

Ohio Opportunities for Offshore Wind Businesses

A. The Advantages of Ohio

There are many reasons for a wind-related company to establish operations in Ohio, including the state's renewable energy standard, its pro-business tax policy, meaningful jobs-creation assistance, skilled manufacturing workforce, access to numerous institutions of higher education, and strong public-private partnerships. Within 600 miles of 60% of the US population and 50% of the Canadian population, Ohio's strategic central location and large rail network, waterways, and highway systems offer an unparalleled logistics advantage.

Ohio has an extensive supply chain across many industries relevant to businesses engaged in various aspects of offshore wind, including advanced energy technologies (especially fuel cells and wind), logistics management, polymers and advanced materials, instruments and controls, and electronics. These manufacturing strengths have translated into more than 600 Ohio companies which are active or emerging in the wind supply chain.

Ohio is forward facing in the global market and is the only state in which exports have increased every year since 1998. Only California and Texas have more jobs linked to manufacturing exports. Foreign companies may find it especially attractive to locate operations in one of Ohio's 10 foreign-trade zones, where foreign goods can be admitted without being subject to customs duties or other import-related taxes.

In recent years, the state has made a big push to build its clean energy industry sector, including offshore wind. The Ohio Third Frontier is one state program that has provided millions to support clean energy technology. The Ohio Third Frontier provides funding for open innovation, entrepreneurial support, value chain development, and expansion of a skilled talent pool that can support technology-based economic growth. The Ohio Third Frontier's strategic intent is to create an "innovation ecosystem" that supports the efficient and seamless transition of great ideas from the laboratory to the marketplace. For more information on the program, visit: <http://thirdfrontier.com>.

B. Government Policies Pertaining to Offshore Wind Power

Renewable and Advanced Energy Portfolio Standard

Ohio's Renewable and Advanced Energy Portfolio Standard requires an increasing percentage of Ohio electricity sales to come from advanced energy sources. The percentages ramps up to 25% in 2025, when at least half of that is required to come from renewable sources and half of that renewable energy must be generated in Ohio.

The Ohio Power Siting Board supports sound energy policies that provide for the installation of energy capacity and transmission infrastructure for the benefit of Ohio citizens, promoting the state's economic interests, and protecting the environment and land use. Before construction can begin on any "major utility facility" or "economically significant wind farm" within the state of Ohio, a Certificate of Environmental Compatibility and Public Need must be obtained from the Ohio Power Siting Board. For more information on the Ohio Power Siting Board, visit: www.opsb.ohio.gov/opsb/index.cfm/information/renewable-and-advanced-energy.

Various state and county-level agencies have conducted studies and undertaken activities encouraging offshore wind in Lake Erie, including developing a Wind Turbine Favorability Placement Map (www.ohiodnr.com/LakeErie/WindEnergyRules/tabid/21234/Default.aspx).

Offshore Wind Planning

A public-private partnership involving private foundations, nonprofit groups, and city and county governments in the Cleveland area has been examining opportunities for offshore wind development. After a \$1 million study concluded that offshore wind farms in Lake Erie are feasible and identified prime sites, the partners launched the Lake Erie Energy Development Corporation (LEEDCo), a nonprofit economic development organization.

LEEDCo is capitalizing on Ohio's education and research strengths, which are readily available for wind-related businesses looking to grow in Ohio. According to LEEDCo: "Each of Ohio's universities and other research facilities already offer unique programs toward making Ohio a wind energy center of excellence. In 2009, Case Western Reserve University's Great Lakes Energy Institute was designated as one of Ohio's Centers of Excellence in Advanced Energy."

LEEDCo is conducting pre-development activities to make it easier, faster, and cheaper for the private sector to develop wind projects in Lake Erie. Its goals are to:

- Install a 20-30 megawatt (MW) wind energy pilot project seven miles offshore downtown Cleveland—the first offshore freshwater wind energy project in North America;
- Use the initial project to develop the permitting process and catalyze future offshore wind projects;
- Connect and retool Ohio's existing wind energy supply chain to accommodate offshore wind; and
- Attract investments and bring about jobs surrounding the engineering, manufacturing, installation, and maintenance of offshore wind turbines.

For more information on LEEDCo, see www.leadco.org.

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

The State of Ohio has a wide range of relevant programs and incentives for companies in the offshore wind supply chain. Because the Office of Energy falls within the Ohio Department of

Development, there is considerable coordination between the state economic development and energy programs and activities.

Recent tax reforms help businesses:

- Reduce operating costs – no inventory or corporate income tax;
- Improve productivity – no tax on new machinery and equipment;
- Boost ROI – no tax on products sold to customers outside Ohio;
- Reward entrepreneurship – no tax on first \$1 million in gross receipts; and
- Enjoy a level playing field – all companies taxed at the same low rate.

Business Incentive Loans and Bonds

Ohio offers several loans and bonds that may be relevant to offshore wind businesses:

Tax Exemptions

- **Job Creation Tax Credit**
 - Based upon the withholdings of the company's payroll of new employees
 - Credited to a company's Ohio CAT liability
 - Refundable
 - For illustrative purposes, a 10-year tax credit at 60% per year represents an estimated value of \$890,000 (based upon 200 new jobs with an average salary of \$31,200)
- **Sales Tax Exemption on Manufacturing Machinery and Equipment**
 - As-of-right incentive
 - Machinery and equipment acquisition is exempt from the county and state sales tax
- **Real Property Tax Abatements**
 - Community Re-investment Area
 - Up to 100% abatement for 15 years

Grant Funding

- **Grant Assistance**
 - Funds to be reimbursed for training, infrastructure, and, in certain instances, acquisition of machinery and equipment
 - Amount based upon total investment, job creation, and wages
- **Roadwork Development Grant**
 - Funds exclusively for the construction of public access roads impacting a project
 - Amount based upon total investment, job creation, wages, and impact of the road on surrounding properties

Low-Interest Financing

- **Ohio Enterprise Bond Fund**
 - The Ohio Department of Development sells bonds using its AA-credit rating and loans the proceeds to the company
 - It can finance up to 90% of project costs

- **166 Direct Loan**

- Interest rates are approximately 3%
- Term conditions based upon the useful life of the assets
- Eligible businesses include: manufacturing, research and development, and distribution; retail projects are ineligible

Additional information about starting a business in Ohio visit: www.jobs-ohio.com.

Foreign-Trade Zones

Ohio has established 10 designated zones across the state where foreign goods can be admitted without customs duties of other import-related taxes. According to the Ohio Department of Development, Foreign-Trade Zones (FTZ) are secured sites where goods can be stored, repackaged, assembled and manufactured. The zones offer companies the ability to reduce, defer or eliminate duties, and stored inventory is not subject to import quotas. Products imported into these zones are exempt from duty until they enter the U.S. marketplace, and duty is never paid if the products are re-exported. Foreign origin items may be assembled/ manufactured in an FTZ and achieve a lower duty rate, or duty-free status, for finished goods that exit the FTZ for sale in the U.S.