

Draft Bidding Credit – Requirements and Restrictions

Bidding Credit Purpose and Goals

- BOEM is utilizing a multiple-factor auction format, with a multiple-factor bidding system, for this lease sale. Under this system, BOEM will consider a combination of a monetary bid and bidding credits in determining the outcome of the auction.
 - The bidding credits are designed to enhance, through training, the offshore wind workforce; stand-up the domestic supply chain for offshore wind manufacturing, assembly, or services; or mitigate potential impacts stemming from Lease Area development.
 - Bidders who elect to pursue bidding credits for lease areas in both regions must submit the following with their Bidder’s Financial Form (BFF):
 - A strategy describing how the bidder intends to meet the workforce training or supply chain development bidding credit requirements, (for 20% credit). Only a single strategy, which can address a combination of workforce training and/or supply chain development commitments, will be required for this credit. Regional differences in implementation, if any, must be noted within the strategy.
 - A qualifying executed Lease Area Use Community Benefit Agreement (CBA), or a conceptual strategy describing how the bidder intends to qualify for the Lease Area Use CBA bidding credit, (for 2.5% credit). The bidder may have a separate CBA for each region but must describe the CBA(s) in a single conceptual strategy, and even with a separate CBA in each region, the total credit will be 2.5%.
- To qualify for the **workforce training and/or supply chain development bidding credit**, the bidder will need to commit to make a qualifying monetary contribution (“Contribution”¹) to programs or initiatives, as described below, that support workforce training programs for the offshore wind industry, development of a U.S. domestic supply chain for the offshore wind energy industry, or both. The Contribution must be verifiable by BOEM. Specifically, BOEM must verify both that the Contribution was made and that it was applied in the manner described in the Lessee’s conceptual strategy submitted with the BFF (explained below).
 - The Contribution to workforce training must result in a better trained and/or larger domestic offshore wind work force that would provide more efficient operations via an increase in the supply of fully trained personnel.
 - The Contribution to domestic supply chain development must result in a more stable domestic supply chain by reducing the upfront capital or certification cost for manufacturing offshore wind components, including the building of facilities,

¹ As used herein, “Contribution” means: (i) the direct transfer or payment of monetary funds; and (ii) establishment of non-refundable monetary commitments or guarantees (such as, but not limited to, revolving funds, trusts and loan guarantees).

- the purchasing of capital equipment, and the certifying of existing manufacturing facilities.
- The Contribution must result in overall benefits to the offshore wind supply chain for all potential purchasers of offshore wind services, components, or subassemblies, not solely the Lessee’s project.
 - The Contribution must result in either the demonstrable development of new domestic capacity (including vessels) or the demonstrable buildout of existing capacity.
 - The Contribution for workforce training and/or domestic supply chain development can be made in support of existing programs, or for the establishment of new programs or incentives associated with the planning, design, construction, operation, maintenance, or decommissioning of offshore wind energy projects, or manufacturing or assembling of their components, in the United States.
- To qualify for the **Lease Area Use CBA Bidding Credit (also referred to herein as “CBA Bidding Credit”)**, bidders must execute a CBA with a community or stakeholder group whose use of the geographic space of the Lease Area, or whose use of resources harvested from that geographic space, is directly impacted by the Lessee’s potential offshore wind development. The CBA is intended to mitigate potential impacts to the community or stakeholder group from renewable energy activity or structures on the Lease Area, and particularly to assist fishing and related industries to manage transitions, gear changes, or other similar impacts which may arise from the development of the Lease Area. CBAs may include provisions such as:
 - Compensation, mitigation, or other measures to address the potential impacts to ocean uses within the Lease Area, including fisheries. These impacts must result directly from the preconstruction, construction, and operation of an offshore wind project being developed under one of the leases issued in the lease sales.
 - Commitment of parties to collaboration and resolution of issues with or without the assistance of an independent third party.
 - Promotion of community education and engagement regarding the coexistence of ocean users offshore central and/or northern California.
 - The **Documentation** sections below identify requirements to demonstrate compliance with your commitment.

