

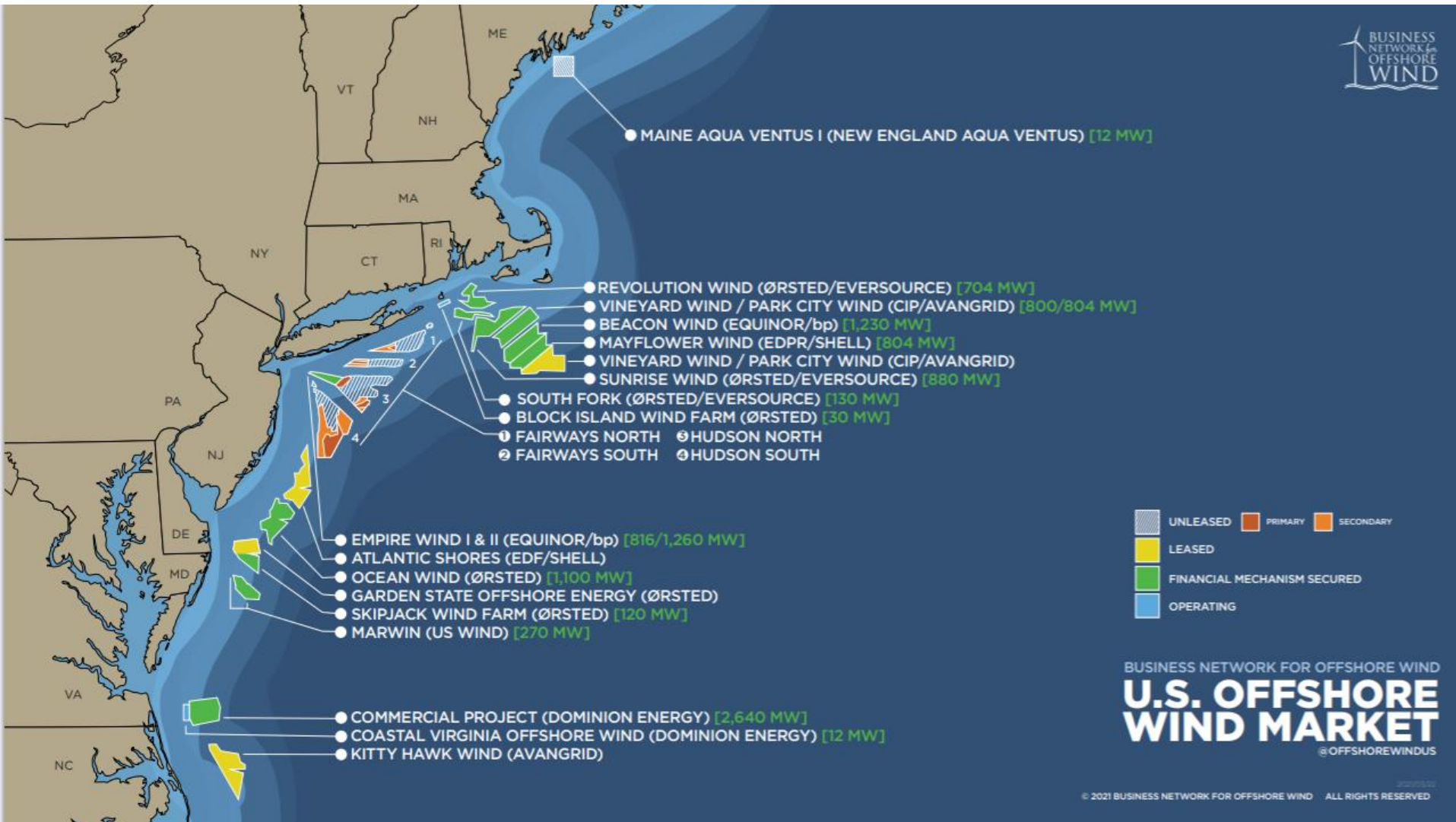
Offshore Wind Economic Development Fund

Doug Smith / Hampton Roads Alliance
July 15, 2021



Growing the 757. Growing Virginia.





