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Study finds high return on investment for NJ offshore wind spending

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Every dollar spent in-state to build a 352-megawatt wind farm off the New Jersey coast would generate $1.83 in economic benefit, according to a new study by BW Research Partnership.

But it used a model developed by the federal government that assumed 56 percent of the $843 million in construction expenditures would likely go to out-of-state businesses. That means most of the positive ripple-effect spending would likely go to other states, and overall costs would outpace economic benefit here.

The report estimated about $383 million would be spent in-state to build the wind farm, which would generate an additional $319 million in ripple-effect spending, for a total in-state economic benefit of $702 million.

“The more money you can spend in-state, the bigger the (state’s) economic benefit,” said BW senior research analyst and project manager Carlota Plantier LeFon.

It’s an important lesson for New Jersey, which is about to embark on ratepayer financing of the construction and 20-year operation of 1,100 megawatts of offshore wind capacity.

“Offshore Wind: Generating Economic Benefits on the East Coast” estimated about 4,300 direct jobs would be created in the state during the construction phase and about 80 in the operational phase. The report was funded by E2 Environmental Entrepreneurs, a nonpartisan business group that advocates for policies benefiting the economy and the environment.

New Jersey is poised to quickly build 1,100 megawatts of offshore wind generation, after Gov. Phil Murphy directed the state Board of Public Utilities to create a subsidy program under 2010’s Offshore Wind Economic Development Act. It was signed into law by Gov. Chris Christie but never implemented by him.

Ratepayers will finance offshore wind farms through an add-on to their monthly bills, awarded as Offshore Wind Renewable Energy Credits to developers in a competitive process.

But the costs to ratepayers won’t be known for some time. The BPU has said it will issue a call for bids by the end of the year so developers can qualify for federal tax programs due to stop in December 2019.

Murphy called for a total of 3,500 megawatts to be generated by 2030.

Larger wind farms and turbine sizes would result in greater economies of scale and better return on investment, LeFon said.

The study also assumed the 44 turbines in the project would be 8 megawatt turbines, but it’s possible larger ones will be used, she said. That, too, would result in greater return on investment.

Lefon said she used the Jobs and Economic Development Impact models from the federal government’s National Renewable Energy Laboratory for estimating costs and benefits.

Projections are based on 2018 dollars, the report said, and assume the development would occur in 2022.

“That model ... allows you to customize for each specific state,” LeFon said, “and by the year it’s supposed to start, capacity, sizes and distance from the coast.”

In New Jersey, the study assumed the wind farm would be located 20 miles off the coast, but Orsted’s wind farm lease area is just 10 miles off Atlantic City. Closer sites would lessen the cost of transmission and transportation, she said.

In New Jersey, bids for providing the first 1,100 megawatts will include the costs of both building and operating the wind farms, and a profit margin, for 20 years.

Projects chosen to receive ORECs to cover all expenses would then return all income from sale of electricity to ratepayers, according to the BPU.

The study also estimated the costs to the economy of an oil spill should the Trump administration move ahead with allowing oil and gas drilling off the Atlantic Coast. One month of beach and fishing closings would cost New Jersey $307 million in gross domestic product value and $163 million in lost wages, the research found.

Similar analyses were done for New York, Virginia, North Carolina and South Carolina.

BW does a lot of research in the energy sector, said LeFon. It is located in Carlsbad, California, and in Wrentham, Massachusetts, and produced the U.S. Department of Energy’s energy job report for two years, she said.