



BOEM Bureau of
Ocean Energy Management

BOEM California Intergovernmental Renewable Energy Task Force Meeting

June 3, 2022

BOEM Pacific Regional Office

Facilitated by Jenna Tourjé-Maldonado, Kearns & West



Sara Gultinan, BOEM

Overview of Proposed Sale Notice

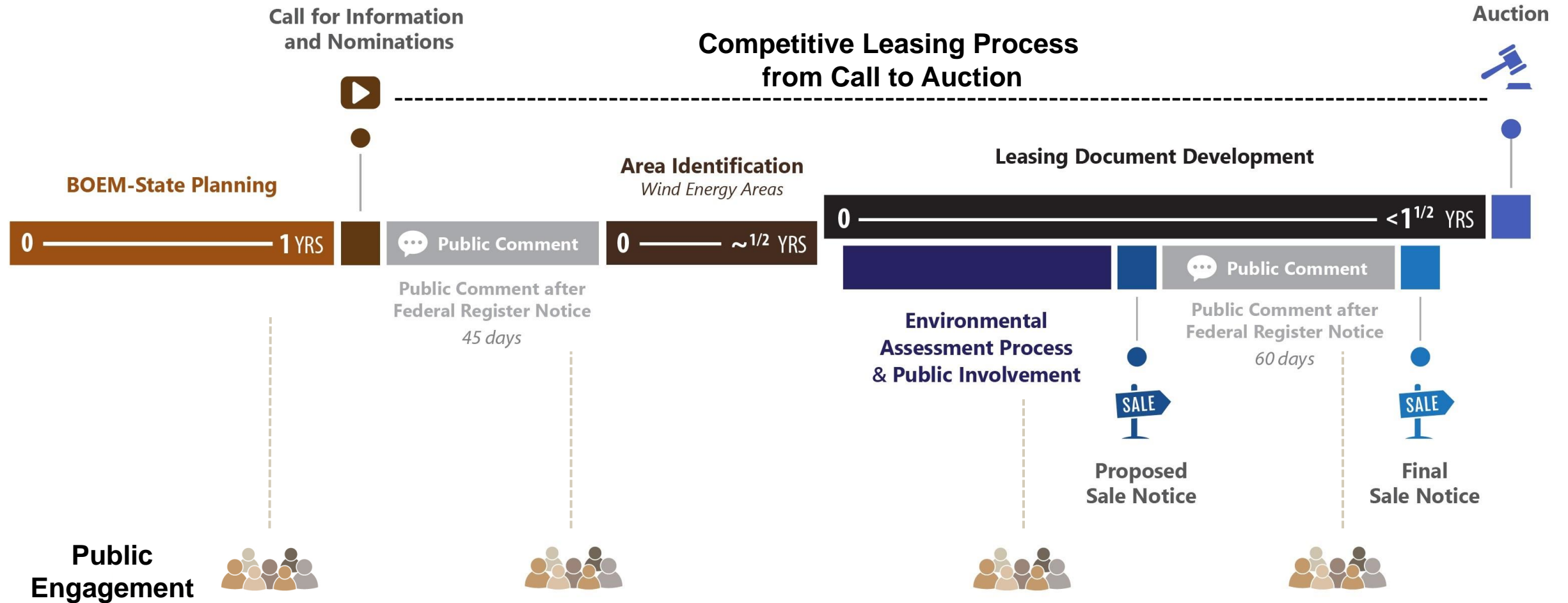


Presentation Outline

- **Offshore wind activities update since July 2021 Task Force meeting – *very brief***
- **Overview of Proposed Sale Notice – *emphasis on key points for the California context***
- **Overview of proposed bidding credits and auction format – *by Marty Heinze***
- **Next steps in the BOEM leasing process**