Alliance Supply Chain Development Initiative



***Supported by a \$529,788
GO Virginia grant***

- Build a regional offshore wind hub
- Attract new investment to the Commonwealth
- Grow Virginia businesses
- Create long-term, high-wage jobs



Virginia Partners



Mangum Economics Study - Dominion CVOW



- \$8B of direct investment / at least \$40 million for Portsmouth Marine Terminal,
 - 900 direct and indirect Virginia jobs annually (about 60 percent in Hampton Roads), with almost
 - \$57 million in pay and benefits, and over
 - \$143 million in economic output, generating almost
 - \$2 million in revenues for local governments in the Hampton Roads area, and an additional
 - \$3 million in Virginia state tax revenues.
- Operation and maintenance of the CVOW facility will support over
 - 1,100 direct and indirect jobs annually in Hampton Roads, with almost
 - \$82 million in pay and benefits, and almost
 - \$210 million in economic output, generating almost
 - \$6 million in revenues for local governments in the Hampton Roads area, and an additional
 - \$5 million in Virginia state tax revenues.

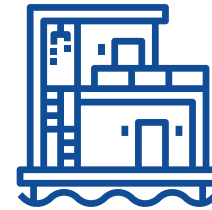
Virginia's Advantages



**Unmatched Port
Infrastructure**



**Large & Skilled
Maritime Workforce**



**Terminal Facilities &
Waterfront Sites**



**America's Largest
Shipbuilding Industry**



Pro-Business Climate



Strategic Location

Mangum Economics Study



- 5,200 Virginia jobs will be supported by the time the East Coast offshore wind industry ramps up to the degree that Hampton Roads businesses are helping develop one gigawatt of new installed capacity annually.
- Development of Offshore Wind at that pace would create
 - \$270 million in pay and benefits,
 - \$740 million in economic output,
 - \$21 million in Hampton Roads area local government revenue, and
 - \$18 million in Virginia state tax revenue.
- Reasonable but conservative estimate of the impact. May prove to be a significant underestimate.

A New Pillar of Virginia's Maritime Industrial Base



Maritime Industrial Base



Alliance Supply Chain Development Initiative



Offshore Wind Strategic Plan for Business Attraction

- Established competitive position
- Recommended target sectors in select markets
- Investment promotion strategy

Supply Chain Analysis

- Assessment of industries and firms
- Job roles and training requirements
- Regional strengths and weaknesses

Supply Chain Development Committee

- Statewide representation
- Forum for strategic guidance

Virginia Offshore Wind Landing

- Facilitate establishment of regional presence
- Access to regional maritime ecosystem
- Shared workspace and Alliance staff support

Offshore Wind Supply Chain Study



- Supply chain assessment of strengths and gaps
- Survey of businesses to determine regional capabilities
- Identification of job roles and training needs
- Enable connections between major suppliers and local businesses
- Recommendations to establish Hampton Roads as supply chain hub



Request:



