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Comments on AB 525 Strategic Plan Following Oct 6 Workshop

Additional submitted attachment is included below.



California Wind Energy Association

October 20, 2022

California Energy Commission
Docket No. 17-MISC-01
Docket Office
1516 Ninth Street
Sacramento CA 95814

Submitted Electronically via CEC website to Docket 17-MISC-01

**Re: Comments Following October 6, 2022, Workshop on Assembly Bill 525:
Preparing a Strategic Plan for Offshore Wind Development**

I. INTRODUCTION AND SUMMARY

The California Wind Energy Association (“CalWEA”) appreciates this opportunity to comment on the Commission’s efforts to prepare a strategic plan for offshore wind development pursuant to the requirements of AB 525. The scope of work discussed at the October 6, 2022, workshop was comprehensive; CalWEA appreciates the dedicated efforts of the agencies involved to complete that work.

Many of the comments we made in our July 7, 2022, supplemental comments in this docket are relevant to the Commission’s (and other agencies’) current focus on economic and workforce development benefits and a permitting roadmap. We understand that these topics will be addressed in the report scheduled for completion in December 2022. These comments reference and expand upon our earlier comments on these topics.

In summary, CalWEA believes that the following elements must be included in the December 2022 portion of the strategic plan, both to enable the state to meet its early-2030 offshore wind development goals and to capture a significant portion of the related economic and workforce development benefits:

- A strategy for capturing a significant portion of the market for fabricating floating platforms at coastal California sites and other smaller investment opportunities that will promote related supply chain and workforce development in California. This strategy should include a procurement requirement and local content incentives or requirements and should focus on supporting the development of existing ports that can be timely upgraded.
- A plan for ways in which pilot projects in state waters could accelerate the permitting of the initial projects in federal waters and support a carefully planned scale-up of local infrastructure necessary to support the large-scale build-out of offshore wind; and
- A roadmap to coordinate *and accelerate* state permitting processes.

Failure to include such recommendations in the AB 525 report to the Legislature would doom California's ability to capture significant economic and workforce benefits related to achieving its own offshore wind planning targets. Conversely, if the December AB 525 planning document provides a visionary plan for California to immediately act upon, the state could position itself to capture a significant portion of the fast-growing, long-term Pacific market for offshore wind floating platforms and other components for decades to come.

II. MAXIMIZING ECONOMIC AND WORKFORCE DEVELOPMENT BENEFITS TO THE STATE

For California to capture significant economic activity associated with offshore wind projects, one or more of the developers that win BOEM leases will need to be committed to fabricating and assembling their floating platforms in the state. Floating platforms (and related components) are a key aspect of the supply chain that California can, with the right incentives and infrastructure in place, reasonably expect to capture, given a highly competitive global market for turbines, blades and other components.

We are pleased that BOEM's final auction structure will provide a 20 percent bidding credit for bidders that commit to workforce training programs or domestic production of floating offshore wind, which will help to promote the fabrication of floating foundations and their final integration with turbines in California. In addition, the federal Inflation Reduction Act, which provides for production and investment tax credits for offshore wind projects, created an additional 10 percent increase in the credits for projects that, among other things, use steel, iron or manufactured product that is produced in the United States. These credits will go a long ways towards supporting California content – but still are likely to be insufficient to overcome the cost advantage of imported prefabricated foundations from Asia, and therefore may not foster development activity in California.

Consider the BOEM 20 percent credit, which could support domestic fabrication of floating platforms. This credit will likely be insufficient to overcome the cost advantage of East Asian imports, which stems from the region's large steel and concrete industries that exist in multiple areas. These facilities benefit from substantially lower-cost labor and low-cost steel and raw materials as well as government export credit guarantees. CalWEA members estimate that, for just one, 1.5-GW project at Morro Bay, the cost advantage for imported foundations could be on the order of \$200 million or more. The BOEM bidding credit and federal tax credits for domestic content are unlikely to fill such a gap. If the gap is not addressed with additional California incentives and port facilities, California will lose out on the primary source of potential jobs and other economic benefits from offshore wind. These benefits are associated with platform fabrication and assembly.

If California is to establish a toehold in a growing global industry for floating platforms, it is imperative that it be established at the outset of California's development of offshore wind projects, and that California begin planning for this immediately and in earnest. Otherwise, there will be little hope of capturing any significant workforce and economic benefits related to California's procurement of offshore wind, given the already strong competitive position of Asian suppliers.