California Offshore Wind Energy Planning



California Offshore Wind Energy Planning

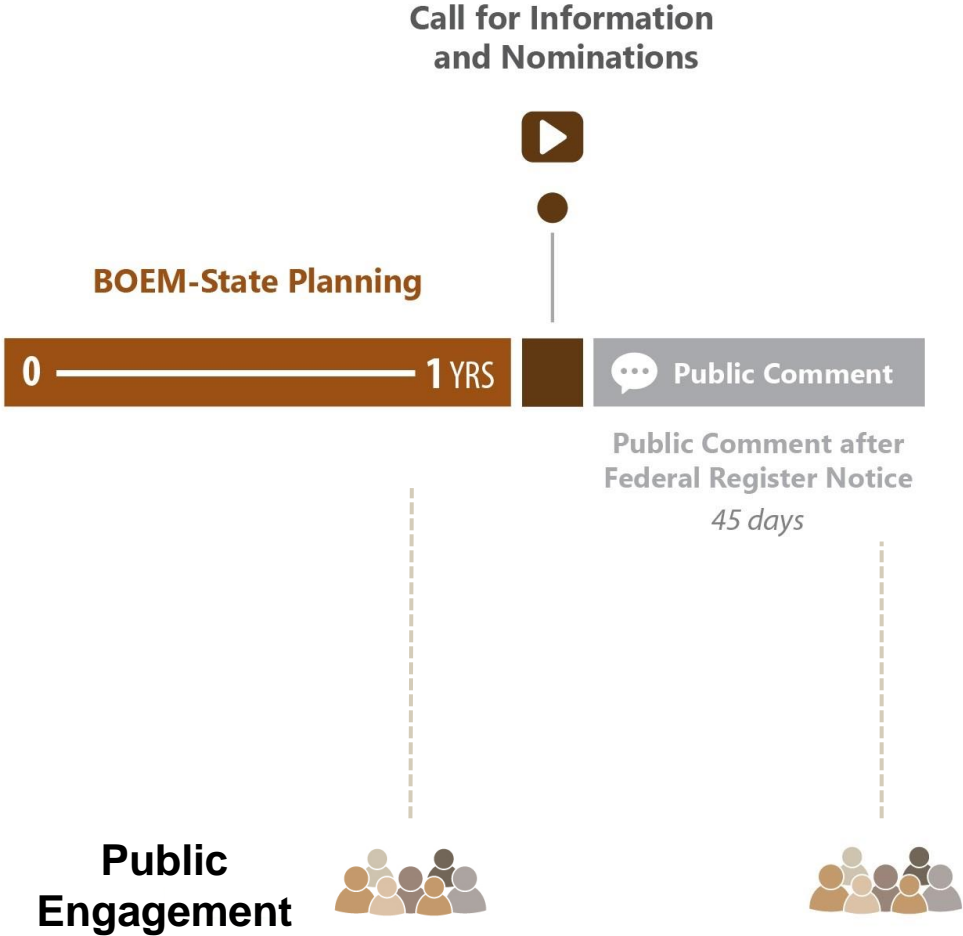
BOEM-State Planning



