Jones Act inflicts costly burden on US offshore wind

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Taking issue with a recent *New York Times* article documenting the Jones Act's role in frustrating the deployment of offshore wind energy, John McCown has attempted to downplay the law's harm to the sector. Citing a mere 1.4% cost increase due to the Jones Act — a number whose derivation is unclear — Mr McCown claims the law's impact on offshore wind projects is "hardly material." If only that were so. Rather than a minor factor, careful examination reveals the Jones Act to be a significant burden that should concern all who wish to see the successful development of this nascent industry.

Perhaps nowhere is the Jones Act's cost inflation more vividly on display than in vessel construction. While Mr McCown insists that Gulf Coast shipyards available to build vessels necessary for the installation of offshore wind are efficient, available numbers suggest otherwise. The lone Jones Act-compliant wind turbine installation vessel (WTIV) currently under construction, for example, has an estimated price tag of approximately US$500M. In contrast, building a WTIV in South Korea with the same design (GustoMSC NG-16000X-SJ) but a more powerful crane costs US$350M.

That's a 50% higher price for a slightly less capable vessel.

Now consider that observers believe that four to six such vessels may be needed to meet US offshore wind needs. Compounding matters, the industry may also need a further six to eight service operation vessels with estimated construction costs 80% higher than in Europe and 30 to 50 crew transfer vessels featuring an estimated 20% US-built cost premium. The cost of US maritime protectionism quickly adds up.

But the Jones Act's costs go well beyond vessel construction. Faced with a complete lack of Jones Act-compliant WTIVs, offshore wind developers have been forced to adopt less efficient workarounds to avoid violating the law. Installing wind turbines off Block Island, for example, required the use of Jones Act-compliant liftboats to transport turbine components from a nearby port to a foreign-flagged WTIV barred by the law from performing the transportation itself.

A demonstration project off the coast of Virginia, meanwhile, necessitated the use of a foreign-flag WTIV transporting components from a port in *Canada* to avoid running afoul of the Jones Act. As the *New York Times* points out, such a project in Europe would have taken a matter of

weeks while in the United States completing the project required a year. That's a significant cost inflator in an industry where time is money. It comes as no surprise that the *Times* describes overcoming Jones Act-related obstacles as the project's biggest challenge.

When confronted with such evidence, Mr McCown blames windfarm developers for a lack of planning, but it's not apparent how even the most meticulous strategy could mitigate the Jones Act's added costs. In a world where Jones Act-compliant installation vessels are non-existent and their construction involves sharply higher expenditure, suboptimal improvisation is inevitable.

It's therefore small wonder that analysts ranging from Rystad Energy to HIS Markit to McKinsey & Company have cited the Jones Act as a hindrance to the development of US offshore wind. Even the Department of Energy has highlighted increased costs resulting from inefficiencies produced by the law. That's exactly what we should expect to happen. After all, driving up costs is the Jones Act's entire point. If the cost difference between using US and foreign vessels was non-existent or negligible, the law would be unnecessary.

Surveying the hard facts produces an inescapable conclusion: the Jones Act is a clear and substantial cost driver for offshore wind. Washington should stop turning a blind eye to the law's pernicious role and instead act to either mitigate or entirely remove this barrier to the industry's success.

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