time, we have advocated for a full "direct pay" provision in the tax code for renewable energy, given the difficulties of navigating the tax equity market as the renewable sector is built out across the country. We applaud the inclusion of direct pay in Subtitle G's Section 136104, but caution that a 55% domestic content requirement—with an even steeper 100% for steel and iron—may prove unworkable for offshore wind projects for years to come. Our industry is working hard to "onshore" its supply chain, and we are seeing significant and impactful announcements on that front. However, we cannot expect a mature offshore wind supply chain to develop overnight, and a threshold such as this will *not* be helpful or feasible in the short term.

We understand that discussions between the House and Senate on the design of renewable energy credits will continue to evolve in the weeks ahead. To aid in those negotiations, and to ensure a rapid transition to renewable energy in the face of climate change, we recommend revisions to:

1. Lower the "cure" costs for the prevailing wage and apprenticeship thresholds tied to the full ITC and PTC;
2. Lower the 55% and 100% domestic content thresholds to level more attainable in the medium-term;
3. Create a straight-forward apprenticeship exemption in segments of the industry where licensing or safety certification requirements make them unworkable; and
4. Consider additional qualifiers to domestic content requirements—such as phase-in periods and triggers tied a larger number of gigawatts installed for offshore wind in particular—to give the industry more time to establish itself in the United States.

Again, our industry has already taken tangible steps to work with and employ skilled labor to provide good, high-paying jobs across the country, and we *want* this to continue. As Secretary of the Interior Deb Haaland has stated "The demand for offshore wind energy has never been greater. Recent technological advances, falling costs, and tremendous economic potential make offshore wind a promising avenue for diversifying our national energy portfolio, creating good-paying union jobs, and tackling climate change..."[3] We *want* to rapidly buildout renewable energy capable of reducing this nation's carbon footprint and reducing traditional pollutants.

[3] https://www.doi.gov/pressreleases/secretary-haaland-highlights-tremendous-offshore-wind-opportunities-virginia-governor

However, dampening access to incentives with potential infeasible labor and supply chain requirements from the outset runs counter to those objectives.

Very respectfully,

Erik Milito
President
National Ocean Industries Association

Cc:
The Honorable Richard Neal, Chairman of the House Ways and Means Committee
The Honorable Ron Wyden, Chairman of the Senate Finance Committee
The Honorable Elaine Luria, Chairman of the House Offshore Wind Caucus