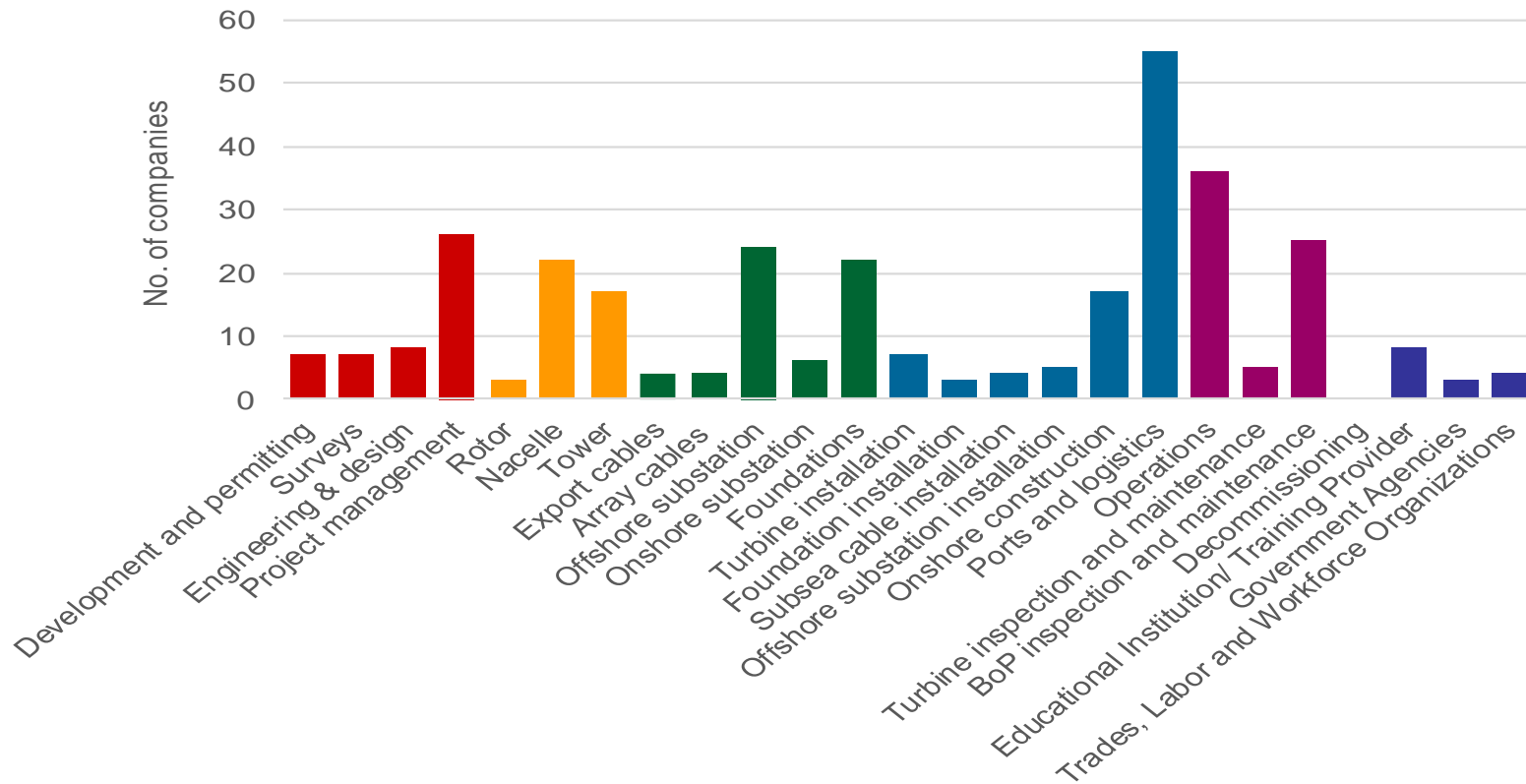
- \$30M OSW Economic Development fund.
 - ✓ Grow the Adjacent OSW Supply Chain.
 - ✓ Develop an OSW Workforce Pipeline Project.
- Used by approved companies to offset some of the costs to develop goods and services to strengthen the ability of the Hampton Roads supply chain to meet the identified needs of major OSW companies.
- For worker training/certification, new product development or repositioning, equipment upgrades and implementing new operational processes to support OSW.
- Enable Hampton Roads companies to improve their competitiveness or enhance their capability to achieve a step-change in their growth in the OSW sector.
- Provide community outreach and supportive services to cultivate a skilled workforce, particularly one comprised of under-resourced and under-represented populations

I. Growing the Adjacent OSW Supply Chain

Supply Chain Study

- (1) the major competencies needed in the design, construction and support of an offshore wind farm and
- (2) the number of companies in Hampton Roads who self-identified (through their inclusion in the Hampton Roads Supply Chain Directory) as being able to support the industry.
- (3) The companies in the Directory were aligned with offshore competencies. The results are detailed in the following chart