Workforce Training and/or Supply Chain Development Bidding Credit

Workforce Training and/or Supply Chain Development Bidding Credit – Forms of Contribution

- Contributions to workforce training must be one or more of the following:
 - Contributions in support of union apprenticeships, labor management training partnerships, stipends for workforce training, or other technical training programs

- or institutions focused on providing skills necessary for the planning, design, construction, operation, maintenance, or decommissioning of offshore wind energy projects in the United States.
- Contributions toward maritime training necessary for the crewing of vessels to be used for the construction, servicing, and/or decommissioning of wind energy projects in the United States.
 - Contributions toward training workers in skills or techniques necessary to manufacture or assemble offshore wind components, subcomponents or subassemblies. Examples of these skills and techniques include welding; wind energy technology; hydraulic maintenance; braking systems; mechanical systems, including blade inspection and maintenance; or computers and programmable logic control systems.²
 - Contributions toward training in any other job skills that the Lessee can demonstrate are necessary for the planning, design, construction, operation, maintenance, or decommissioning of offshore wind energy projects in the United States.
 - See: **Workforce Training Credit – Specific Requirements and Restrictions** for additional conditions on this credit.
- Contributions to domestic supply chain development must be one or more of the following:
 - Contributions supporting the development of a domestic supply chain for the offshore wind industry, including manufacturing of components and sub-assemblies and the expansion of related services.
 - Contributions to domestic tier-2³ and tier-3⁴ offshore wind component suppliers, including suppliers of components specifically needed to develop floating wind technology, and domestic tier-1⁵ supply chain efforts, including quay-side fabrication.
 - Contributions for technical assistance grants to help U.S. manufacturers re-tool or certify (e.g., ISO-9001) for offshore wind manufacturing.
 - Contributions for the development of Jones Act-compliant vessels for the construction, servicing, and/or decommissioning of wind energy projects in the United States.

² <https://www.bls.gov/ooh/installation-maintenance-and-repair/wind-turbine-technicians.htm#tab-4>

³ Tier 2: Subassemblies are the systems that have a specific function for a tier 1 component. They may include subassemblies of a number of smaller parts, such as a pitch system for blades. Tier 2 manufacturers contract with tier 1 suppliers as a subcontractor or vendor.

⁴ Tier 3: Subcomponents are commonly available items that are combined into tier 2 subassemblies, such as motors, bolts, and gears. Tier 3 manufacturers are typically vendors that provide components to tier 2 suppliers.

⁵ Tier-1 components examples include the primary offshore wind components such as the blades, nacelles, towers, foundations, and cables. Tier-1 components are the major products that are purchased by an offshore wind project developer. Tier 1 suppliers are primary suppliers that contract directly with the project developer.

- Contributions to establish a new or existing bonding support reserve or revolving fund available to all businesses providing goods and services to offshore wind energy companies, including disadvantaged businesses.⁶
- Other Contributions to supply chain development efforts that the Lessee can demonstrate further the manufacture of offshore wind components or subassemblies, or the provision of offshore wind services, in the United States.
- See: **Domestic Supply Chain Credit – Specific Requirements and Restrictions** for additional conditions on this credit.

Workforce Training and/or Supply Chain Development –Documentation Requirements

The Lessee will commit to making its Contribution consistent with the conceptual strategy submitted with the BFF.