Therefore, the December AB 525 report should include recommendations for what actions California can take to capture the market for the fabrication of floating platforms at coastal California sites, and other smaller investment opportunities, which will, in turn, promote related

supply chain, maintenance and repair, and workforce development in California and regionally. The following are four complementary ways in which this could be done:

1. Require or incentivize local content in the procurement process for offtake.

- a. Procurement requirement.** First, it is necessary for the state, or the CPUC, to require offshore wind procurement and identify one, or possibly two, central procurement entities (CPEs) to conduct the procurement. The reason for this requirement is that the projects will be too large for any one load-serving entity (LSE) to procure, and individual LSEs will be unlikely to volunteer to shoulder the higher cost of the initial offshore wind projects. The strategic plan should recognize this reality for any promising pilot projects and the initial full-scale commercial projects, at a minimum.
- b. Local content requirement.** CalWEA has suggested in other filings that the limited number of leaseholders initially, and the nascent nature of floating offshore wind, may necessitate open book, rather than competitive, power procurement. In this context, it is not clear whether incentives supporting domestic/California content will be effective in promoting such content. Instead, the CPUC could require CPEs to require such content as a condition of obtaining a power purchase agreement.

For example, the New York State Energy Research and Development Authority (NYSERDA), which issues the contracts that support offshore wind development in that state, requires bidders to include Supply Chain Investment Plans (SCIPs) in one of two bid submissions. The SCIPs are aimed at developing a local supply chain “that will not only create jobs for New Yorkers but help bolster the State’s standing as a regional hub for offshore wind manufacturing.”¹

- c. Local content incentives.** If sufficient funds are available from the state to close the cost gap between foreign and California-sourced floating foundations and other investments, a local content requirement may not be necessary. Further, if the competition for the first power purchase agreement is structured to reward local content, supported by state funding, that may be sufficient to drive local production of floating platforms and other local investments.

For NYSERDA, the winning bidder’s SCIP is supported by funding provided by the state. The AB 525 report should identify potential sources of such funding, which might include the Governor’s Office of Business and Economic Development (GO-Biz), the \$1 billion identified in SB 846 (enacted into law in September) that is intended for the Energy Commission to develop a Clean Energy Reliability Investment Plan, or newly authorized funds.

2. Focus on supporting the development of existing ports.

As CalWEA and others have repeatedly noted, local economic benefits depend almost entirely on the availability of suitable port facilities. While the Energy Commission and others are advancing various ports studies, the only locations that could potentially provide facilities for platforms construction by 2030 are the ports of Humboldt Bay and

¹<https://www.nyserda.ny.gov/All-Programs/Offshore-Wind/Focus-Areas/Offshore-Wind-Solicitations/2022-Solicitation>. See, in particular, Information Webinar and Appendix J.

San Francisco. Other potential locations that have been discussed for large-scale, greenfield facilities, including Diablo Canyon and Long Beach Outer Harbor, are highly unlikely to be ready until 2035 or later. This is too late. The state needs to focus on ports that can be built and/or upgraded in time for the offshore wind projects that are being permitted or auctioned now. The state needs to move quickly to advance these port facilities, while considering longer-term greenfield plans for later phases.

3. Use pilot projects to support the scale-up of local infrastructure development.

As we explained in our July comments, pilot projects can promote economic and workforce development benefits by initiating the scale-up necessary to support California fabrication of the floating platforms and development of other domestic content for commercial-scale facilities. Pilots could help to secure and build port infrastructure, develop industrial and workforce experience with the assembly (and potentially manufacturing) of complex floating platforms, and secure vessels to deploy the turbines and foundations. The AB 525 report should consider the role pilot projects could play as part of a carefully planned scale-up of the local infrastructure that will be necessary to support the large-scale build out of offshore wind that captures economic benefits for California.

Importantly, the active pilot project now in the State Lands Commission's permitting process, CADEMO,^{2,3} has a much shorter permitting timeline than BOEM's process. CADEMO is planning to build full-scale turbines four or five years ahead of the BOEM projects. The project is engaged with the California Workforce Development Board in a High Road Training Partnership under a three-year grant to identify job opportunities and pathways, working together with supply chain industries, the Workforce Development Boards of Ventura, Santa Barbara, and San Luis Obispo, and California labor unions.

Given the tight timelines to achieve 2030 goals, this project could play a critical role in developing infrastructure and workforce capabilities. It could also provide evidence regarding environmental and fisheries impacts of the BOEM projects, and thus de-risk their permitting processes. Thus, this (and potentially other) pilot projects could provide a crucial initial step that will support the rapid scale-up that will be necessary for the first GW-scale projects, especially if they are to include local content.

