Testimony of Roy P. Francis
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Good morning Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to testify on offshore renewable energy in the United States and provide a perspective as it relates to fabrication. My name is Roy Francis, Senior Vice President of Business Development for Gulf Island Fabrication, Inc. and I have been with the company for nearly 13 years. Before joining Gulf Island, I worked in coastal zone management and restoration, flood protection, and led an effort which successfully secured approvals and funding to build a bridge providing the only means of land access to the largest energy port (Port Fourchon, Louisiana) in the United States. I have served on numerous boards and committees including the Barataria Terrebonne National Estuary Program, Louisiana Governor's Advisory Commission for Coastal Activities, and was a founding member of a regional non-profit coastal restoration advocacy group, *Restore or Retreat*.

Gulf Island is a leading steel fabrication, shipyard and construction services provider that was founded during the oil and gas downturn in 1985 which later completed an Initial Public Offering in 1997 and is currently traded on the NASDAQ stock exchange under the symbol GIFI. Since the inception of the Company, Gulf Island has constructed foundations and topsides to support hydrocarbon energy production from offshore Gulf of Mexico and beyond. Gulf Island also builds offshore blast resistant living quarters to house offshore workers,

electrical buildings, pressure vessels, various production, chemical or processing skids and modules, as well as providing services such as painting and sandblasting of existing structures, offshore maintenance and repairs. We build these steel structures utilizing skilled labor and fabrication techniques available along the Gulf Coast of Louisiana and Texas. Many millions of manhours have been spent building up our Nation's energy infrastructure by Gulf Island and many other companies along the Gulf Coast.

Gulf Island has grown to offer diversified business segments which include traditional offshore and onshore fabrication and services, shipyard construction and repairs, petrochemical modular construction, coastal infrastructure, project management services and, most recently, offshore renewable projects. Gulf Island only operates facilities within the U.S. and is one of the two remaining large offshore fabricators in the U.S. Gulf Island employment numbers are down from approximately 2,200 four years ago to 980 workers located within our primary fabrication and shipbuilding yards in South Louisiana (sites in Houma, Jennings, and Lake Charles) and our corporate office in Houston, Texas.

Within the couple of years, the Texas fabrication yards were listed for sale due to the downturn in the offshore oil and gas industry and lack of deep-water platform fabrication opportunities. The Texas facility served the large topside and floating hull market for hydrocarbon production facilities located in greater than 2,000 feet of water. That domestic market has declined due in part to the fact that large ships can carry an entire production structure fabricated in Korea or China and delivered directly to location in the Gulf of Mexico.

Gulf Island was founded by one of the offshore industry's most significant innovators, Alden "Doc" Laborde. In 1953, Doc, a US Naval Academy graduate,

started Ocean Drilling and Exploration Company (ODECO) to build the world's first offshore mobile drilling rig. Prior to 1953, each well required the construction of an individual platform – which was both costly and inefficient. Shortly after starting ODECO, he organized Tidewater Marine to build offshore service vessels. I am sure that Committee Members recognize the importance of 1953 to offshore oil and gas development. As you know, the Outer Continental Shelf Lands Act was signed into law on August 7, 1953 and provided the regulatory framework to build the offshore industry we enjoy today.

Doc, a constant innovator, co-founded Gulf Island Fabrication in 1985 to build offshore oil production platforms. Since that day, Gulf Island has maintained a history of delivering "first-of-kind" projects and several of the largest steel structures in the world. Our craftsmen and women have built the first Mini-Tension Leg platform (floating hull used in deep-water production), the first MINDOC deep-water floating hull (Doc Laborde developed the concept), the largest U.S. derrick vessel which has a 10,000 ton lift capacity, the largest U.S. lift-boat (vessel with 335' steel piles to elevate service platforms out of the water), the first deep-water spar hull built in the U.S. (single piece cylinder hull 603' in length and 85' wide and 12,000 tons), and the third largest jacket (fixed offshore foundation) in the Gulf of Mexico (1,250' in length and 30,000 tons) and one of the largest compliant towers (38,000 ton fixed foundation) which is located off the coast of Africa. In short, we are proud to have successfully delivered the largest and most complex offshore structures in the world and are always looking for the next challenge.

Gulf Island is a financially conservative company which has no debt, but was hit hard from the combination of the Deepwater Horizon spill, increasing regulations and a low price environment that created an offshore oil and gas industry downturn

which has lingered for the last three years. As a result, in keeping with Doc's evolving vision of the offshore industry, we have diversified into shipbuilding, onshore modular projects and renewable structure fabrication. In fact, it is estimated that approximately 92% of Gulf Island's revenue in 2019 will be derived from work other than upstream oil and gas. To put that into perspective, seven years ago our non-oil and gas work made up only 3% of our total projects.