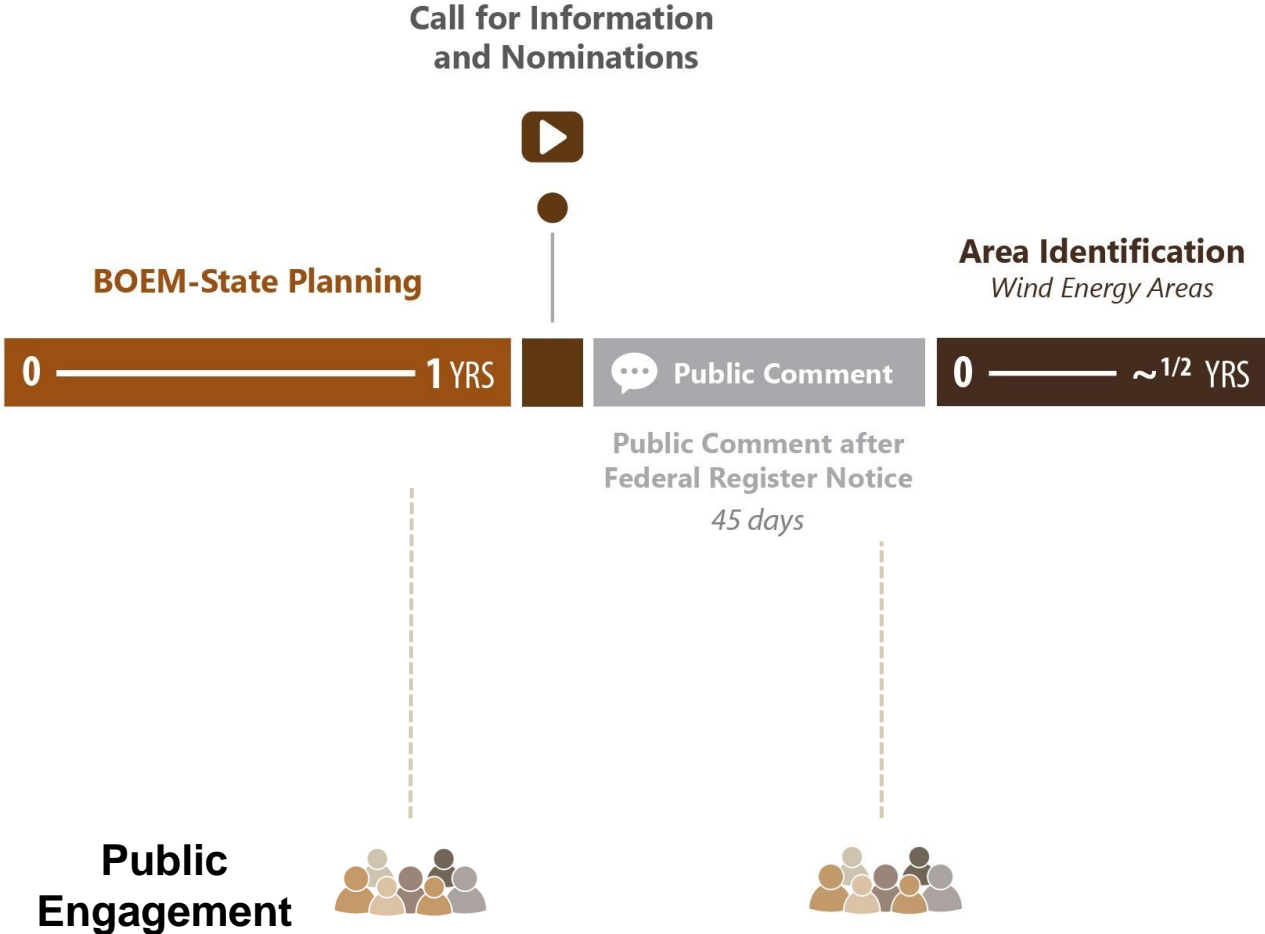
**Public
Engagement**



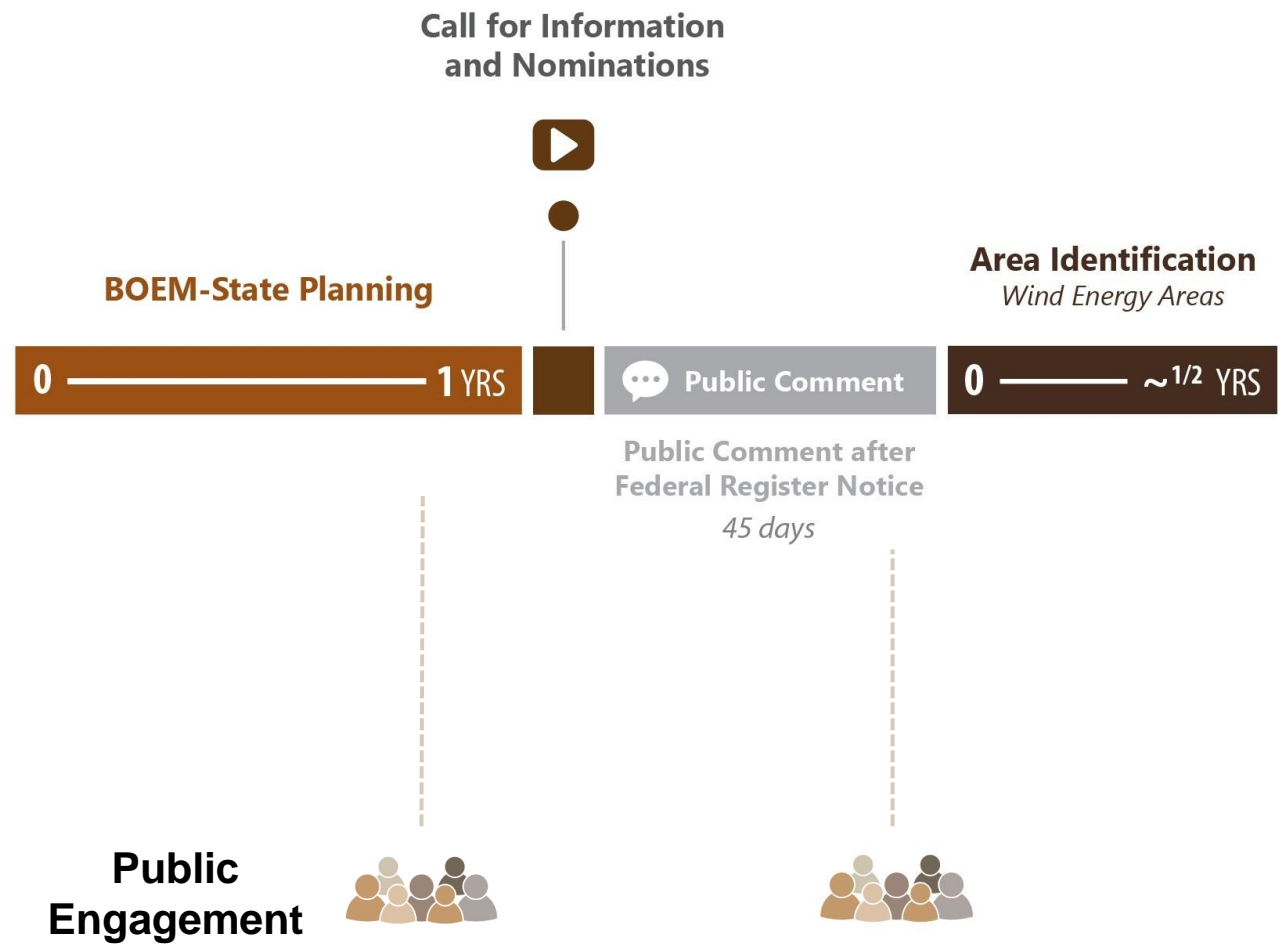
California Offshore Wind Energy Planning



