Why We Need Public Wind Power

A Report by
The Public Power Observatory

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1. Introduction

The offshore wind industry - a linchpin of plans for energy transition in the U.S. and beyond - is in crisis. Over the last year, the wind industry has confronted a series of roadblocks, including soaring raw material prices, high borrowing costs, and supply chain problems, all of which tip existing offshore wind projects into the red.¹ New York’s climate goals seem to be in jeopardy as multiple large-scale renewable projects falter.²

The bad news for the industry includes project cancellations by Ørsted, one of the biggest offshore developers behind several US projects, which terminated Ocean Wind 1 and 2 in New Jersey; Equinor, which exited its Empire 2 contract;³ Siemens Energy, which recently decided against building a turbine blade manufacturing plant in Portsmouth, VA; and Shell and Avangrid which canceled their respective Southcoast Wind and Commonwealth Wind projects by paying the million-dollar penalties to break their contracts.

These offshore wind decisions reveal the broader tensions in attempting to transition to renewable energy under an economic regime that rewards monopolistic growth through economies of scale. The existing paradigm for offshore wind development in the US has been failing to deploy the level of renewable energy that the US needs in order to decarbonize.

This report focuses on the offshore wind decision-making regime in New York. The report explains the economic and political mechanisms that determine whether offshore wind will be built. The public needs to understand these often opaque decision-making processes. Who gets to decide whether offshore wind and other renewable projects will be built? And what guides their decisions? These are quite literally life and death decisions given the high stakes of the climate emergency.

At present, many of the necessary supply chain and transmission investments for offshore wind projects are bundled into the investment plans of privately owned developers. The vast majority of these developers are not based in the US and have emerged relatively recently from the fossil fuel sector. The public currently gives these private developers immense leverage over huge packages of economic activity - including substantial public funds - that are vital to transitioning off fossil fuels in a just or timely manner. Even if new contracts are inked to make up for the offshore wind projects canceled in the last year, the underlying contradictions in the sector will remain and undoubtedly reappear.

The report concludes that the faltering of large-scale for-profit Offshore Wind projects underlines the urgent need for coordinated public planning and construction of renewable infrastructure. What would this look like? Public authorities could potentially plan and invest in the supply chain and transmission buildout necessary for offshore wind projects to succeed, instead of the other way around. This would require current project solicitation procedures, which we explain in detail below, to be changed. Alternatively, we could use a public developer

¹ Rocha, “Europe’s Battered Wind Sector.”
² Storrow, "N.Y. Climate Goals in Jeopardy.”
³ DiGangi, "Equinor, BP Scrap Offshore Wind Contract.”
to ensure that the offshore wind projects critical for anchoring supply chain and transmission investments get built, instead of relying on private, for-profit developers that ditch projects or try to extract huge concessions from the public at the first sign of market turbulence. Private developers have moved into offshore wind because it could benefit their bottom line – but as the industry faces roadblocks taking off, we must reconsider if we should entrust the buildout of renewable energy infrastructure to these companies in the face of the climate crisis.

2. Context

In October 2023, New York’s Public Service Commission (PSC) rejected the developer’s requests to increase subsidies for their projects, Beacon Wind, and Empire Wind 1 and 2. The chairman of the PSC, Rory Christian, has said that such an exception would have set a precedent for future projects and set up ratepayers to absorb unjust costs. In response, the administration of Governor Kathy Hochul cited the need to maintain affordability and preserve the competitive process during the transition to renewables. The Hochul administration argued that the developer-requested subsidies would increase the cost of electricity for ratepayers by $12 billion.

Quickly following this decision, the Hochul Administration rolled out a 10-point action plan for offshore wind with plans to expedite the project procurement process. As part of this plan, the New York State Energy Research and Development Authority (NYSERDA) issued a new round of solicitations for offshore wind projects, with proposals due in January 2024.

It is unclear how many bids will be submitted in response to NYSERDA’s solicitation, given the PSC’s recent rejection of Equinor’s petition for increased subsidies, not to mention the shortage of installation vessels for the proposed projects. In addition, it is highly likely that multinational corporations like Equinor, Ørsted, and BP will submit inflated bids, reflective of precisely the ballooning costs and profit expectations that the PSC rejected.