- The conceptual strategy will be reviewed by the Auction Panel pursuant to the guidelines above. The strategy must explain how the Lessee will select Contribution recipients and the process for documentation and verification once the Contribution has been made.
- The Lessee must provide documentation showing that it has met at least 25% of its commitment and complied with the applicable bidding credit requirements no later than the submission to BOEM of its first Construction and Operations Plan (COP) and must provide such documentation concerning the remainder of its commitment no later than the submission to BOEM of its first Facility Design Report (FDR) for the lease.
- The documentation must enable BOEM to objectively verify the amount of the Contribution and the beneficiary(ies) of the Contribution. At a minimum, this documentation must include:
 - All written agreements between the Lessee and beneficiary(ies) of the Contribution;
 - All receipts documenting the amount, date, financial institution, and the account and owner of account to which the Contribution was made; and
 - Sworn statements by the entity that made the Contribution and the beneficiary(ies) of the Contribution, attesting:
 - The amount and date(s) of the Contribution;
 - That the Contribution is being (or will be) used in accordance with the bidding credit requirements in the Lease; and
 - That all information provided is true and accurate.
- The documentation must describe how the funded initiative or program has advanced, or is expected to advance, U.S. offshore wind workforce training and/or supply chain development. The documentation must also provide qualitative and/or quantitative information that includes the estimated number of trainees or jobs supported, or the

⁶ A disadvantaged business entity would be one at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals as defined by the Small Business Administration (<https://www.sba.gov/federal-contracting/contracting-assistance-programs/small-disadvantaged-business>).

estimated leveraged supply chain investment resulting or expected to result from the Contribution.

- The documentation must contain any information specified in the conceptual strategy submitted with the BFF. If the Lessee's implementation strategy has changed due to market needs or other factors, the Lessee must explain this change. BOEM reserves all rights to determine whether the conditions of the bidding credit have been satisfied.

Workforce Training and/or Supply Chain Development – Bidding Credit Requirements and Restrictions

- The Contribution must be made by the Lessee, its parent company, or affiliated entity.
- Contributions must be made to (i) private, public, or municipal corporations, companies, associations, partnerships, and other legal entities organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction; (ii) an executive Agency of the United States as defined in section 105 of Title 5 of the U.S. Code; or (iii) a State of the United States or a political subdivision thereof.
- The Lessee, its parent company, or its affiliated entities are not permitted to retain an ownership/equity interest in the entity receiving the Contribution, a discount to the market price for goods or services provided by the recipient, or other preferential treatment, but can purchase offshore wind goods or services from the recipient at market rates.
- The Lessee and any future assignee(s) of the lease are bound by the bidding credit commitments made to earn a bidding credit for the lease.
- If BOEM determines that a Lessee or assignee has failed to satisfy the commitment at the FDR stage, as applicable, or if a Lessee or assignee relinquishes or otherwise fails to develop the lease by the tenth anniversary date of lease issuance, the amount corresponding to the bidding credit awarded shall be immediately due and payable to the Office of Natural Resources Revenue (ONRR) with interest from the date of lease execution.⁷

Workforce Training Credit – Specific Requirements and Restrictions

- All offshore wind Lessees must have the opportunity to hire individuals trained in programs that benefited from the Contribution. Trainees cannot be contractually required to enter into employment agreements with either the Lessee making the Contribution or the entity providing the training.
- The workforce training must be provided in the United States and to citizens of the United States, nationals of the United States, or aliens lawfully admitted for permanent residence in the United States as defined in 8 U.S.C. 1101(a)(20).
- The training must be provided by any of the following:

⁷ BOEM may, at its sole discretion, extend the documentation deadline beyond the FDR or the 10-year timeframe stated in this paragraph. The interest rate is the underpayment interest rate published by ONRR.

- Private, public, or municipal corporations, companies, associations, partnerships, and other legal entities organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction;
- Executive Agency of the United States as defined in section 105 of Title 5 of the U.S. Code; or
- State of the United States or a political subdivision thereof.
- Training of existing Lessee employees, Lessee contractors, or employees of affiliated entities will not qualify under this Contribution.

Domestic Supply Chain Credit – Specific Requirements and Restrictions

- Contributions must be made to programs supporting the development of the offshore wind supply chain or as direct Contributions for re-tooling or certification of component manufacture/assembly or other services supporting the offshore wind industry.
- Contributions cannot be made to associates of the Lessee or to a purchase or work order. This credit must further the overall buildout of the offshore wind domestic supply chain without a direct quantifiable benefit to the Lessee.