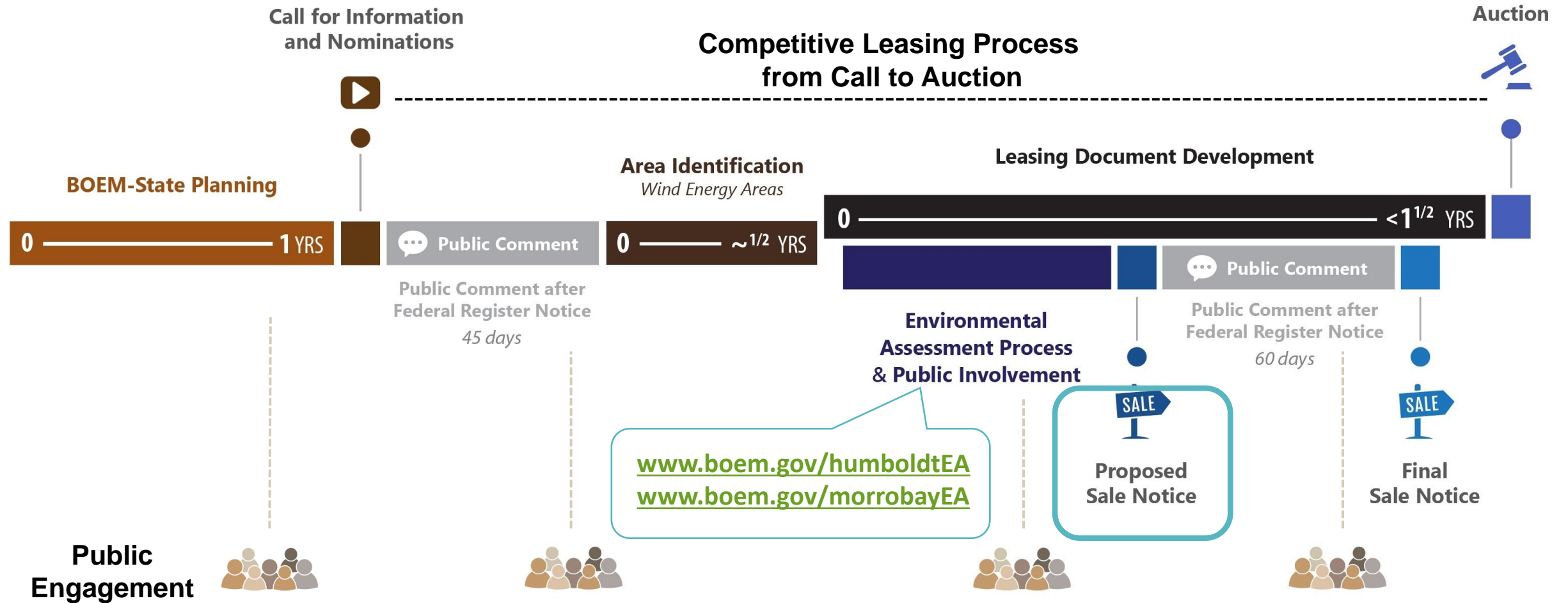
California Offshore Wind Energy Planning