The current system of building offshore wind in the U.S. is that the necessary supply chain and transmission investments are bundled into these private corporations' investment plans through the financial structures we will outline in the next section. While it may seem like Equinor, Ørsted, BP, and other developers are struggling to submit worthy project bids, they are actually vying for a controlling stake in enormous packages of economic activity that can include everything from the factories required to build turbines to the transmission power lines to strengthen the grid, all the way to educational training programs to train new workers. In this regime, private companies are in charge of bringing about a just energy transition. However, as we have seen recently, these private actors make decisions based on market volatility, higher interest rates, and supply chain shortages. They are not making decisions based on ensuring a

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4 French, “New York Rejects Offshore Wind.”
5 McGeehan, “Green Energy Builders Sought Billions.”
6 Ibid.
7 “Governor Hochul Announces New 10-Point Action Plan.”
just energy transition and on the public good, and their profit motive puts them in direct conflict with the goals of a just and equitable transition.

The recent troubles of the offshore wind industry can be complicated to grasp without examining the financial decision-making framework that governs offshore wind project procurement. In this report, we examine how offshore wind projects in New York have been negotiated (or not) by different groups, with attention to those historically left out of these conversations: ratepayers and the (historically disadvantaged) communities the proposed energy infrastructure may disrupt. The different decision-making organizations and their interdependencies are critical elements of the story we survey in this paper. By putting the different economic and technical elements of New York’s offshore wind industry in conversation with existing and imagined renewable energy systems, we map the current landscape of US offshore wind as a way to invite ratepayers, voters, and other concerned stakeholders to engage with these all-too-often inaccessible decisions.

In the following sections, we outline the financial decision-making structures of offshore wind projects and examine the different risk regimes that decision-makers employ. We are careful to outline the impacts of these large-scale project decisions on those left out of the conversation: people who live at the sites of the proposed infrastructure projects. Next, we examine the existing offshore wind economic governance against a backdrop of New York’s just energy transition goals, with an eye to assessing whether these economic structures will allow for a timely transition to 70% renewable energy by 2030. We end the report by focusing on alternative futures—what other justice-oriented systems are there for bringing about a timely renewable energy transition?

3. Financial decision-making structures for building clean energy

In the US, many states have set their own renewable portfolio standard (RPS), a policy mandate determining renewable energy targets for electricity suppliers. RPS are also referred to as renewable energy standards (RES). The effectiveness of these RPSs depends on whether renewable energy targets are monitored and penalized if left unmet. Each state’s RPS can set a clear goal that drives their renewable energy market’s growth and investment by incentivizing utilities to procure renewable energy.

To comply with these state targets, electricity suppliers can (1) own a renewable energy generation facility, (2) purchase renewable energy certificates, or (3) purchase electricity from a renewable energy facility and its renewable attributes (also called bundled renewable electricity). Policymakers have developed different financial tools to support RPS compliance.

Renewable Energy Certificates (RECs) are a market-based tool designed to value the environmental and social attributes of renewable energy beyond their electricity production. A REC represents the environmental and social benefits associated with one megawatt-hour

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8 Cox and Esterly, “Renewable Electricity Standards.”
(MWh) of electricity production. These environmental attributes can be traded, bought, and sold separately from the electricity generated. RECs are used by utilities in RPS compliance to claim a certain amount of renewable energy delivered to end users. They must be purchased from a renewable energy generator.

RECs are touted as a way to increase the cost-effectiveness of renewable technologies to become competitive with existing technologies like fossil fuel infrastructure. They are supposed to incentivize renewable energy projects for RPS compliance. But they reflect the balkanization, chaos, and inequity of the market-based approach to energy in the US. For example, depending on the state, RECs can be sold alongside renewable electricity or separately to different entities, generating confusion. Since RECs separate clean energy “attributes” from the energy itself, utilities can meet their required renewable percentages in states with RPSs by purchasing RECs - without actually installing renewable generating capacity. This effectively allows fossil-burning utilities to invisibilize the pollution they generate since RECs scrub this pollution from the official record. Particularly in the case of corporate REC purchases, this tool has been used to incorrectly claim emissions reductions while not necessarily incentivizing additional renewable energy generation.

