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**BEFORE THE
PUBLIC SERVICE COMMISSION
STATE OF NEW YORK**

_____)	
In the Matter of Offshore Wind Energy)	Case 18-E-0071
_____)	
Proceeding on Motion of the Commission)	
To Implement a Large-Scale Renewable)	Case 15-E-0302
Program and a Clean Energy Standard)	
_____)	

**COMMENTS OF THE NEW YORK OFFSHORE WIND ALLIANCE
ON PETITIONS SEEKING MODIFICATION OF OFFSHORE WIND RENEWABLE ENERGY CERTIFICATE
PURCHASE AND SALE AGREEMENTS**

The New York Offshore Wind Alliance (“NYOWA”)¹ respectfully submits the following comments on the Petitions filed with the Public Service Commission (“PSC”) by the two offshore wind (“OSW”) developers, Equinor² and Orsted³ (collectively referred to herein as “Petitioners”), holding state contracts for the purchase and sale of Offshore Wind Renewable Energy Certificates (“ORECs”). The Petitioners seek defined forms of adjustments to the “strike price” embodied in these OREC contracts to reflect the unprecedented and unforeseen upward price pressures experienced post-award specifically borne by these four projects, and that the developers could not have anticipated at the time of bid or contract execution. The Petitioners each contend that the

¹ The New York Offshore Wind Alliance is a diverse coalition of the world’s leading OSW project developers, environmental NGO’s, labor, and other supporters joined together to support the development of a robust and responsible offshore wind ecosystem in New York State. NYOWA is an initiative of the Alliance for Clean Energy New York (ACE NY”). The views expressed herein do not necessarily represent the positions of individual NYOWA members.

² Verified Petition for Expedited Approval of Enhanced Offshore Renewable Energy Credits, dated June 7, 2023.

³ Verified Petition of Sunrise Wind LLC for an Order Authorizing the New York State Energy Research and Development Authority to Amend the Offshore Wind Renewable Energy Certificate Purchase and Sale Agreement, dated June 7, 2023.

identified price adjustments are necessary to maintain the economic viability of their respective projects. These projects, New York's first offshore wind farms comprise approximately 4.3 gigawatts ("GW") of nameplate capacity and represent nearly half of the OSW generating capacity needed to meet the 9 GW by 2035 goal set forth in New York's landmark *Climate Leadership and Community Protection Act*.

A confluence of global macroeconomic events precipitated by but not exclusively the result of, the COVID-19 pandemic in early 2020, have resulted in – and continue to result in - an unforeseen upward spiral in the cost of goods and services across the global economy. These events have affected all large infrastructure projects, including energy projects. Large infrastructure projects have universally been impacted by historic levels of inflation, rising interest rates and the cost of financing, and disruptions in the global supply chain limiting the availability and increasing the cost of raw materials, including steel and iron that are critical to the offshore wind projects.

Moreover, when considered in the context of the renewable energy industry more specifically, these impacts have been exacerbated by the Russian invasion of Ukraine, which has, among other things, encouraged our European allies to wean themselves of their dependence on Russian fossil fuel and to double down on clean and renewable energy sources such as OSW. While this ambition for an accelerated transition to clean energy is a positive development, it has also had the effect of further catalyzing world-wide demand for OSW components (e.g., turbines, cables, substations, HVDC converter stations) and services (e.g., vessels, labor) that is outstripping supply and causing price pressures that are expected to persist as the projects proceed through equipment procurement and construction to commercial operation.

Given these trends, largely outside the individual Petitioner's ability to control or predict, NYOWA supports in principle the need for a limited, one-time adjustment reflecting the unique

circumstances. While NYOWA takes no position on the specific adjustment mechanisms proffered by the respective Petitioners, in general terms, we do agree that the circumstances warrant some evaluation of the contract strike price levels which may no longer be reflective of economic reality.

NYOWA also urges the Commission to consider how such a change would impact both ORECRFP22-1 and future RFPs, ensuring that inflationary adjustments are consistent in competitive processes. Robust, fair competition is critical for New York to grow the industry within the State and to continue to lower the Levelized Cost of Energy (LCOE) of offshore wind projects. The PSC should conduct its consideration of the Petitions in a manner that allows NYSERDA to advance and maintain the continuity of its ORECRFP22-1 evaluation and broader offshore wind program. As the NYS PSC evaluates the criteria for relief of Petitioners, we recommend that the PSC considers industry data and global market and commodities pricing previously identified by or currently available to NYSERDA in determining inflationary adjustments.

New York - and indeed the OSW industry as a whole - has a lot riding on these first-generation projects. Significant commitments have been made across the entire OSW value chain – including, e.g., ports and harbors development in coastal and environmental justice (EJ) communities; the localization of the OSW supply chain through the first contracts with New York-based manufacturers and suppliers; standing up a constellation of New York institutions to deliver workforce development and training; and commitments to a just transition and engagement of union labor. While we are confident that New York's commitment to these cornerstones of a robust and responsible OSW market in New York remains unwavering, it is also true that were the sponsoring projects to be allowed to wither on the vine, these efforts would be dealt a real setback.

New York policy makers have already recognized the challenges posed by the volatility and unpredictability in the broader global economy on project economics. As reflected in ORECRFP22-1,

on a going forward basis, NYSERDA has incorporated an inflation adjustment mechanism specific to the OSW contracts that adjusts the OREC strike price to broader market indices. Per the OSW developers, the Petitions would apply a similar mechanism to already-contracted projects.

For the foregoing reasons, NYOWA urges the Commission to support the evaluation of existing OREC contracts to correct for unforeseen and exogenous factors eroding project economics and threatening progress towards New York's climate and renewable energy development mandates.

Respectfully submitted,

A handwritten signature in black ink that reads "Fred Zalcman". The signature is written in a cursive style with a long horizontal stroke at the end.

Fred Zalcman

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