



equinor

May 18, 2018

Ms. Aida Camacho
Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314, P.O. Box 350
Trenton, NJ 08625

RE: Docket No. QX18040466 – In the Matter of Offshore Wind Renewable Energy Certificate (OREC) Funding Mechanism

Dear Ms. Camacho,

Equinor Wind US LLC (formerly Statoil Wind US LLC, and collectively with its affiliates and ultimate parent company referred to herein as “Equinor”) is pleased to have the opportunity to respond to the Straw Proposal for the support of Offshore Wind Development put forward by the New Jersey Board of Public Utilities (“BPU”). Equinor is a global energy producer, with over four decades of experience in safely developing and operating large scale offshore assets and infrastructure. As an organization, we recognize the changing landscape for energy production going forward. As such, Equinor is in the process of transitioning from an oil and natural gas focused business to one that has a more balanced portfolio that includes substantial renewable generation. We expect to continue to grow in this space, with a goal of investing up to 20% of annual capex in renewable generation by the year 2030.

As part of this transition, Equinor began developing offshore wind in Europe 10 years ago. We now own and operate four offshore wind projects in the United Kingdom, with thousands more megawatts in development in the United Kingdom, Germany and Poland.

Also as part of this transition, the United States has been identified by the company as a prime location for offshore wind expansion. In 2016, Equinor won an auction for a lease area approximately 20 miles east of Sandy Hook, and subsequently signed the lease in early 2017. The acquisition of the lease was a first step in realizing our ambitions here. Since then, we’ve worked continuously on the environmental permitting process, interconnection and supply-chain studies, and reaching out to communities to form a dialogue about our shared goals for the development of renewable energy.

We are very pleased to see the direction that New Jersey is taking with respect to the support offered to offshore wind development in the State. The OREC Straw Proposal that has been presented is an excellent starting point for developing a robust and economically optimal solution for all parties, and we are very supportive of this approach.

Our experience in other jurisdictions leads us to believe that this type of support mechanism produces a solution that is very low risk for the developer, the State and consumers. This is because once the plant is in commercial operation the income streams provided should be very stable and consistent, with little risk of significant

deviations. The costs of capital should be significantly lower in such a scenario, which in turn could lead not only to a low risk solution for developers but also the lowest possible cost option for the New Jersey rate payer. This structure will provide an additional benefit to the consumers because in the event market electricity prices increase, the cost of ORECs will decrease accordingly.

We strongly believe that the proposal to use Electric Distribution Companies as a collection point, with consistent income flowing to the developer based upon their 'Strike' price, and all commodity and ancillary service incomes flowing back to end users from the developer, is both a highly efficient and elegant solution to the ongoing operation of the OREC mechanism.

However, it is essential to see more detail around the contract specifics, at the BPU's earliest convenience. In particular, we would like to understand further the processes related to points 12 and 16 in the Straw Proposal. With respect to point 12, would there be a cap on the volume of produced energy that is eligible for support? If so, how would this cap be calculated? Regarding point 16, we are of the view that the processes for potential banking and borrowing of ORECs between different compliance periods need to be understood as soon as possible as this could greatly impact the economic analysis for a potential project. There may need to be a discussion around credit support once it is clear which entities will hold the contractual obligations, as well. Once these issues are clarified, developers will be in a better position to fully price the risks of these contracts ahead of any solicitation.

Equinor was also heartened to see that New Jersey expects any solution to be based upon a fully 'Bundled' price, including the costs of development of the necessary transmission network connections. We strongly believe that in order to manage the timelines and risks of construction of such a project, offshore wind developers themselves need to be in control of the construction of transmission connection. Through extensive experience developing large, complex, offshore projects, offshore wind developers have gained the competence required for the construction of such infrastructure in a timely, efficient and safe manner.

The State of New Jersey has a very real opportunity to establish itself as a hub for offshore wind development on the Eastern Seaboard as a result of this process. In the coming months, Equinor will be making key decisions about where to base operations for logistics, fabrication, and ongoing management of projects for the mid-Atlantic. Clear policy combined with a predictable schedule of procurement will greatly aid us in making those decisions.

In closing, Equinor would like to thank the State of New Jersey for the work that has been undertaken to date. We see the Straw Proposal as an excellent starting point for further development and look forward to working with the BPU over the coming months to fully resolve the support structure.

Sincerely,

Equinor Wind US LLC