

Committee: Economic Matters
Testimony on: HB1296 - Electricity-Offshore Wind Projects - Alterations
Submitting: Deborah A. Cohn
Position: Favorable
Hearing Date: February 29, 2024

I appreciate the opportunity to submit testimony today in strong support of HB1296.

The Problem: Offshore wind presents a significant opportunity for Maryland to decarbonize its electricity sector while supporting an important opportunity for Maryland to recharge economic growth and jobs. The offshore wind industry, however, has been experiencing some growing pains. High inflation rates, high interest rates (which are particularly challenging in industries requiring high upfront capital investment) and large increases in demand for inputs as a result of Europe’s attempt to wean itself from Russian gas supplies have challenged offshore wind projects all along the East Coast. Projects in [Massachusetts](#), [New York](#) and [New Jersey](#) have all faced economic problems, with each state developing solutions to reflect its commitment to offshore wind. At this stage, flexibility is important – flexibility which HB1296 provides.

The Comptroller’s [State of the Economy report](#) shows that despite many positive economic indicators in Maryland, “Maryland’s economic growth effectively stalled in 2017 and...has been stagnant ever since. “From between the fourth quarter of 2016 to the first quarter of 2023, Maryland’s Gross Domestic Product (GDP)...has grown 1.6%, compared with 13.9% for the entire U.S. during the same period.” Maryland must do better. But we need to grow this economy wisely, consistent with our other goals, based on our strengths and in industries that can provide significant and sustainable long-term economic benefits.

By at least one [estimate](#) offshore wind energy along the East Coast could generate enough electricity to equal current electricity generation, entirely eliminating the need for fossil fuel based electric generation. Maryland alone might be able to generate more than one-third of its electricity demand with offshore wind, with neighboring states potentially producing much higher amounts. Given Maryland’s deep water ports, interstate highways and good apprenticeship programs, Maryland can compete to be the primary location in the Mid-Atlantic to serve as a supply chain hub for the offshore wind industry. The potential of offshore wind as an economic driver for Maryland is thus significant.

With the passage of the POWER Act last year, Maryland is considered a leader in adopting policies supportive of growth of the offshore wind industry. We need to sustain these supportive policies and a strong pipeline of projects in order to secure for Maryland the opportunity to become an East Coast supply chain hub and benefit from the economic growth and job opportunities offshore wind can provide, whether at Sparrows Point or elsewhere in Maryland. Just at the Sparrows Point Steel Mill alone, state policies to sustain our offshore wind pipeline could create over 1,000 construction jobs plus long-term manufacturing jobs for 500 steelworkers.

Certain wind projects offshore Maryland are facing the challenging conditions affecting other East Coast offshore wind projects. While some Maryland projects are moving through the federal

permitting process quickly, others needed to change course, leading one company recently to withdraw from its OREC awards. That left around 900 megawatts (MW) of offshore Maryland wind capacity, out of the initial 2,000 MW the Public Service Commission (PSC) awarded, at risk.

The Solution: HB1296 authorizes the PSC to open new Round 1 and Round 2 offshore wind project proceedings to keep Maryland on track to achieve its offshore wind goals while maintaining existing ratepayer protections and firm caps on ratepayer impact. It creates the opportunity for remaining offshore wind projects to apply for the released ORECs and provides these projects and companies the flexibility to increase their project size, maximize use of existing lease areas, and align their pricing and schedules to reflect recent market challenges. The bill also directs the PSC and relevant state agencies to develop a plan for achieving 8,500 MW of offshore wind capacity by 2031.

HB1296 thus gives Maryland the opportunity to compensate for at least 500 MW of the 900MW potential loss, protects ratepayers and protects local jobs. The bill confirms Maryland's favorable regulatory framework and sends a strong signal to both the offshore wind industry and related Maryland industries that Maryland is serious about its goal of 8,500MW of offshore wind capacity and of being a supply chain hub for the East Coast offshore wind industry. HB1296 is good for economic growth, good jobs, and Maryland's future as a fully decarbonized economy.

Accordingly, I urge a **FAVORABLE** report in Committee on HB1296.

Thank you.

Deborah A. Cohn