

THE BOND BUYER

Wind may yet power Southeast's renewable energy plans

By Chip Barnett June 23, 2021

The Southeast has lagged other parts of the country in wind-powered electricity generation, but a new administration in Washington and the power of coastal atmospheric patterns may bring winds of change.

"The Southeast, from the developer side, is like the last kid picked for dodgeball," Adam Wilson, renewables analyst at S&P Global Market Intelligence, told The Bond Buyer.

While new technologies such as machine learning have the ability to exceed human capacity and capabilities in many ways, systems and processes that take...

The region's states, continuing their historically aggressive pursuit of industrial development, may begin taking renewable energy more seriously.



Wind turbines off the coast of the United Kingdom. Offshore projects may be the key to wind power development in the Southeast. Bloomberg News

"I can say without reservation that our site-seeking corporate clients are prioritizing the availability of green power to a degree that we have never seen," John Boyd Jr., principal at corporate site-selection consulting firm The Boyd Co., told The Bond Buyer. "So, it is no longer just the cost of power, it is how it is generated in this age of social impact and sustainability factoring into corporate relocation and investment decisions like never before," he said.

"States in the Southeast already show well in terms of fundamental labor and business climate metrics, low taxes and aggressive development agencies," he said. "Adding more green power in the form of wind will certainly make those states even more competitive in the national battle for new industry and jobs."

According to S&P Market Intelligence, the prevalence of solar energy in the sunny Sunbelt and less-than-ideal atmospheric conditions thus far have made wind projects less profitable and therefore less attractive than solar construction.

"When looking across the regions of the U.S., the state-level legislative support just isn't there for wind projects and the wind resource across the region is generally below average compared to Texas and the Midwest," said S&P Global Market Intelligence's Wilson. "Solar is seen for the time being as a little bit more favorable option with solar prices dropping to the point that it's pretty competitive."

There are currently only a few wind power projects, totaling just over 300 megawatts of capacity, scattered across the Southeast, in Virginia, West Virginia, North Carolina and Tennessee.

"We can expect wind to slowly gain a foothold in the Southeast," Wilson said. "I think that support across the states is going to increase and we're seeing it particularly in North Carolina and Virginia and I think those states are going to lead the way. It will be interesting to see how the offshore wind market in North Carolina and Virginia grows ... offshore wind has had a very difficult time in gaining momentum in the U.S. There's a lot of development going on in the Northeast and there's expected to be increasing interest on the West Coast and we'll see if this trickles down to the Southeast."

On June 9, North Carolina Gov. Roy Cooper signed an executive order bolstering the state's commitment to offshore wind power. It directs state agencies to help the state secure jobs and economic development associated with the industry's estimated \$140 billion investment over the next 15 years to develop projects.

Last year, a bipartisan memorandum of understanding was signed among the governors of North Carolina, Maryland and Virginia that created the Southeast and Mid-Atlantic Regional Transformative Partnership for Offshore Wind Energy Resources, a framework to promote, develop and expand offshore wind energy.

On June 14, Virginia Gov. Ralph Northam announced the Virginia Offshore Wind project would use the federal permitting process for new projects.

“With offshore wind, we have a unique opportunity to address the climate crisis while creating new jobs and driving economic growth,” Northam said.

“Some think that if wind were to really get going in the Southeast, it’s going to be on the offshore front compared to onshore because onshore wind projects in the Southeast seem to be a little more disruptive to multiple industries such as tourism and mining and military operations,” Wilson said.

He said obstacles remain.

“It’s going to take some strong legislative support and they are going to have to overcome some of the societal barriers,” he said. “I think you’re going to encounter a lot of local resistance from citizens that don’t want giant offshore wind turbines impeding their ocean views — and I think that this will particularly strong in the Southeast.”

As the federal government pivots from a fossil fuel focus to a clean renewable energy policy, that attitude may be changing, especially for offshore projects.

President Biden’s American Jobs Plan, a \$2.2 trillion infrastructure proposal, includes the goal of a carbon-free electricity grid by 2035.

“While Congressional action on certain tenets of the AJP remain uncertain, we expect tax credits for clean energy projects to be a part of any final plan, spurring investment in renewables, energy storage and transmission infrastructure,” Fitch Ratings said in a recent report. “Direct-pay tax credits for renewable generation are significant for project funding, as the refundable credits preclude the need for a tax-equity partner, making capital formation more efficient.”

Municipal utilities have sold bonds elsewhere in the country to support and finance wind farm projects.

Mike Bammel, national head of real estate services firm JLL’s renewable energy valuation team, told The Bond Buyer there are other ways bonds can be used other than directly purchasing wind farms or wind-power purchases.

“Improvements to ports for staging the construction and maintenance on offshore wind farms may be needed to accommodate the equipment and ships,” Bammel said. “Furthermore, if the municipality owns the transmission and distribution equipment where the wind farm is delivering power, it may need to upgrade the equipment to ensure safe and reliable power.”

In December 2020, Congress approved two-year extensions of the investment tax credit that provides credits of between 12% and 30% of investment costs at the start of a clean energy project. Congress also established a 30% ITC for offshore wind projects that start construction by Dec. 31, 2025.

On May 11, the Interior and Commerce Departments approved the construction and operation of the Vineyard Wind project, the first large-scale offshore wind project in the United States.

Additionally, Interior announced on June 8 it will assess potential opportunities to advance clean energy development in the Gulf of Mexico's Outer Continental Shelf.

Wind energy has the greatest near-term potential for development in the Gulf of Mexico, according to a study done last year by the National Renewable Energy Laboratory. NREL added the area has enough technical wind energy to produce twice the power currently used in the Gulf States.

The NREL estimates one 600-megawatt offshore wind project could support about 4,470 jobs with \$445 million in gross domestic product during construction and 150 permanent jobs with \$14 million GDP annually from operation and maintenance labor, materials and services.

"We know that offshore wind development has the potential to create tens of thousands of good-paying, union jobs across the nation. This is an important first step to see what role the Gulf may play in this exciting frontier," Interior Secretary Deb Haaland said in a news release.

"This is an important first step to see what role the Gulf may play," says Interior Secretary Deb Haaland

The Bureau of Ocean Energy Management published a Request for Interest to assess interest in potential offshore wind development focused on the offshore areas in the Gulf in the states of Louisiana, Texas, Mississippi and Alabama.

"While Louisiana's onshore wind resources are limited, Louisiana's coast is ripe for wind energy development," Gov. John Bel Edwards said. "Thanks to years of oil and gas exploration experience, Louisiana's existing infrastructure, workforce and business community give us a strategic advantage in developing offshore wind in the Gulf of Mexico and all coastal waters of the United States."