In the development of US offshore wind, states use policy instruments such as ORECs, a version of RECs for offshore wind renewable energy. ORECs are ‘offshore wind renewable energy certificates,’ which differ from RECs in that they are a guaranteed price for the environmental attributes of 1 MWh of offshore renewable energy. As we explained above, there is a separate trading market for RECs, which can cause their prices to go up and down based on availability and interest. ORECs, on the other hand, do not fluctuate because they are on the ratepayer’s bill. They are a steady and reliable financial instrument that allows an offshore wind developer to take the guaranteed OREC price and purchase amount to the bank to finance the billions of dollars needed to construct and install a commercial offshore wind project. This financial system serves the offshore wind developer, but the cost of a guaranteed price is on the ratepayer, no matter their income. This is effectively a form of regressive taxation to support for-profit energy ventures.

Different approaches have different impacts on ratepayers: Maryland and Virginia

In Maryland, legislators have passed a bill called the Power Act which shifts the risk from the ratepayer to the state. Instead of the ratepayer subsidizing offshore wind energy through ORECs on their energy bill, the state takes on this risk through a 20-year power purchase agreement (PPA) with a guaranteed price (Maryland House Bill 793/Senate Bill 781).

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9 US Environmental Protection Agency. “Renewable Energy Certificates (RECs).”
10 EPA “Renewable Energy Certificates: Background & Resources.”
13 Cox and Esterly, “Renewable Electricity Standards.”
14 Bjørn et al., “Renewable Energy Certificates Threaten.”
In Virginia, ratepayers take on more of the risk than any other state because their offshore wind projects are owned by the utility, Dominion Energy. A utility-owned energy project poses a unique situation because, in this system, one company, Dominion Energy, controls electricity generation, transmission, and distribution (NREL, 2023). In contrast with offshore wind developers like Ørsted or Equinor, who must work with banks or investors to finance the multi-billion dollar projects, Dominion can “fold the cost of the Coastal Virginia project into its state-approved electricity rates.” (Garden & Martin, 2023). Dominion’s vertically integrated energy market makes it possible for the company to take on larger capital expenses like building a wind turbine installation vessel (WTIV). The shortage of vessels is a major bottleneck to the growth of a nascent U.S. offshore wind industry, which is heightened by wartime policies like the Jones Act.

Maryland and Virginia show two examples of the various policy instruments states use to meet their renewable energy standards. The different instruments prioritize different values and stakeholders.

One of the difficulties of the U.S. offshore wind industry is the heterogeneity and inconsistency of project procurement across different states. New York and New Jersey use ‘Offshore Wind Renewable Energy Certificates’ (ORECs), which are a guaranteed price, to generate competition from developers who bid their projects to these states. Meanwhile, in Massachusetts, Rhode Island, and Connecticut, developers must negotiate their power purchase agreements (PPAs) with local utilities to transmit a specified capacity of offshore wind power to ratepayers. These two tools—ORECs and PPAs—are used in a competitive economic environment governed by the underlying assumption that competition breeds efficiency and innovation.

Furthermore, states also differ in how they weigh and ultimately choose projects to win contract bids. For example, while NY places 20 percentage points in the RFP on economic benefits packages, MA places 15. The difference in the importance of economic benefits affects the jobs and local content that each state receives, as well as the final price that developers must sell energy at to meet their profit motive. While some states (MA, RI, and CT) have entered partnerships to help foster cooperation in the region’s buildout of offshore wind, there are still variations across RFPs and final power purchase agreements.

3.1 Procurement through PPAs (MA, CT, RI)

In the PPA regimes, state agencies work with the state’s distribution utilities to issue requests for proposals (RFPs) for energy generation bundled with renewable energy certificates (RECs). RECs and RPSs, in this case, are state policy instruments used to incentivize renewable energy projects. In the PPA model, RECs are coupled with a long-term contract for energy between the renewable energy developer and the electric distribution company. The electric distribution utility sells the purchased electricity to the wholesale energy market, while the RECs are kept to meet RPS mandates. If there are excess RECs, they can be sold to other electricity suppliers needing to meet their RPS mandates, or companies and other entities wishing to claim renewable energy generation.

