

# North Carolina Opportunities Offshore Wind Businesses

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## A. The Advantages of North Carolina

North Carolina consistently ranks at one of the best states for doing business. The state boasts a skilled workforce, proximity to major markets, a business-friendly environment, and global connectivity. The state government supports businesses by making strategic investments in infrastructure and technology, and maintaining a reasonable tax rate and AAA bond rating. The state ranks 10<sup>th</sup> in the U.S. for employment supported by foreign direct investment—companies from more than 30 countries have operations in North Carolina.

North Carolina is well-connected to national and export markets with four international airports, 76 public airports, two deep water international ports, and two inland terminals. The Ports of Wilmington and Morehead City handle containerized bulk and break-bulk cargoes and provide access to North Carolina's Intermodal Terminal Network. More than 3,200 miles of rail track provide freight services with over 20 carriers and service to 22 states. In addition, the state's Industrial Road Access Program provides funds for the construction of roads to new or expanded industrial facilities. The Rail Industrial Access Program provides grant funding to local governments, development agencies, railroad companies, and businesses to aid in financing the construction or rehabilitation of rail access to a new or expanding business.

The state already has a robust wind energy supply chain—at least 17 facilities currently manufacture components for the wind industry.<sup>1</sup>

## B. Government Policies Pertaining to Offshore Wind Power

### Policy Incentives for Renewable Energy Installations

North Carolina's Renewable Energy Portfolio Standard (RPS), established in 2007, mandates that North Carolina generate 12.5% of its electricity from renewable sources by 2021. Wind is an eligible renewable resource. North Carolina has the only mandatory RPS in the Southeast.

North Carolina offers a 35% state tax credit for renewable energy installations, up to a maximum of 35% of the cost of the installation.

### Offshore Wind Planning

In 2010, the Bureau of Ocean Energy Management (BOEM), in partnership with the North Carolina Department of Commerce, created a North Carolina Offshore Renewable Energy Task Force. This Task Force, charged with advising and guiding BOEM and North Carolina regarding

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<sup>1</sup> AWEA North Carolina Fact Sheet, <http://www.awea.org/learnabout/publications/upload/4Q-11-North-Carolina.pdf>

offshore wind and marine issues in federal waters, has met three times. A Call for Nominations and Information is expected to be reviewed at the next meeting of the Task Force and the Call is expected to be issued in 2012.

In July of 2011, Governor Bev Perdue established North Carolina's Offshore Wind Economic Development Task Force. The task force will study the economic costs and benefits of developing an offshore wind industry, including transmission lines, the siting of manufacturing facilities, and potential markets. The task force has not yet been finalized and activated.

In June of 2010, the National Renewable Energy Laboratory released a report that found that North Carolina had 297 GW of offshore wind capacity within 50 miles of the coast, the largest resource potential of any state on the East Coast. Communities along North Carolina's coast are beginning to show support for offshore wind. In March of 2011, several communities passed resolutions in favor of offshore wind development and urged North Carolina to adopt policies providing regulatory certainty to developers and to incentivize the building of manufacturing facilities.

## **C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind**

North Carolina's Department of Commerce leads the state's business recruitment and expansion efforts. The Department offers professional assistance for every stage of a company's development and provides financial incentives for economic development. The Department's performance-based incentive programs offer tax credits, discounts, exemptions, and refunds, as well as other incentives.

The Commerce Finance Center, a division of the Department of Commerce, offers information on various financing programs, including tax credits, to companies relocating or expanding in the state. In addition, the Center administers the Industrial Revenue Bonds program and directs grant and loan programs. Information on the Center's programs is available here: <http://thrivenc.com/incentives/financial/commerce-finance-center>.

### **Business Incentive Loans and Bonds**

**Industrial Revenue Bonds** are available to qualified manufacturing facilities and can be used to finance entire projects, including real estate purchases, and construction of new or expanded facilities, or equipment purchases. The bonds can be tax-exempt or taxable. Manufacturing companies must be engaged at least 75% in manufacturing and must create or retain one job for every \$250,000 of financing.

The **Industrial Development Fund** provides financing grants and loans through designated municipalities and counties to assist in infrastructure improvements for targeted industrial projects. The local government reserves the funds and proposed projects are eligible for grants, but the local government must match the state funding 3:1. Project owners must demonstrate a commitment to generating jobs and present a business plan.

## Tax Credits

North Carolina offers a state tax credit of 25% of the cost of plant and equipment for a **renewable energy manufacturing facility**. The credit has no maximum level and is payable in equal installments over five years. Wind energy equipment and major components manufacturers are eligible.

**Article 3J Tax Credits** can be used to offset up to 50% of a taxpayer's state income and/or franchise tax liability. The credits are offered for businesses that create fulltime jobs, invest in capital infrastructure, or invest at least \$10 million in real property and create at least 200 new jobs. Projects located within designated municipalities (Urban Progress Zones) or designated counties (Agrarian Growth Zones) may receive enhanced Article 3J credits.

The **Ports Tax Credit** can be used by any business that pays North Carolina state income tax and uses North Carolina ports for inbound and outbound cargo. The credit applies to cargo wharfage and handling fees—up to 50% of the total tax liability for each tax year. Unused credit may be carried forward for up to five years for a total credit up to \$2 million.

Businesses with qualified research expenses may take a tax credit equal to a percentage of those expenses through the **Technology Development Tax Credit Program**. Small businesses are allowed a credit of 3.25% for annual receipts less than \$1 million. Other qualified research expenses are permitted rates between 1.25% and 3.25% depending on the size of the expense.

In addition, the state offers **Sales and Use Tax Discounts, Exemptions, and Refunds** on certain supplies and parts for eligible industries and manufacturing processes. For example, parts and accessories to manufacturing machinery are taxed at one percent; electricity sales to manufacturers are exempt from sales and use tax; fuels used to operate a manufacturing facility are not subject to the privilege tax; and, turbine manufacturing companies may receive a refund on sales tax on purchases of building materials and equipment.

North Carolina has established six **Free Trade Zones (FTZs)** that offer economic advantages to businesses involved in international trade. Within the zones, products may enter without a formal customs entry or the payment of customs duties or excise taxes. If the final product is exported from the U.S., no custom duty is levied, and if the product is imported into the U.S., duty and excise tax are due at the time of entry.

## D. Other Applicable Incentives

North Carolina's Board of Science and Technology offers an **SBIR/STTR Matching Funds Program** to spur job creation and economic development in small businesses seeking SBIR/STTR grants. The board provides matching grants to Phase I award-winning companies to help them move to Phase II. The award is dispersed 75% at Phase I and the remainder upon acceptance of the Phase I report.

The Board maintains a **Green Business Fund** designed to award funds to small businesses to encourage commercialization of green technologies. In addition, the Fund attracts and leverages private sector investment and entrepreneurial growth in renewable energy products, deployment, DG infrastructure improvements, and promising technologies. The Fund had \$5 million to distribute in grant funding in 2010 and 2011.

Technology incubator facilities are offered through the **First Flight Venture Center (FFVC)** in Research Triangle Park and serve the needs of entrepreneurs and early-stage companies. Leasable office and laboratory space is available for emerging technology companies.

The **One North Carolina Fund**, directed by the Commerce Finance Center, helps recruit and expand jobs in high-value industries deemed vital to the state. State appropriations replenish the Fund and local governments must provide a match to the company, either in cash, services, or in-kind contributions. Companies seeking to expand or relocate to the state can receive grant funding for the purchase or installation of equipment, facility repairs, or construction or improvements to infrastructure such as transmission lines.