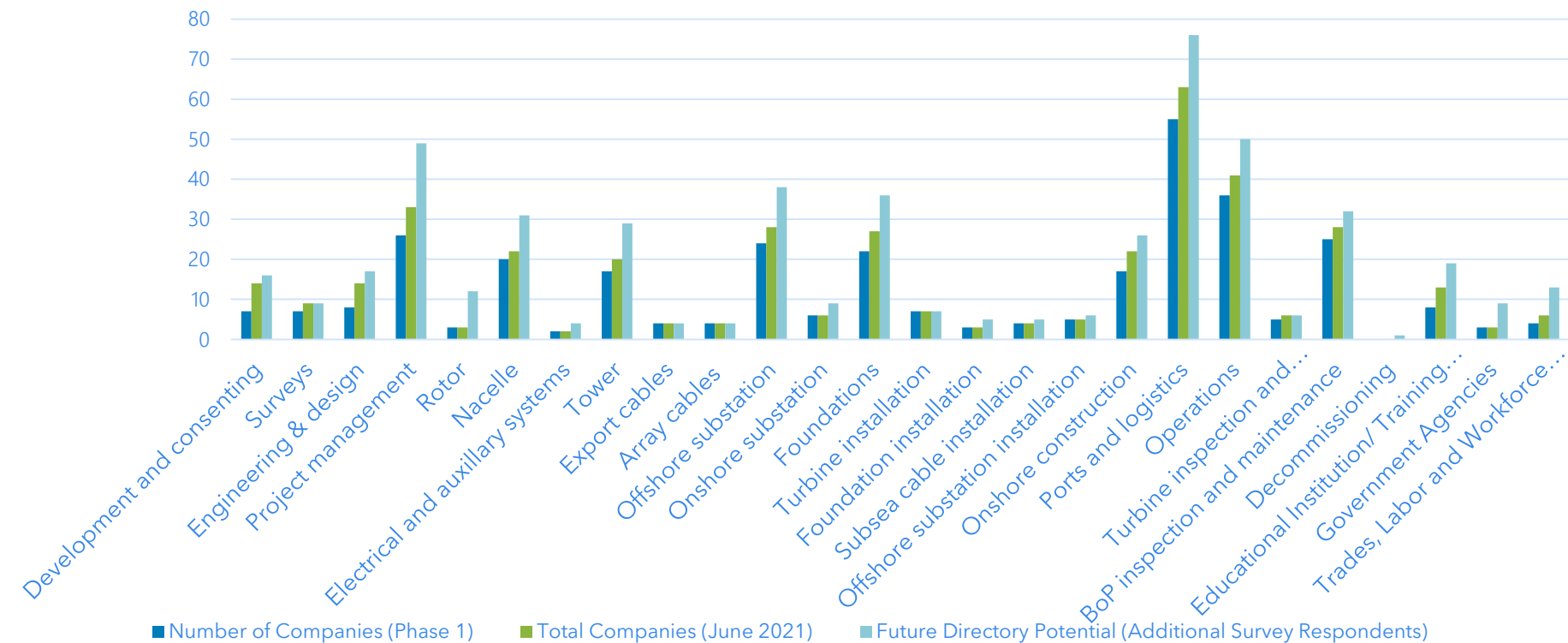




The chart identifies that while strong potential exists in several supply areas

(ports and logistics services and wind farm operations)

There are several areas critical to wind farm development that need additional development.



The results detailed in the chart show the Hampton Roads area has a robust supply chain when adjacent industries were added to the existing companies in the Hampton Roads Supply Chain Directory.

Rationale for the Supply Chain Fund:



- Through interviews with Developers and OEM/Tier 1s it is evident that the qualification process required by the OSW industry for companies seeking to enter can be arduous.
- Not only is the process expensive, but it is time consuming and can stretch across multiple years.
- Coupled with that, SMEs especially find that the duration between the investments they make to enter the industry and the time they start receiving revenue can be unacceptable and are outside of the standard business practices of the US.
- Many companies feel entering into this process is likely to result in financial hardship, especially given the lack of experience and familiarity inherent in a developing industry such as this.

Fund Development Rationale (In your Packet)



- Strategic Actions to Support Fund Development
- Process
- Reporting
- Outcome

Grant Uses



- Grants should be targeted for
 - Training of workers for certifications needed in OSW jobs
 - GWO training and certification for work offshore
 - Manufacturing certification (ISO)
 - New hire training period wages
 - Product developments costs to bring solutions to OSW
 - Project prototyping
 - Equipment needed to produce products/solutions in support of OSW
- Grants should not be used for (sample):
 - Facility construction (there are other funding sources)
 - Market research and industry consulting
 - Investment in non-OSW products and services (other funding sources)

Annual Projections

Grant Usage (Year 1)	Size of Grant (avg.)	Number of Grants	Total Outlay	Workforce readied
GWO Training	\$20,000	25	\$500,000	125
Trade Training	\$30,000	50	\$1,500,000	250
Manufacturing Certifications	\$6,500*	20	\$130,000	--
New Hire wage supplement	\$25,000	20	\$500,000	100
Product Prototyping/Development	\$50,000	15	\$650,000	---
New Equipment	\$150,000	10	\$1,500,000	---
Total		140	\$4,780,000	475

Grants



- Minimum \$20,000 with a maximum of \$250,000.
- For up to five years to ensure companies can be brought into the industry as it matures with new project approvals.
- The rationale for the range is as follows:
- Basic GWO training is ~\$3,500-\$4,000/person
- Trades training has a wide range of \$2,000-\$10,000/person depending on level required and where training will take place (we used \$6,000 as benchmark to lean towards skilled trades)
- ISO 90001 certifications(s) cost roughly \$6,500 and can take up to six months

Grants (cont.)