The electricity generation developer (e.g. Avangrid, Ørsted, etc.) and the electric distribution company (e.g. Eversource, National Grid, Unitil) negotiate the payment, delivery, and
performance terms of these long-term contracts in what is called a Power Purchase Agreement (PPA). Ratepayers, therefore, pay for electricity generated from offshore wind projects through their distribution utility bill (e.g. Eversource, National Grid, Unil). Developers can expect more revenue certainty through the PPA procurement structure in MA, RI, and CT, which lets them obtain lower-cost financing. These PPAs are evaluated by state Public Utility Commissions (PUCs) to ensure minimal impacts on ratepayers (NREL, 2020).

Figure 1. Financial Ecosystem for Offshore Wind in Massachusetts via PPAs

In Massachusetts, the Renewable Portfolio Standard mandates that electricity distribution companies purchase RECs to be compliant. RPS compliance is a percentage of the electricity load of suppliers that increases each year.

3.2 Procurement through ORECs (NY, NJ, MD)

In lieu of PPA negotiations, NY, NJ, and MD use Offshore Renewable Energy Certificates awarded through competitive bidding by offshore wind developers like Ørsted, Equinor, Avangrid, BP, and others. ORECs are a way to pay for the environmental benefits of one megawatt-hour of electric generation from an offshore wind project. These ORECs are to comply with state renewable energy portfolio standards described above (RPS).

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New York’s Clean Energy Standard

In New York, the RPS is called the Clean Energy Standard (CES), adopted in 2016 and expanded in 2020 to meet the Climate Act. Through CES, New York has set goals to achieve “70% renewable sourced electricity by 2030 and a zero-emission electric grid by 2040” (NYSERDA, 2023). Through CES, every load-serving entity must buy renewable energy certificates (RECs) and zero-emissions credits (ZECs), creating a market because it positions load serving entities (LSE) as a mandated buyer. ORECs are a type of renewable energy certificate that are positioned to be on the market once the offshore wind projects start generating electricity.

The Clean Energy Standard determines the percentage of the LSE’s load that must be satisfied with Tier 1 RECs each year. Through CES, each year has a higher obligated load percentage. For instance in 2017, the LSE compliance obligation was 0.035% of its electricity load that year. In 2024, the percentage is 6.45%. (NYSERDA, 2022). If the LSE does not meet this compliance obligation by acquiring the necessary Tier 1 RECs, it must make Alternative Compliance Payments (ACP) to make up the compliance obligation. In 2021, Tier 1 RECs ranged from $22.01 to $22.56 as the environmental attributes of 1 MWh. The 2021 ACP price was $23.79.

In the OREC structure, the offshore wind developer will sell energy to the wholesale energy market and ORECs to an intermediary (e.g. distribution utility, state agency). These ORECs are then sold to electricity suppliers like National Grid or Con Edison. There is a difference between OREC structures as Maryland and New Jersey use ‘fixed-price’ OREC structures, and New York uses ‘Index’ OREC structures. The index structure allows OREC payments to change to balance out New York’s changing electricity prices based on supply and demand. This indexing acts as a buffer for ratepayers to protect against large fluctuations in their utility bills. Fixed ORECs have set prices that do not change based on fluctuating energy markets. This differs from clean energy projects that are contracted by utilities, which are directly paid for by the ratepayers, such as in the case of Dominion Energy and Virginia.

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17 NYSERDA, “Fact Sheet.”
New York’s Clean Energy Standard mandates LSEs to purchase Offshore Renewable Energy Certificates (ORECs) from NYSERDA.

ORECs are generated for each megawatt-hour of offshore renewable energy generated. NYSERDA buys each OREC from the offshore wind developer at an indexed monthly price and then sells them to the load-serving entities so they can comply with the CES.

The OREC’s indexed monthly price varies opposite to NY’s energy markets to protect ratepayers from price changes based on fluctuating energy prices.

ORECs offer a way to ensure financial compensation for electricity generation against market prices constantly in flux. Similar to the MA, RI, and CT PPA procurement structures that include RECs, OREC procurement in NY, NJ, and MD creates a degree of financial certainty. As in the previous procurement method, reliable revenue streams allow developers to secure long-term financing for constructing these billion-dollar projects. This financing strategy will also be discussed in the context of federal tax credits below.