California Offshore Wind Energy Planning



California Offshore Wind Energy Environmental Review and Leasing



Proposed Sale Notice (PSN)

- **Published in the Federal Register on May 31, 2022**
- **The PSN describes:**
 - 5 proposed areas that could be available for leasing
 - Proposed conditions and stipulations of a lease
 - Bidding credits that could be available to qualified bidders
 - Proposed auction format and procedures
 - Specific questions on which BOEM is seeking feedback
 - Process for issuing a lease
- **60-day public comment period ends August 1, 2022**
 - [Docket No. BOEM-2022-0017](#)



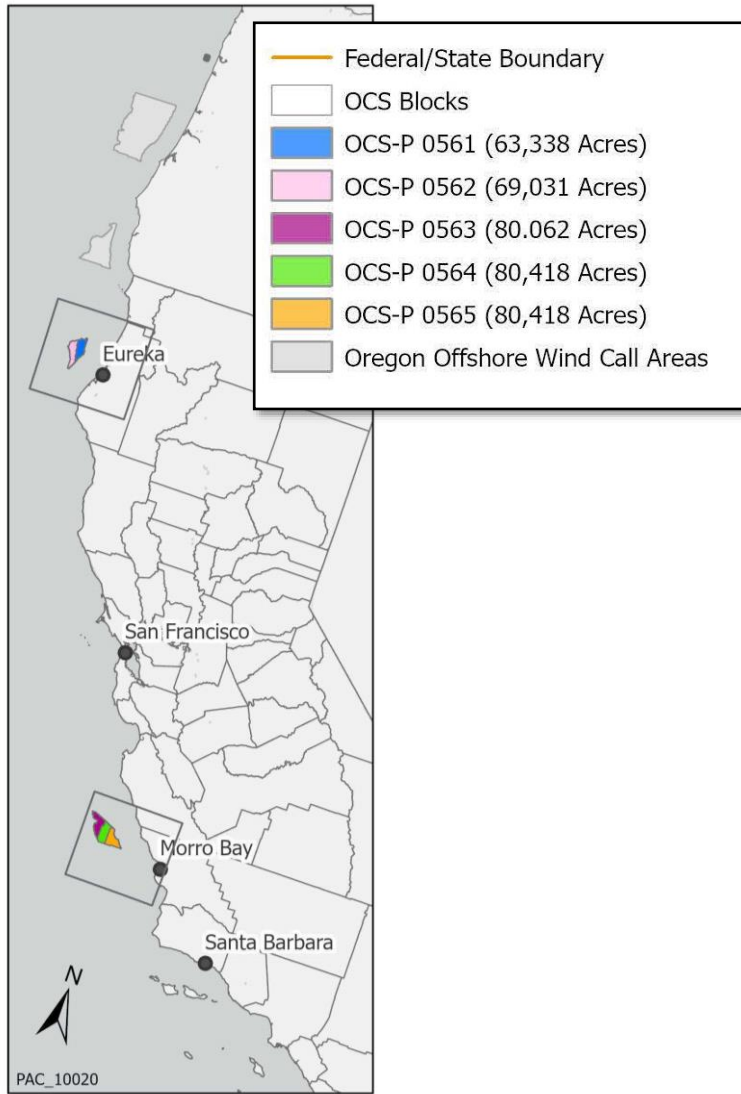
PSN Package

- Proposed Sale Notice
- North Coast (Humboldt) Proposed Leases (2)
 - CA Proposed Lease OCS-P 0561
 - CA Proposed Lease OCS-P 0562
- Central Coast (Morro Bay) Proposed Leases (3)
 - CA Proposed Lease OCS-P 0563
 - CA Proposed Lease OCS-P 0564
 - CA Proposed Lease OCS-P 0565
- Overview Map of the California Proposed Lease Areas
- California Proposed Lease Areas Shapefiles
- Bidder's Financial Form
- Bidder's Financial Form Addendum
- Qualifications Guidelines
- EFT Payment Instructions