In 2008, Gulf Island launched our shipyard division with a multi-million dollar expansion at our existing fabrication facilities in Houma, Louisiana and the construction of one of the largest dry-docks on the Gulf Coast to launch new-build marine vessels and service existing vessels. Since that initial investment, that division has grown through acquisition and organic growth to produce inland tow boats, offshore supply boats, U.S. Navy vessels and lift-boats used to service offshore markets. Most recently, Gulf Island was successful in securing two National Science Foundation marine research vessels and a tactical support vessel contract for the U.S. Navy's Sea Systems Command T-ATS Program.

In 2007, management began investigating the potential offshore windfarm market. Despite our rich oil and gas history, we realized there were several similarities between structures for oil and gas production and offshore renewable projects. Offshore steel wind farm foundations and piles are quite similar to the fixed platforms and steel decks used for the shallow waters of the Gulf of Mexico.

While the topsides in traditional oil and gas production are a bit more complex, the foundations remain very similar. Steel fabrication, outfitting, offshore structural requirements, foundation installation offshore in a variety of conditions – this work is comparable to our past efforts to advance offshore hydrocarbon energy production. There is also a need for marine vessels to install and service the

windfarms and power-transmitting cables laid on the sea floor to transmit the power to the shore. In deeper water, floating platforms will be needed. The evolution of the renewable industry fits our experiences gained during our 33 years of steel manufacturing.

In addition to the similarities related to offshore windfarm structures, the decision to diversify into renewables was based on market fundamentals. We recognize the evolving desires of Americans and other citizens across the globe to utilize alternative and renewable energy sources. Offshore wind was well established in Europe, dating back nearly 27 years, and the technology has improved to bring costs down to compete against traditional sources in the Northeast. The Northeast was still utilizing coal and heating oil in many locations and did not have the pipeline infrastructure located in other parts of the country. The Northeast has very consistent winds in the Atlantic areas near large population bases and the Department of Energy projected 86 gigawatts (GW) of power by 2050. If there are steel structures to be built in the territorial waters of the United States, Gulf Island will pursue them!

We have realized that our offshore oil and gas knowledge will help expedite this new industry and Deepwater Wind, Inc. realized this as well as they sought to develop the first offshore wind farm in the U.S. Deepwater Wind also appreciated the benefits of using companies with offshore oil and gas expertise and utilized an offshore engineering company, survey company and installation company that held traditional offshore energy experience. In addition, the management team overseeing the Block Island Wind Farm located off the coast of Rhode Island was chosen from the offshore oil and gas industry and worked with Gulf Island to design a foundation that was practical and made use of proven offshore designs.

The Gulf Island welders, pipefitters and operators take pride in their contribution to America's first offshore wind farm. The five jackets were built in Houma, Louisiana, with other structural steel subcontracted to a Rhode Island fabricator, creating local jobs. The project was delivered on schedule, allowing us to realize a profit on wind energy after chasing it for many years. I am happy to say the blades are turning and the island no longer relies upon diesel generators for power. In addition to a reduced utility rate, Deepwater Wind provided the island with high speed internet cable.

After chasing wind for several years, we have found success. There are several projects along the coast from Maryland to Massachusetts that have been approved and Gulf Island will continue to pursue these opportunities to domestically build as much as possible. There will be competition to build within the established overseas facilities and we realize some components will initially have to be sourced from overseas, but we hope policymakers appreciate the economic value and security need for a domestic market.

As we continue to compete on the global scale and work towards diversification there are some concerns. One concern is the fact that over 30 new fabrication and shipyards have been built in China, Mexico and other countries in the last 10 years. Most of which are State owned or subsidized. For example, modular structures are being built in China, integrated in China, transported on Chinese vessels, and delivered to the Gulf Coast. Large modular components of petrochemical and gas export facilities are currently being fabricated in modules and brought over to location along the Gulf Coast. While not within the jurisdiction of this Committee, I believe that Congress should be mindful of our domestic energy industry and view its criticality to both our industrial base and national security interests. Another issue important to the domestic fabrication market is tariffs. If tariffs are

imposed on inbound raw steel, we must recognize that will hurt our domestic manufacturers and allow foreign competitors to bring in the same amount of steel, tariff free, fabricated into a finished structure.

The European renewable market is mature with 26 years of history and we should make use of that experience. However, America leads the world in hydrocarbon offshore development with our domestic know-how and skilled workforce. We need to fight to maintain both our skill and dominance as this new renewable market matures. Numerous overseas companies are pursuing this work since Block Island successfully deployed. There are over 200 potential offshore wind foundations/turbines approved from Virginia to Massachusetts. We need to build America's new offshore energy in America. The offshore renewable industry provides Congress a new opportunity to advance manufacturing, shipyard and offshore service jobs. Please work with communities, developers and industry to provide streamlined regulations and permitting, support the Jones Act and make strategic decisions as it relates to tariffs and fierce foreign competition.

The U.S. offshore industry has nearly 70 years producing energy. First, we extracted hydrocarbon from the ground and now we will harness the power of the wind. Gulf Island's heritage of leading the way through innovation was instilled at the beginning by Doc Laborde. He took part in one of the first offshore structures and we plan to usher in the future of renewable energy production in the United States offshore industry.