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INSIGHT

Offshore Wind Provisions in the Inflation Reduction Act

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P.L. 117-169, commonly known as the Inflation Reduction Act of 2022 (IRA), addressed U.S. offshore wind development with provisions on leasing, transmission planning, and tax credits. Congress and the Administration have undertaken multiple activities in response to these provisions.

Offshore Wind Leasing Provisions

Leasing Authority. Section 50265 of the IRA sets limits on the Department of the Interior's (DOI's) authority to issue offshore wind leases. During the 10-year period following the IRA's enactment, DOI's Bureau of Ocean Energy Management (BOEM) may not issue a lease for offshore wind development unless the agency has offered at least 60 million acres for oil and gas leasing on the outer continental shelf (OCS) in the previous year. This could affect future federal offshore wind leasing. BOEM's 2024-2029 offshore oil and gas leasing program scheduled three oil and gas lease sales of sufficient acreage to satisfy the IRA wind leasing criterion—in 2025, 2027, and 2029. Because other years would not have a qualifying oil and gas lease sale, BOEM would be prohibited from issuing offshore wind leases during some periods. In the 118th Congress, bills such as H.R. 5616 and S. 4753 would require additional oil and gas lease sales, which could open more opportunities for offshore wind leasing under the IRA. H.R. 4936 and S. 3026 would repeal the IRA's requirement that a qualifying offshore oil and gas sale must be held in order for offshore wind leasing to be authorized.

Wind Leasing in the Mid- to South Atlantic and Eastern Gulf of Mexico. On September 8 and September 25, 2020, President Trump withdrew from energy leasing disposition—from July 2022 through June 2032—areas off the coasts of North Carolina, South Carolina, Georgia, and Florida in the Atlantic and off of Florida in the Gulf of Mexico. President Biden announced his Administration's interest in furthering offshore wind leasing in the withdrawn areas. Section 50251(a) of the IRA authorizes the Secretary of the Interior to issue renewable energy leases in these areas despite the presidential withdrawal. Oil and gas leasing remains prohibited in these areas. In the 118th Congress, H.R. 970 and S. 279 would reinstitute the prohibition on offshore wind leasing in the Eastern Gulf of Mexico through June 2032.

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Offshore Wind for U.S. Territories. IRA Section 50251(b) amends definitions of the OCS in the Outer Continental Shelf Lands Act to include specified submerged lands adjacent to U.S. territories. The IRA directs the Secretary of the Interior to issue calls for interest in offshore wind leasing off territorial coasts and authorizes wind lease sales in areas deemed feasible and of interest, after the Secretary has consulted with the territorial governor. In April 2024 hearing testimony, DOI stated that BOEM had "started to engage with territorial governors" on potential offshore wind development for Puerto Rico, Guam, and the U.S. Virgin Islands. In June 2024, BOEM issued a request for statements of interest and a request for information related to offshore wind leasing off U.S. territories.

Offshore Wind Transmission Provisions

Interregional and Offshore Wind Electricity Transmission Planning, Modeling, and Analysis. Section 50153 of the IRA appropriates $100 million for convening stakeholders and conducting analysis related to interregional transmission development and development of transmission for offshore wind energy. Planning, modeling, and analysis are to take into account factors including the economic, reliability, resilience, security, public policy, and environmental benefits of interregional electricity transmission and transmission of electricity from offshore wind energy generation.

Electricity from offshore wind, in theory, could be transmitted to any of the three interconnections (i.e., grids) of the continental U.S. transmission system: the Eastern Interconnection, the Western Interconnection, and the Electric Reliability Council of Texas. These interconnections have limited connections among them. The Eastern Interconnection (the largest) has multiple regions, and transmission development involving two or more regions is relatively rare. Some analysis indicates that increased interregional electricity connection could promote greater use of renewable energy, and one study examined the extent that offshore transmission and coordinated transmission solutions could further offshore wind energy deployment in the Atlantic Ocean. IRA Section 50153 provides funding for studies and coordination to further inform future transmission infrastructure development. The IRA contains other provisions related to transmission that also could have implications for offshore wind development.

Offshore Wind Tax Credit Provisions

Tax Credit for Project Developers. The primary federal tax provision supporting offshore wind is the energy investment tax credit (ITC). It provides a 30% tax credit for offshore wind projects that begin construction before January 1, 2026. Section 13702 of the IRA provides a new clean electricity investment tax credit, designed to phase out once greenhouse gas emissions reduction targets are achieved (i.e., when electric power sector emissions fall to 25% of 2022 levels). The ITC is 6%, with the tax credit rate increased to 30% for facilities that pay prevailing wages and meet registered apprenticeship requirements. Projects meeting certain domestic content requirements could be eligible for a bonus credit, equal to 10 percentage points for projects meeting wage and workforce requirements (or 2 percentage points otherwise). Section 13801 of the IRA allows certain tax-exempt entities to receive tax credit amounts as payments ("direct pay"). The ability to receive the credit as direct pay is conditioned on meeting domestic content requirements, with those requirements becoming more stringent over time.

Tax Credit for Manufacturers. Section 13502 of the IRA provides a new tax credit for the domestic production of wind components and related goods such as specialized offshore wind installation vessels. For offshore wind vessels, the credit is 10% of the sales price. For other offshore wind components, the credit is a function of the type of component and the total rated capacity of the project, with credits available for blades, nacelles, towers, and offshore wind platforms. Taxpayers investing in establishing, reequipping, or expanding offshore wind energy manufacturing facilities also may be eligible for an allocation of an advanced energy project credit, as provided in Section 13501 of the IRA.

Further Reading

CRS Report R46970, *U.S. Offshore Wind Energy Development: Overview and Issues for the 118th Congress*

CRS Report R47202, *Tax Provisions in the Inflation Reduction Act of 2022 (H.R. 5376)*

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