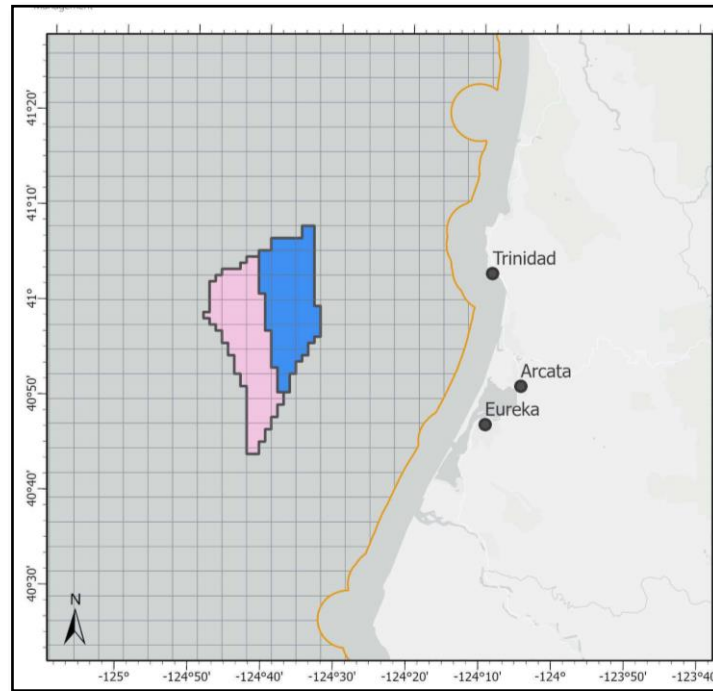
All available on BOEM California Activities webpage: www.boem.gov/california



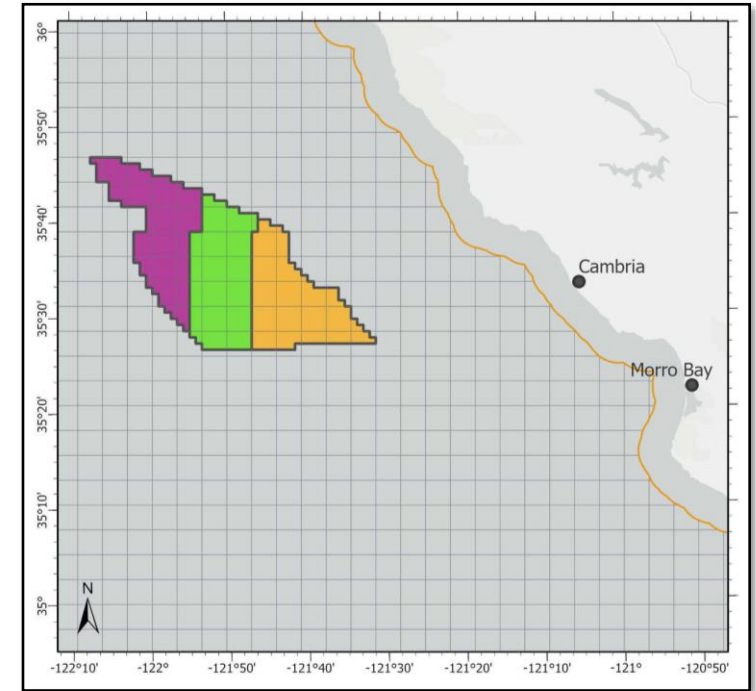
Proposed Lease Areas



2 Lease Areas within the Humboldt Wind Energy Area



3 Lease Areas within the Morro Bay Wind Energy Area



Proposed Lease Areas

	North Coast		Central Coast			
Lease Area	OCS-P 0561	OCS-P 0562	OCS-P 0563	OCS-P 0564	OCS-P 0565	Total
Area (acres)	63,338	69,031	80,062	80,418	80,418	373,268
Area (square miles)	99	108	125	126	126	583
Depth Range (meters)	537 – 1,017	614 – 1,137	988 – 1,271	953 – 1,284	884 – 1,165	--
Depth Range (feet)	1,762 – 3,337	2,014 – 3,730	3,241 – 4,170	3,127 – 4,213	2,900 – 3,822	
Closest Distance to Shore (miles)	20	20	26	22	20	--
Installation Capacity (MW) ^[1]	769	838	972	976	976	4,532
Homes Powered ^[2]	269,136	293,328	340,200	341,712	341,712	1,586,088
Power Production (MWh/year) ^[3]	2,694,436	2,936,632	3,405,888	3,421,025	3,421,025	15,879,007