- New hire support is based upon a 12-week probationary period @\$5,000/employee in corporate support
- New equipment costs are hard to determine, but all will require training, installation and support which in many cases can represent a significant proportion of the actual project cost.
- Use, \$50,000, \$100,000, \$150,000 and \$250,000 as costs for machinery.

Next Step



- To get a more accurate breakdown, there needs to be scoping exercise in the region.
- Conduct research in Hampton Roads area with identified adjacent companies as detailed in our report to determine size of grant needed and direct impact upon supply chain growth.
- The sample results from this work can be used to more accurately predict grant size and number of participants.



II. Offshore Wind Workforce Pipeline Project



Project Goal: Produce at least 1,000 new Offshore Wind professionals by 2025

Target Populations:

Under-resourced and under-represented communities

Definitions:

Under-Resourced: Members of the ALICE population and those living beneath the Federal poverty marker

Under-Represented: Women, Communities of Color, Individuals with Disabilities, Members of the LGBTQ+ communities.

HAMPTONROADS WORKFORCECOUNCIL

ONE REGION. ONE WORKFORCE. ONE ECONOMY.

Three Perspectives: The Current and Future Workforce Powered by Talent Alignment

NEXTGEN: Tomorrow's Workforce

- Career Exposure and Future Planning
 - Industry Tours
 - NextGen Inspire EXPO
 - Job Shadowing
 - In-Class Guest Speakers
 - Paid Internships
 - Career Coaching Sessions
 - Academic Remediation

Talent Alignment: System
Coordination

Job Mapping
LMI Data Analytics
Employer Engagement
Partnership Development

Virginia Career Works: Today's Workforce

- Career Exposure and Training
 - Industry Tours
 - Job Shadowing
 - Community Recruitment Events
 - Occupational Skills Training
 - On-The-Job Training
 - Academic Remediation
 - Community Navigators

3 Year Metrics

6,000 individuals exposed to offshore wind industry
900 new credentialed workers
225 completed on-the-job training opportunities
60 completed paid internships

NEXTGEN

Industry Exposure: 1,500 youth per year
Paid Internships: 20 per year

3 Year Totals

4,500 youth connected to industry
60 youth completed paid internships

Virginia Career Works

Industry Exposure: 500 adults per year
Occupational Skills Training: 300 per year
On-The-Job Training: 75 per year

3 Year Totals

1,500 adults connected to industry
900 completed training
225 completed on-the-job training

Community Navigators

30 individuals from the targeted populations in our 15 localities will be provided comprehensive training regarding the offshore wind industry in Hampton Roads

They will be employed part-time for 29 hours per week at a rate of \$18 per hour

Job duties will include: community outreach, peer advising, service referrals, and related event planning

Supportive Services

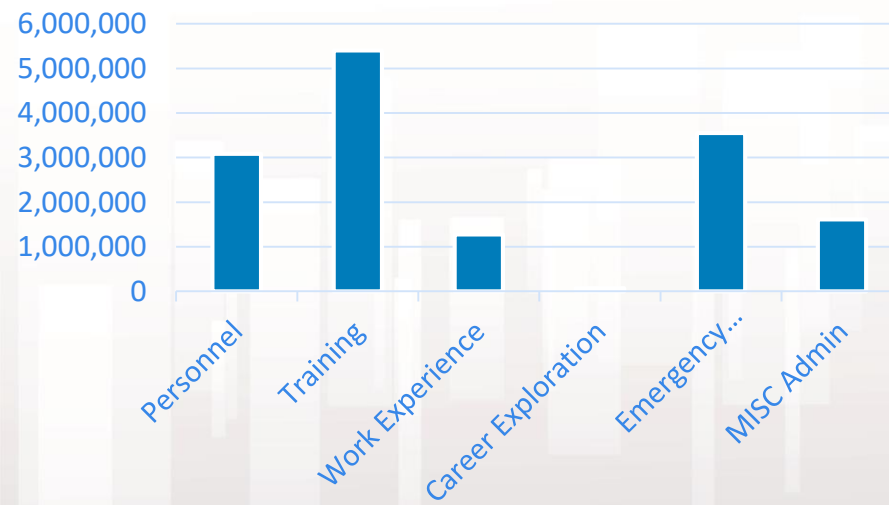
Academic Remediation
Training Stipends
Uniforms and Tools

*Emergency Assistance for childcare,
transportation, court fees, etc

*Case by case basis, \$3,000 cap per
person. Partner resources to be utilized
first.

