

Cost Benefit Analysis

Proposed CRMC Amendment 650-RICR-20-00-1.3.1(H)(3)

The proposed amendment of adding new § 1.3.1(H)(3) would implement the requirement of a certified verification agent (CVA) for energy-related activities as defined by § 1.1.2(A)(54) and subject to CRMC jurisdiction or where a permit is required in accordance with §§ 1.1.4 and 1.3.3, and as further required by the CRMC executive director to review projects that are outside the scope of CRMC staff expertise.

The CRMC is already authorized by existing state law to “engage its own expert and outside consultants, and the council shall be empowered to use that testimony in making its decisions” in accordance with R.I Gen. Laws § 46-23-14.

The CRMC presently has an existing regulatory requirement within the Ocean SAMP (650-RICR-20-05-11.10.5) that an applicant has to pay for a CVA that is approved by the CRMC and works on behalf of the CRMC to ensure that the design, fabrication, installation and operation of offshore renewable energy projects is not a liability to the state. The requirement of a CVA was not a significant financial burden for Deepwater Wind, the Rhode Island-based company that developed the first offshore wind farm in the nation off of Block Island. During fabrication of the Deepwater Wind five wind turbine jackets, the CVA discovered a substantial loading design flaw that was corrected before the jackets were installed, thus preventing a possible failure of the wind turbines. This discovery and correction more than offset the cost of the CVA to the company, and in fact prevented a possible catastrophic failure and liability for Deepwater Wind. As part of the assessment it was estimated that should all five wind turbines fail as a result of the discovered flaw, the salvage and removal of the wind turbine structures would end up costing between 10-15 million dollars. Therefore, the cost of the CVA to Deepwater Wind resulted in significant benefits to both Deepwater Wind and the state. The applicant cost for hiring the CVA was approximately \$2 million, which was 0.55% of the total project cost of \$360 million. The CVA costs for the Block Island offshore wind farm were expensive because such a project had never before been constructed within the U.S. It is expected that because of the lessons learned as part of this pilot project that future CVA costs will be less for future offshore renewable energy projects.

The proposed requirement of a CVA for energy-related facilities projects within the Red Book (650-RICR-20-00-1.3.1(H)(3)) would be consistent with the CRMC’s existing legal authority provided under state law cited above and the current requirements for offshore renewable energy projects under the CRMC Ocean SAMP. The CRMC is proposing the CVA amendment in anticipation of the likelihood for proposed future energy-related facilities either within the Bay or land-based where the CRMC has jurisdiction and the complexity of the project would be beyond the scope of CRMC staff expertise. The CVA requirement would ensure that the public interest is protected through the CRMC application review process at a fraction of the application cost, while providing tremendous societal benefit.