² The California State Lands Commission is currently evaluating the CADEMO project. The project would demonstrate two different floating wind technologies by installing four 12-15 MW floating wind turbines in the area off Vandenberg Space Force Base. See <https://www.slc.ca.gov/renewable-energy/offshore-wind-applications/>.

³ The CADEMO project has entered into an agreement with the Department of Defense, has completed Phase 1 studies in PG&E's interconnection queue, and expects to enter into a Project Labor Agreement next month.

III. PERMITTING ROADMAP

A. The AB 525 Report Should be Proactive, and Recommend Legislative Streamlining Opportunities

First, CalWEA strongly endorses the September 29, 2022, joint recommendations of Offshore Wind California and American Clean Power - California, which urge the agencies to be proactive in establishing the AB 525 Permitting Roadmap by:

- 1) identifying a lead office or appointee and representative of the Governor who will be given responsibility for and authority to oversee the implementation of the Roadmap;
- 2) providing a framework for sequencing the permitting process with one or more mechanisms for interagency dispute resolution and real-time troubleshooting;
- 3) developing a schedule and timeframe to complete the permitting process consistent with the federal permitting timeline; and
- 4) establishing a deadline for participating agencies to enter into a memorandum of understanding (MOU) or coordinated permitting plan (CPP) to meet Roadmap objectives.

Second, we strongly urge the agencies to identify and recommend ways of accelerating state permitting processes, which may require legislation. Absent additional streamlining, duplicative and time-consuming environmental reviews threaten California's ability to realize any offshore wind development by 2030, or even by the early 2030s, as the state is now envisioning. As examples:

- AB 205, adopted this year to create an opt-in permitting process for onshore wind and solar projects at the Energy Commission, imposed time limits for certifying applications. The Energy Commission is required to review an application, and to determine whether to issue the certification, within 270 days after the application is deemed complete. This should be extended to offshore wind.
- Legislation could limit the number of times that the same offshore-wind-related facility is subjected to environmental review. Multiple reviews for the same offshore wind development are inefficient, costly and unnecessary. For example, regarding onshore or state waters infrastructure projects, such as ports and transmission facilities that are needed to facilitate offshore wind development, the legislature could provide that CEQA not be conducted on the impacts of related offshore wind facilities where those facilities have already been studied under NEPA or CEQA and the Coastal Zone Management Act (CZMA).
- Legislation could expand the environmental leadership development projects (ELDPs) under SB 7 to offshore wind-related facilities, such as ports, that are entitled to expedited judicial review under CEQA. CEQA streamlining for ELDPs was originally adopted in the 2011 (AB 900). In 2021, SB 7 expanded the types of projects that can be certified as ELDPs to include clean renewable energy projects and clean energy manufacturing projects.

B. The Agencies Should Consider How Pilot Projects Could Promote Timely Permitting

As CalWEA described in its July 7, 2022, supplemental comments in this docket, meeting a 3-GW offshore wind target even by the early 2030s (let alone a 5-GW target by 2030) will be very challenging and will require the kind of streamlining actions described above. In addition, project

permitting will need to occur at a steady pace to support the investments that are required to support production. The proposed pilot project in state waters that is currently undergoing environmental review by the State Lands Commission could, if approved and constructed, help to understand real-world impacts to the environment and fisheries, as well as mitigation techniques and technologies, that could accelerate the permitting of federal-waters projects.⁴

As noted above, the CADEMO project is on track to generate information on impacts four or five years ahead of the first deployments at BOEM's Morro Bay auction zone. Mitigation measures are planned to be developed, tested and validated in time to inform Morro Bay projects. All this information could facilitate the continuation of steady deployments, particularly if the pace of development of the Morro Bay projects is interrupted by potential lawsuits. The Commission and other agencies should therefore recognize, in its permitting roadmap, the important roles that could be played by pilot projects in supplying information that is necessary to support the permitting of the initial commercial developments as well as the achievement of the longer-term goals.

IV. CONCLUSION

California must act boldly, and soon, if it is to achieve its own offshore wind planning targets and capture a significant portion of the related economic and workforce benefits. If it does so, it will also position itself to participate in one of the fastest-growing global markets for clean energy, as countries around the world transition away from fossil fuels.

Sincerely,



Nancy Rader
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⁴ Although the state-waters project is located closer to shore off the coastline of Vandenberg Space Force Base, all relevant species identified at the Morro Bay call area are also present at the pilot project site, which will inform species interactions with the wind turbines and their floating foundations.
