

May 8, 2023

Testimony of Doug Marzonie
Little Compton, RI

Re: Federal Consistency Determination for CRMC File 2021-06-029 Revolution Wind, LLC Coastal Zone Management Act consistency certification; offshore wind energy facility in federal waters

The report itself finds that “there will be Long-term adverse impacts to RI fisheries and thus the processing” or downstream fishery industries and that has been established very clearly here tonight. This is not compatible with the requirement that the project NOT adversely affect the marine economy.

But what about the rest of the economy?

ELECTRICITY PRICES

I want to point out that the report completely ignores other adverse and broader economic impacts that come from higher electricity prices which are certain to come. And higher electricity rates are going to impact literally every consumer and every business thereby impacting the broader economy harshly.

We know that electricity rates will be prohibitive simply because the PPA for RW is already priced at twice the wholesale price for electricity in the state. We also already know that owing to rising costs, Mayflower and Pilgrim Wind in MA are attempting to renegotiate and include inflation adjusters in their PPAs.

With global input costs rising like they have been for the last year, and central banks aggressively pushing rates higher to combat inflation, I don't see how this committee doesn't see the costs of this project rising substantially. It's truly impossible that inflation will spare the offshore wind farm industry while it ravages everything else in this world. When the PPA for RW was established, oil was about 1/2 the price of now and interest rates have almost doubled. Because of inflation, commodity prices of almost everything have risen and especially all of the rare earth commodities that go into the building of the turbines. Many of these rare earths come from countries that are extremely hostile to the US, have wind aspirations at home that are equal in size so they aren't going to part with the necessary commodities at a discount. Given these rising costs, it seems almost a surety that RW will try to negotiate higher PPA's to offset their rising costs.

So no matter what Orsted and RW say about providing cheap or cheaper electricity prices for RI ratepayers, given the global backdrop there is literally no way that electricity prices won't be going higher. Because RI rate payers and businesses will be forced to pay above market priced wind power from Revolution Wind, RHODE ISLANDERS WILL EXPERIENCE ADVERSE ECONOMIC IMPACTS!

As a reminder, in its original order in 2010 rejecting the Block Island Wind Farm PPA, the Rhode Island Public Utilities Commission (PUC) stated: "IT IS BASIC ECONOMICS TO KNOW THAT THE MORE MONEY A BUSINESS SPENDS ON ENERGY, WHETHER ITS RENEWABLE OR FOSSIL BASED, AND WHETHER ITS PRODUCED IN RI OR ELSEWHERE, THE LESS RHODE ISLAND BUSINESSES CAN SPEND OR INVEST, AND THE MORE LIKELY EXISTING JOBS WILL BE LOST TO PAY THESE HIGHER COSTS. SPENDING LARGE AMOUNTS OF RATEPAYER FUNDS ON RENEWABLE ENERGY DEVELOPMENT CAN LEAD TO GREEN JOBS AT NEW BUSINESSES, BUT ONE CANNOT IGNORE THE FACT THAT HIGHER ENERGY COSTS COULD LEAD TO THE LOSS OF REGULAR JOBS AT EXISTING BUSINESSES AS WELL."

Additionally, higher electricity prices will adversely affect residential customers who will have less money to spend on goods and services and higher electricity rates for RI businesses will make the Governor's job of recruiting business to RI tremendously difficult thus making economic matters worse for Rhode Islanders.

BACK UP FOR REVOLUTION WIND

The adverse economic impacts will be further exacerbated because of the necessity for ISO-NE to provide backup for RW when it's not producing electricity—55% of the time. As more offshore wind gets installed in New England, ISO-NE must increase the amount of reserve capacity called Installed Reserve Margin (IRM). IRM is currently met using natural gas fired generators and as offshore wind increases, more backup of nat gas is required which will be paid for by ratepayers. THUS HIGHER ELECTRICITY COSTS!

TAXES

Revolution wind will be subsidized by US taxpayers because of the 30% investment tax credit (ITC) and the \$26/MWh production tax credit (PTC). Based on EIA figures, RW will have a construction cost of ~\$4.2bln. Because Orsted owns 50% of the project, they stand to take an ITC of ~\$600mm + PTC (over 10yrs) of ~\$360mm. In total, Orsted will be extracting over \$1bln (after inflation increases) from US taxpayers for this project and they aren't stopping because they have already asked for an additional 10% in ITC. I don't see how shipping billions to wealthy foreign companies is a positive for Americans. At the same time, RI ratepayers will suffer substantial economic losses by getting raped by high electricity prices (please see figure below). HOW IS IT POSSIBLE THAT THIS COMMITTEE SEES THIS AS A GOOD SITUATION FOR AMERICANS IN GENERAL AND SPECIFICALLY RHODE ISLANDERS?

BACKWARD LOOKING INVESTMENT

At its core, economic growth is purely based on the energy required to produce output. Energy return on energy invested (EROEI) is a key formula to determine economic growth. According to THE DISTORTIONS OF CHEAP ENERGY by LEIGH R. GOEHRING ADAM A. ROZENCWAJG 2/23/22, the EROEI of wind energy is 3.5:1 which is about the output we experienced in the first

1800 years of our existence on earth. In 1900 hydrocarbons became the energy of choice because of its EROEI is 30:1 and growth exploded from then until now. Our next advancement should be to nuclear which boasts an EROEI of 100:1 which would continue to produce enormous growth for the world. According to the EIA, offshore wind power is the most expensive form of energy and therefore, by definition, the least efficient. I fear that returning to a world where our EROEI drops from 30:1 to 3.5:1 will doom our economies to depression as growth grinds to a halt. This will further depress the RI economy adding enormous adverse impacts on Rhode Islanders.

According to your previous head of the CRMC, Grover Fugate, he said on 4/21/23, “That Ocean SAMP was first tested with the Block Island Wind Farm, and is now being used by the CRMC as it reviews the slew of major offshore wind farms slated for nearby waters. The scale of deployment we are about to see has never occurred from Mid-Atlantic up,” Fugate said during a panel discussion Thursday. “It’s a grand experiment, and we don’t know what we’re doing.”

THE OCEAN IS FAR TOO IMPORTANT TO NOT GET THIS RIGHT. LETS PLEASE NOT EXPERIMENT, LETS GET IT RIGHT BEFORE WE START!

THE CRMC HAS COMPLETELY IGNORED CRUCIAL ASPECTS OF THE ECONOMIC IMPACTS TO THE OVERALL RHODE ISLAND ECONOMY AND THUS THE CRMC MUST DENY CONCURRENCE WITH FEDERAL CONSISTENCY UNDER THE CZMA AND THE OCEAN SAMP.

