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Jennifer A. Carpenter
President & CEO

February 13, 2024

Mr. Douglas W. O'Donnell
Deputy Commissioner for Services and Enforcement
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Re: Section 45X Advanced
Manufacturing Production Credit
(Docket No. REG-107423-23)

Dear Mr. O'Donnell,

The American Waterways Operators (AWO) is the tugboat, towboat and barge industry's advocate, resource, and united voice for safe, sustainable, and efficient transportation on America's waterways, oceans, and coasts. Our industry is the largest segment of the nation's 40,000-vessel domestic maritime fleet and moves 665 million tons of cargo each year safely and efficiently. On behalf of our more than 300 member companies, we appreciate the opportunity to comment on the Section 45X Advanced Manufacturing Production Credit proposed rule.

AWO members lead the maritime industry in safety, security, and environmental sustainability. We are committed to working with federal and state agencies to advance these shared objectives. Our commitment to sustainability includes strong support for the development of renewable energy resources. Our members will be essential to the buildout of offshore wind in the US. Maritime vessels, including existing and new tugboat and barge configurations, will be used to move offshore wind components from ports to installation locations on the outer continental shelf and to assist with the construction and operation of wind farms.

As currently proposed, section 45X(c)(4)(A) establishes "related offshore wind vessels" as wind energy components eligible for the section 45X credit. AWO strongly supports this inclusion. The timely development and deployment of offshore wind vessels is essential to meeting the Biden Administration's goal of securing 30 gigawatts of offshore wind energy capacity by 2030. Reducing the cost of manufacturing these vessels by making them eligible for the section 45X credit is necessary to support their economic viability as the offshore wind industry grows and matures.

However, we would appreciate clarification regarding transference of tax credits from vessel manufacturer (shipyard) to vessel owner. Is transference possible, and if so, how would this operate under different ownership configurations (e.g., equity ownership arrangements)?

We are also concerned that the current proposal might establish too narrow a definition of offshore wind vessel. Section 45X(c)(4)(B)(iv) defines “related offshore wind vessel” as any vessel that is “purpose-built or retrofitted for the purposes of the development, transport, installation, operation, or maintenance of offshore wind energy components.” While there are specialized vessels designed specifically to perform operations unique to offshore wind component transport and installation, there are also standard vessel types that are capable of doing offshore wind work. The manufacture of these more standard vessel types should also be eligible for the section 45X credit provided that they are being constructed or retrofitted for the purpose of offshore wind work. If the IRS means the current proposal to extend eligibility only to specialized offshore wind vessels, AWO recommends that it be expanded to include standard vessel types (e.g. tugboats and barges) intended for offshore wind work. If instead the agency means to include both specialized and standard vessels that will be engaged in offshore wind work, clarification would be appreciated.

In addition, clarification would be helpful regarding valuation of retrofits. Does the tax credit apply to the cost of the retrofit itself, the value-add of the retrofit, the cost of the final sale of a retrofitted vessel, or some other amount? Understanding how retrofitted vessels are appraised will allow vessel owners to make important decisions about how to equip their fleets to fulfill necessary roles in the development of offshore wind energy.

Thank you again for the opportunity to comment. AWO would be pleased to provide additional comments or further information as needed.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer A. Carpenter". The signature is written in a cursive, flowing style.

Jennifer Carpenter
President & CEO