MW = megawatts

MWh = megawatt-hour

[1] Based on Power Density Factor of 3 MW per square kilometer

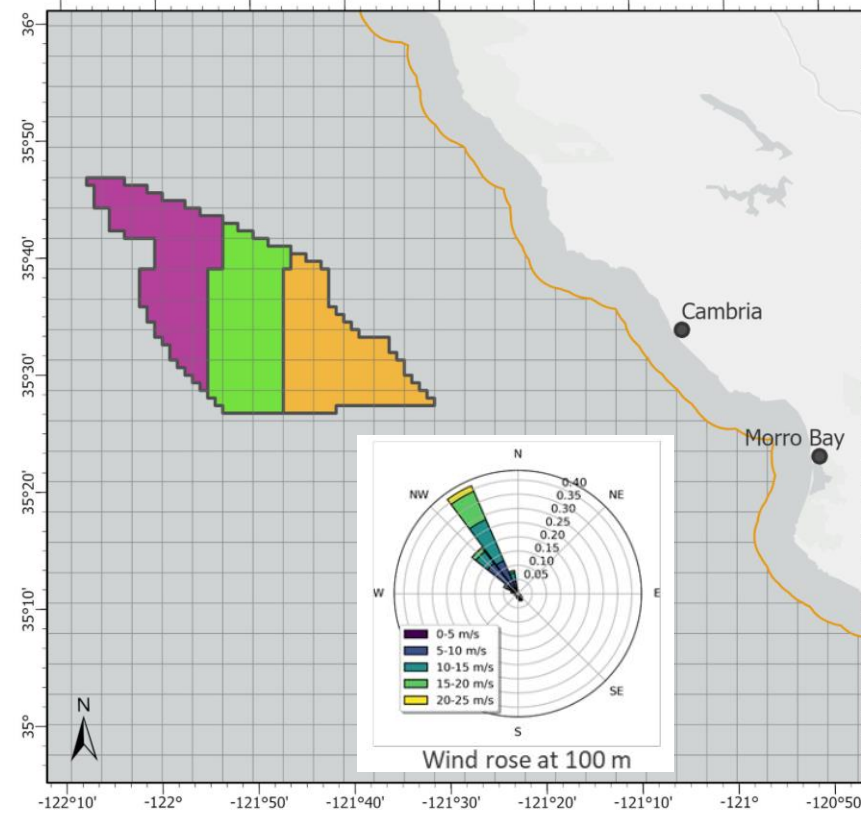
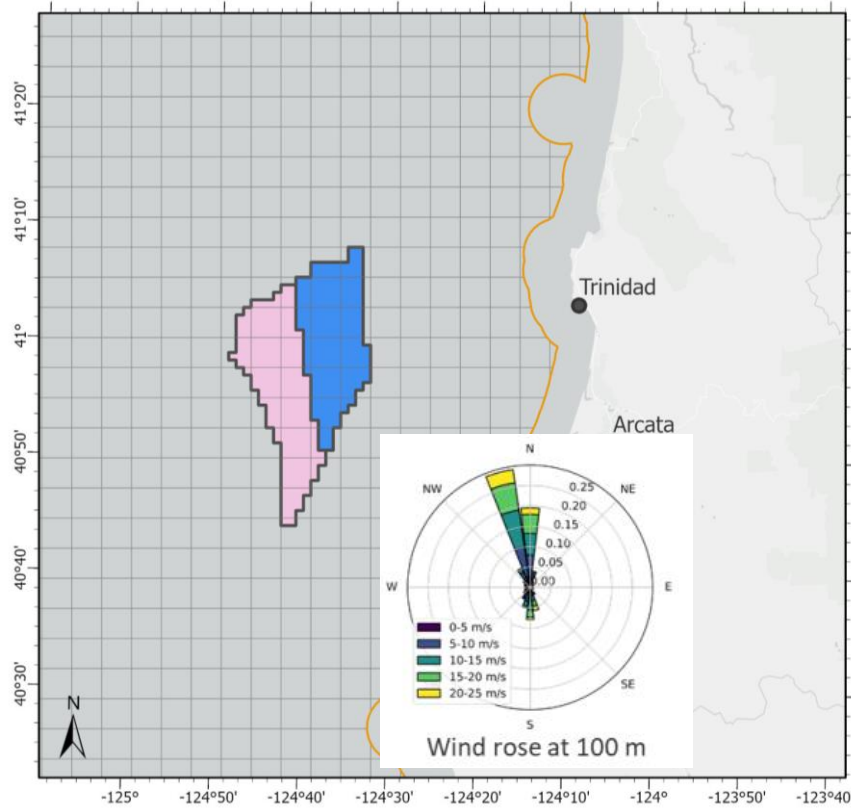
[2] Based upon 350 homes per MW of installation capacity

[3] Power Production = Installation Capacity (MW) * 8760 (hours/year) * 0.4 (capacity factor)



Proposed Lease Areas – Delineation Goals

- Maximize energy generation
- Equal commercial viability
- Approximately equal size



See “Assessment of Offshore Wind Energy Leasing Areas for Humboldt and Morro Bay Wind Energy Areas, California” report by the National Renewable Energy Laboratory: <https://www.boem.gov/BOEM-2022-025>



Lease Summary

Rights of the Lessee: to submit to BOEM for approval a Site Assessment Plan (SAP) and Construction and Operations Plan (COP) for a wind energy project. A lease does not, by itself, authorize any activity within the leased area.