CBA Bidding Credit

CBA Bidding Credit – Documentation Requirements

The Lessee will commit to executing a CBA in general accordance with the conceptual strategy submitted with the BFF.

- The conceptual strategy will be reviewed by the Auction Panel pursuant to the guidelines above. The strategy must explain how the Lessee will select or target stakeholder groups or local communities with whom to enter into a CBA and the process for documentation and verification that the CBA has been executed.
- The Lessee must provide documentation showing that it has complied with the CBA bidding credit requirements no later than the submission to BOEM of the first FDR for the lease. Lessees should consider targeting impacted communities identified through BOEM’s National Environmental Policy Act (NEPA) process.
- The documentation must enable BOEM to objectively verify the CBA has met the purpose, goals, and requirements for the CBA bidding credit. At a minimum, this documentation must include:
 - All written agreements between the Lessee and beneficiary(ies), including the executed CBA;
 - Any receipts proving monetary contributions as required by the CBA, documenting the amount, date, financial institution, and the account and owner of the account to which the contribution was made;

- The monetary, material, or other benefits provided, or to be provided, by the Lessee to the directly impacted community or stakeholder group; and
- Sworn statements by the CBA signatories or their assignees, attesting to:
 - The date the CBA was entered;
 - Explaining how the CBA addresses (or will address) the potential impacts arising to the use of the geographic space of the Lease Area, or resources harvested from that geographic space, arising from the potential development of the Lease Area; and
 - the truth and accuracy of all information provided.
- If, after the Lessee's conceptual strategy is accepted by the Panel, it undergoes any significant change(s), the Lessee must explain the change(s) and the reason(s) therefor in the Lessee's submitted documentation. The documentation must contain any information specified in the conceptual strategy that was submitted with the BFF. BOEM reserves all rights to determine that the bidding credit has not been satisfied if changes to the Lessee's conceptual strategy result in the conceptual strategy no longer meeting the bidding credit criteria.

CBA Bidding Credits – Requirements and Restrictions

- No part of any CBA otherwise eligible for a bidding credit may include exclusivity or preferential clauses that prevent or disincentivize an entity, community, or stakeholder from entering into such agreements with other lessees or potential lessees. Should an exclusivity or preferential clause exist in the CBA or a related agreement, BOEM will rescind the bidding credit and commence the enforcement process as described in the lease.
- Lessees may execute a CBA with a single entity or multiple entities and may execute more than one CBA.
- To qualify for a CBA bidding credit, the CBA must be entered into with:
 - (i) private, public, or municipal corporations, companies, associations, partnerships, and other legal entities organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction; or
 - (ii) a State of the United States or a political subdivision thereof.
- The CBA must:
 - Be between the Lessee or its affiliated entity, or, if appropriate, their assignee(s), and a community or stakeholder group whose use of the geographic space of the

- Lease Area, or whose use of resources harvested from that geographic space, is directly impacted by the Lessee's potential offshore wind development;
- Specify the monetary, material, or other benefits provided, or to be provided, by the Lessee to an impacted community or stakeholder group;
 - Specify the mitigation or other compensatory measures provided by the Lessee to an impacted community or stakeholder group;
 - Indicate commitment of parties to collaboration and resolution of issues, communication methods, engagement methods, or educational opportunities for an impacted community or stakeholder group; and
 - Specify plans (or strategies) to mitigate potential impacts of the Lessee's proposed offshore renewable energy activity or structures in the Lease Area to an impacted community or stakeholder group.
- If BOEM determines that a Lessee or assignee has failed to satisfy the commitment at the FDR stage, or if a Lessee or assignee relinquishes or otherwise fails to develop the lease by the tenth anniversary date of lease issuance, the amount corresponding to the bidding credit awarded will be immediately due and payable to ONRR with interest from the date of lease execution. The interest rate will be the underpayment interest rate identified by ONRR. BOEM may, at its sole discretion, extend the documentation deadline beyond the COP or the 10-year timeframe stated in this paragraph.