3.3 Federal Tax Credits

In addition, there is a third tool to attract offshore wind development: federal tax credits through the recent Inflation Reduction Act (IRA), which can be used to reduce the developer’s costs. There are two types of tax credits available to offshore wind developers: the investment tax credit (ITC) and the production tax credit (PTC). The ITC is the primary credit applicable to a developer’s capital costs. The ITC requires certain prevailing wage and apprenticeship programs for a project to qualify for a 30% tax credit. Additional bonus credits are available for meeting
certain requirements; for example, at least 20% of an offshore wind facility’s components must be manufactured in the U.S. to be eligible for the domestic content bonus, which provides a 10% additional tax credit. Projects that meet the prevailing wage and apprenticeship requirements are also eligible for the PTC, which provides a tax credit per kWh of energy supplied to the grid by the project.

The developers assess these values against their expenses, which can be broken up into capital expenditures (CapEx) and operating expenditures (OpEx). CapEx refers to the project's construction costs, and OpEx is how much the project will cost to operate and maintain over the lease period, usually 25 years. These two costs over the project’s duration (construction time plus operation) make up the project's total cost, which is divided by the amount of energy the project will generate over its lifetime to yield an important metric called the levelized cost of energy (LCOE). The LCOE is a prominent decision-making tool that the industry relies on to gauge the financial health of a project. However, as many have pointed out in recent years, this decision-making tool is insufficient, for it does nothing to include the social or environmental benefits or costs that should be a part of the decision regime, especially for renewable energy projects.

How do the tax credit schemes that operate through ITC and PTC work? Renewable energy project developers typically do not use these tax benefits themselves. Instead, they trade them to other people and institutions in return for capital investment. This swap is known as “tax equity.”

These tax credit arrangements were pioneered during the California wind power boom of the early 1980s when federal tax credits became a way for wealthy people to shelter their income from progressive taxation. This tax dodge scheme generated a speculative bubble in wind power, which, like all bubbles, eventually went bust - leaving the US renewable energy sector to languish without investment for two decades.

Today, the majority of investors who benefit from federal tax credits are not wealthy individuals but hyper-rich institutions like large banks, insurance companies, and hedge funds. Through the tax equity arrangement, these speculative institutions wield outsize power over the country’s energy transition. In 2019, for example, JP Morgan and Bank of America accounted for 50 percent of the market, and in 2020 the top five investors held 80 percent of the market.

Why is the massive power of a small number of institutions such a problem? For one thing, the banks and other powerful institutions that lend money to renewable energy developers charge fees (even though they’re getting tax credits in exchange). These fees are often significant and get bundled into projected project expenses - driving up the cost of renewable energy projects. In addition, big banks and other wealthy institutions often get to decide which renewable projects will be built since developers depend on them for the capital to build the projects. Big banks, by definition, don’t have energy transition or the public good in mind: for them, making more money on their investment is a systemic priority. In many cases, this can mean that powerful financial speculators can actually decide to blackball renewable projects if they don’t appear to meet their profit expectations. Through this system designed to spur private-sector investment in

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18 Knuth, “Rentiers of the Low-Carbon Economy?”
renewables, the government - and by extension the public - has ceded control over the energy transition to the most short sighted and hyper-capitalist sector of society.

The Inflation Reduction Act (IRA) maintains this system, but also adds new provisions that allow tax exempt and governmental entities to receive payment equal to the full value of tax credits for building qualifying clean energy projects. These new provisions apply to states, local governments, Tribes, territories, and nonprofits. Now, instead of having to buy energy from renewable projects owned by private companies and tax equity investors through a power purchase agreement, public institutions can own the projects themselves.

4. Will this system serve New York’s just energy transition goals?

Through the Climate Act of 2019, New York State has set a target of obtaining 70% of the state’s electricity from renewable sources by 2030. NYSERDA procurement goals are set for 6.5GW, but we need to add 20GW by 2030, according to the August 2023 State Comptroller’s report. This means that the NYSERDA plan is not going to bring nearly enough energy online to meet the goals legally mandated by the Climate Act.

