



On August 19, 2010, New Jersey Governor Chris Christie signed the Offshore Wind Economic Development Act (OWED) into law. The law orders the state Board of Public Utilities (BPU) to develop an offshore wind energy certificate program that would support at least 1,100 megawatts (MWs) of generation from qualified offshore wind projects. The law also provides \$100 million in subsidies to potential offshore wind developers.

The law requires a cost-benefit analysis that includes a detailed analysis of the impact of the projects on state economy and state electricity ratepayers.¹ In this report, the Beacon Hill Institute has conducted the analysis of 1,100 MWs of offshore wind power for New Jersey. The findings are as follow.

- The project would produce a net cost of \$3.245 billion to New Jersey, within a range of \$2.106 billion and \$4.137 billion
- New Jersey's electricity prices will increase by 2.1 percent, in 2017, within a range of 0.5 percent and 4.2 percent.
- From 2017 to 2036, the average household ratepayer will pay \$431 in higher electricity costs; the average commercial ratepayer will pay an extra \$3,054 and the average industrial ratepayer an extra \$109,335.

These increased energy prices will hurt New Jersey's households and businesses and will impair the state economy. According to the study by 2017:

- New Jersey will lose an average of 2,219 jobs, within a range of 528 jobs and 4,440 jobs.
- Annual wages will fall by an average of \$111 per worker, within a range of \$26 per worker and \$222 per worker.
- Real disposable income will fall by \$330 million, within a range of \$79 million and \$660 million.
- Net investment will fall by \$48 million, within a range of \$11 million and \$95 million.

The rush to offshore wind power in New Jersey will produce net economic costs, raise electricity costs and dampen economic activity.

¹ State of New Jersey, Legislature, 2010, *Offshore Wind Economic Development Act*, S2036, 214th Legislature, (June 10, 2010) Sec. 3, (4):22. http://www.njleg.state.nj.us/2010/Bills/S2500/2036_11.PDF. (accessed April 11, 2011)

Higher electricity costs may be justifiable if the environmental benefits outweigh the costs. However, it is unclear that the use of renewable resources, especially wind and solar, significantly reduce greenhouse gas emissions.

The rush to wind energy is flawed. The policy promotes wind energy — costly ones — at the cost of other, more affordable and dependable sources.

The OWED law puts the state's competitiveness at risk. These inflated electricity costs will result in New Jersey seeing slower growth in the future, and falling behind current competitor states. Policymakers should pay careful attention to the real danger posed by higher electricity prices and consider the real return of their \$100 million investment.