Estimated Budget Breakdown

Expenses



ONE REGION.
ONE WORKFORCE.
ONE ECONOMY.

Summary



- Dominion Energy's Coastal Virginia Offshore Wind (CVOW) project will allow Virginia to deliver clean and reliable energy, jobs, and economic growth to Hampton Roads and the entire state.
- Hampton Roads' best-in-class port, central location, highly-skilled workforce, and supportive businesses provide our region the opportunity to become a hub that can serve the industry as a whole as it grows on the East Coast.
- Hampton Roads is well poised to lead offshore wind development for the entire mid-Atlantic region; however, this cannot be achieved without a skilled workforce.

Conclusion



- By assisting local companies in entering the industry, OSW expertise and talent is grown in Hampton Roads making it more attractive to OEM/Tier 1 companies that are looking to establish themselves on the eastern seaboard and leading to long-term OSW project support in the region.
- Hampton Roads will provide the workforce necessary to attract investment in the offshore wind supply chain in our region, and provide pathways to stable employment with family-sustaining wages, particularly for under-resourced and under-represented communities.
- Key components of cultivating a skilled workforce, particularly one comprised of under-resourced and under-represented populations, are community outreach and supportive services.
- **We are requesting \$30M to help Hampton Roads establish the talent and supply chain for the Offshore Wind Industry**

Discussion



Growing the 757. Growing Virginia.



Strategic Actions to Support Fund Development



- Identify specific adjacent industry companies that have a high likelihood of success and whose products/services are needed in the OSW supply chain.
- Determine specific permissible uses for funding (E.g. grants to cover revenue gaps during qualification, equipment upgrades/retrofits, raw material, outside/on-the-job training, etc.)
- Establish a fund that will assist companies in making the transition to OSW. Set minimum and maximum funding levels and specific criteria for applying for the fund.
- Develop communication program to build awareness of funding program.
- Appoint appropriate personnel to moderate, facilitate, and provide central oversight of fund.
- Compile information detailing OEM/Tier 1 requirements including cost, qualification processes, certification, and hiring criteria, as well as with project timelines estimates.
- Determine application process and evaluation criteria for fund award.
- Provide market entry consulting services to ensure efficient use of funds and maximize opportunity for successful integration in the OSW supply chain.
- Provide a framework to evaluate success by the tracking of contract engagements and the increase in FTEs resulting from the fund.
- Coordinate efforts of fund with workforce development strategies to ensure the training of a workforce will lead (where applicable) into companies involved in the fund.

Process



- A committee to review, process, respond and track applications will need to be established. The committee should include representatives from those agencies/state groups most invested in the success of the program. The application process should be detailed, allowing only companies with high potential for success be awarded funding, thus reducing risk associated with funding. It is recommended that the process be revolving, allowing companies to enter as the industry develops and the needs for specific supply chain support develops.
- Suggestions for application content:
 - A comprehensive business plan detailing the companies plan for OSW.
 - Detailed description of use of funds and expected impact (X machine @ \$20,000, 3 employees @\$50,000, etc. with the potential of \$ of market capture).
 - Timing of funding needs and funding milestones.
 - Financial stability of company.
 - Other criteria as determined by committee.

Reporting:



- Reporting on the impact of funding should occur at regular intervals, perhaps quarterly. Reporting will help the company stay on track and allow for the committee to intervene, if needed, to support development. As changes in strategy and implementation are inevitable, these can be dealt with in a timely manner. As projects end, it is essential that success is measured to report on the effectiveness of the program.
- Suggestions for reporting content
 - New revenue as a result of program.
 - Contracts awarded.
 - RFQs/RFPs responded to.
 - Employees hired.
 - Training certificates issued.
 - Product/service development schedules.
 - Others to be determined.

Outcome:



- This fund would be instrumental in providing the support smaller companies need to obtain necessary qualifications, finance product development, employee development, and service offerings which otherwise would not lead to revenue for several years and would preclude their engagement with the OSW industry.
- This fund alleviates some of the risk inherent in transitioning into the industry, lowers barriers to entry and would ensure that adjacent industry companies that otherwise would be entering the OSW industry at their peril are supported and provided guidance throughout this process.
- By assisting local companies in entering the industry, OSW expertise is grown in Hampton Roads making it more attractive to OEM/Tier 1 companies that are looking to establish themselves on the eastern seaboard and leading to long-term OSW project support in the region.