The *Mind the Gap Report* upholds these unsettling conclusions. The report assesses the difference between the renewable energy generation that can be expected under the current pace of deployment and the RE generation that will be necessary for New York to meet the 70% RE by 2030 goal. In this way, the report highlights the gap that will need to be filled with new strategies for RE deployment. The analysis examines four scenarios across two variables – energy demand and interconnection success rates – to project the expected RE deployment from independent power producers (IPPs) by 2030 and compare it to the RE target. The analysis concludes that New York will fall short of its 70% RE by 2030 goal under current approaches to RE deployment, with a 41,441 GWh gap (reaching 45% RE) in a business-as-usual scenario. Even under the most optimistic scenario, with low growth in energy demand and high success rates for interconnection, the state would face a 14,642 GWh gap (reaching 61% RE).

On October 12th, 2023, in the wake of PSC rejection of developers’ requests for inflated project prices, Governor Hochul announced a 10-Point Plan for the state’s energy future. Hochul describes the plan as a “comprehensive set of actions” to advance New York toward its clean energy goals outlined in the Climate Act. The first action was to announce offshore wind and onshore renewable awards, which were made public on October 26th, 2023. These renewable energy awards were coupled with state investments into the supply chain. NYSERDA issued two Requests for Information (RFI), one for offshore wind and one for land-based renewables. The process of RFIs is to invite industry stakeholders to review and comment on the expedited solicitations for Offshore Wind Renewable Energy Certificates (ORECs) and Renewable Energy Standard Tier 1 Certificates (RECs).

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In the RFI, NYSERDA provided several questions for industry stakeholders to respond to, ranging from “level of interest in bidding into the next OREC RFP” to if a developer’s contract has been terminated when they would need the next OREC RFP award notice and signed contract to maintain the project’s current development (RFI - Responses Due: Thursday, November 2, 2023 by 3:00 PM Eastern Prevailing Time). There are also questions about how New York City’s Public Policy Transmission Needs (PPTN) might impact developers’ plans. The emphasis of the RFI is geared to elicit insights from potential developers as NYSERDA designs an expedited OREC RFP.

In the RFI, NYSERDA has suggested thirteen changes. These changes include removing supply chain investment plans from the developer, removing fossil repurposing plans, and removing battery storage plans. While these removals may make projects seem less onerous to developers - since they would no longer be required to factor in all the interconnection costs when bidding for projects - it is now unclear who will be supplying all this interconnection infrastructure.

While supply chain investment requirements have changed, NYSERDA has remained consistent with the previous RFP from 2022 (ORECRFP22-1) to require a minimum for developers to source $114,000/MW U.S. Iron and Steel. While this presents a mechanism for developers to invest in domestic supply chains, the requirement is minimal. For instance, the cost of one steel monopile foundation to support a 15 MW turbine can range from $450,000,000 to $750,000,000, depending on water depth (Fried, Ozkan, Halldén et al., 2022). The minimum requirement in the RFP makes up 0.38% of the foundation steel costs. Tax credits from the IRA, as discussed previously, may offer another incentive for developers to invest in local supply chains for domestic offshore wind production.

On the topic of timing, NYSERDA has suggested increasing financial consequences for developers who fail to develop the project and imposing financial consequences if the project does not “commence operation by 2030” (NYSERDA, 2023, p. 7). The release date for the revised RFP for expedited OREC procurement is November 30th, 2023, with proposal submissions due January 25th, 2024.

The Governor’s 10-point plan tries to dig New York’s energy transition out of a deepening hole. About a third of the projects awarded under the state’s onshore renewable energy program have been canceled since mid-October, according to data from NYSERDA. That’s 3GW of renewable capacity nixed. New York state’s renewable transition is on the ropes, and the troubles in the Offshore Wind sector are but one element of a broader crisis. It is time to consider alternatives to the failing transition driven by private-sector investors.

5. Alternative futures
What other justice-oriented systems are there for bringing about a timely renewable energy transition?

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20 French, “New York Projects Nixed.”
One possible scenario could see the New York Power Authority plan and invest in the supply chain and transmission infrastructure necessary to connect offshore wind installations to the grid. As we have seen, the cost of this infrastructure currently falls on project developers. Since 2015, only .294 Gigawatts, or 3.1 percent, of the total renewable energy generation capacity under contract awards has become operational. Part of the reason for the long delays in project completion is the state’s lengthy, developer-funded interconnection process.

NYPA has deep experience with the construction of transmission infrastructure. The public authority currently owns and operates a third of the state’s transmission infrastructure. It is currently constructing Clean Path NY, an $11 billion project that links 20 upstate wind and solar projects to a 175-mile underground transmission line that will deliver 7.5 million megawatt-hours of clean power to New York City.

NYPA could leverage this experience with the construction of transmission infrastructure by building and owning part of an Atlantic Offshore Grid that would address crippling interconnection costs and delays.

The downside to this solution would be that the public authority would take on much of the costs of maintaining the grid while private developers would continue to own and reap the profits of renewable energy generation projects.

Would it be possible for NYPA to build and own offshore wind projects itself? As the Mind the Gap report concludes, to ensure that New York State reaches its renewable energy goals, “public sector entities [such as NYPA] must play a more proactive role in RE deployment beyond market development and support for private sector project development.” As a nonprofit authority accountable to the people of New York State, NYPA can deploy projects at cost to serve the state’s needs and prioritize community benefits.

The challenge here is that offshore wind is extremely capital intensive. NYPA has an extremely strong credit rating from ratings agencies, which allows it to sell billions of dollars worth of bonds to finance capital expenditures. Nonetheless, the authority needs to maintain this strong credit rating by not overextending itself.

Would it make economic sense for NYPA to own and operate offshore wind for NY? The Feasibility of a 100% Fossil-Free NYPA by 2030 report includes a scenario in which NYPA replaces all of its existing fossil fuel assets by 2030. This includes 300 MW of Offshore Wind and 750 MW of upstate Onshore Wind, as well as solar and energy storage. Capital investments would total $6.6 billion through 2030. The report notes, however, that these are long-lived capital investments that, from 2031 onwards, would yield a net savings in estimated operations, maintenance, and fuel expenditures of nearly $400 million per year (estimated savings that include direct payments to public power authorities under the federal renewable energy tax incentives that we discussed above).

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21 NYS Comptroller, Renewable Electricity in New York State, 10.
22 New York Power Authority, “Transmission Overview.”
23 Clean Path New York, “Key Project Benefits.”
The Feasibility report also includes a scenario in which NYPA not only replaces fossil fuel assets but also builds additional clean energy to replace purchases from the wholesale market to cover downstate power load, and to continue expansion beyond 2030 to expand sales to government customers and others. This more aggressive scenario would see installation of 600 MW of Offshore Wind by 2030 and 900 MW by 2035. While this expansion scenario implies a far more significant additional capital cost of $11.7 billion by 2030 and $14.4 billion by 2035, the Feasibility report calculates that this would result in a $56/MWh cost for incremental energy generation by 2050, which compares favorably with wholesale electricity costs of roughly $65/MWh in NYC and $80/MWh in Long Island in 2021.

In sum, the careful cost-benefit analysis of the Feasibility report suggests that NYPA could play a significant role in constructing a publicly owned Offshore Wind facility for New York without endangering its economic foundations.

Ideally, however, NYPA would participate in the establishment of a federal or regional public renewables and transmission developer. In this way, public authorities across the Northeast could join forces to construct public wind power. In place of the current fragmented landscape for Offshore Wind development in the NE, we would see a unification of public forces to build the energy infrastructure necessary to end the curse of climate collapse. Such regional or federal-level coordination would go a long way towards ensuring that the current supply chain and interconnection problems would be resolved.

After many decades of privatization and market-oriented dogma, the idea of public power runs against the grain. Nowhere is this more the case than in Offshore Wind, which requires large capital outlays, extensive infrastructure, and coordination across multiple industries. In the face of these challenges, it’s worth remembering that we used to excel at the construction of public infrastructure. After all, when Franklin Delano Roosevelt established NYPA in 1932, it was with the belief that the government should develop state or federally-owned power sites. His successful campaign for NYPA and the dam-building projects at which it excelled was based on the argument that the public authority would “give back to the people the waterpower which is theirs.” Now, at this time of massive environmental crisis, we need to remember FDR’s determination to take power out of the hands of corrupt private corporations.

To echo FDR, we need to give back to the people the wind power which is theirs. It is high time that the current leadership of NYPA and Governor Hochul embrace the legacy and mission of NYPA to provide public power at a time of great urgency. Offshore wind has a critical role to play in the transition to clean power. We need public power adequate to the scale of the climate crisis, and we need it now.

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26 Moynihan, Visions for an American Public Offshore Wind Developer.
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