- Plans are subject to subsequent environmental, technical, and public reviews prior to BOEM decision on whether to approve the Plans.
- BOEM can approve, approve with modifications, or not approve an SAP or COP.

Terms: Preliminary Term (1 year), Site Assessment Term (5 years), Operations Term (33 years)

Payments: Rent and Operating Fees

Financial Assurance: Lessee must provide and maintain financial assurance to meet all accrued lease obligations.

- Initial Financial Assurance: \$100,000 due before lease issuance
- Additional Financial Assurance: associated with the SAP, COP, and anticipated decommissioning costs, amounts determined by BOEM

Lease-specific terms, conditions, and stipulations: Addendum C



Selected Lease-Specific Terms, Conditions, and Stipulations

“The Lessor reserves the right to impose additional terms and conditions incident to the future approval or approval with modifications of plans” (Addendum C)

Site Characterization Activities

- Lessee must submit a survey plan before conducting each physical, biological, or cultural resources survey
- Survey plans must be consistent with Lessee’s Communications Plans
- Pre-Survey Meeting(s) with BOEM and all relevant subject matter experts
- Tribal Pre-Survey Meeting with Lessee, interested Tribes, and Lessee’s Qualified Marine Archaeologist



Selected Lease-Specific Terms, Conditions, and Stipulations

Engagement and Reporting

- Lessee will make reasonable efforts to consult with Tribes and parties who may be potentially affected by the project activities on the Outer Continental Shelf.
- Requirement encourages Lessee to identify and engage with underserved communities in order to avoid, minimize, and mitigate potential adverse effects.
- Coordinated engagement among lessees to decrease communication and consultation burden.
- Progress Reports submitted to BOEM every 6 months.
- Progress Report must include: Tribes and parties engaged, potential adverse effects from Lessee's project, how project design or implementation was informed or altered to address potential effects (if at all), feedback from engagement on transmission planning prior to proposing any export cable, survey plan activity progress.



Selected Lease-Specific Terms, Conditions, and Stipulations

Communications Plans

- Native American Tribes Communications Plan (NATCP)
 - Lessee must work with BOEM and California Native American Heritage Commission to identify Tribes with cultural and/or historical ties to the Lease Area.
 - Describes Lessee's strategies for communicating with Tribes.
 - Should include protocols for unanticipated discovery of any potential pre-contact archaeological resources.
 - Must include contact information for Lessee's Tribal Liaison.
- Agency Communications Plan (ACP)
 - Describes Lessee's strategies for communicating with federal, state, and local agencies with authority related to the Lease Area.
 - Intended to improve quality and efficiency of agency decision-making processes.
 - Must include contact information for Lessee's Agency Liaison.
- Fisheries Communications Plan (FCP) – see next slide
- All draft plans to BOEM and interested Tribes, Agencies and Fisheries, respectively, for review and comment, and meetings on draft plans within 120 days of lease execution.



Selected Lease-Specific Terms, Conditions, and Stipulations

Commercial Fisheries

- Fisheries Communications Plan (FCP):
 - Describes Lessee's strategies for communicating with fisheries stakeholders.
 - Must include a process to file a complaint with the offshore wind operator and seek the replacement of or compensation for lost gear.
 - Must include contact information for Lessee's Fisheries Liaison.
- Before submitting a COP, Lessee will contact potentially affected commercial fishing communities or their representatives to discuss potential conflicts with the siting, timing, and methods proposed.
- Lessee will ensure that survey and development activities are compatible with seasonal fishing operations whenever feasible and avoid creation of obstacles and entanglement hazards to commercial fishing operations.
- Lessee must provide annual summary of files complaint claims and outcomes.
- Requirements for Lessee's COP: prioritize Federal and State climate change adaptation strategies for fisheries, vessel routes to minimize impacts, include analysis of the effects of operations on allocation and use of local dock space.



Selected Lease-Specific Terms, Conditions, and Stipulations

Archaeological Surveys

- Lessee must provide methods and results of archaeological survey.
- In the event of unanticipated discovery of potential archaeological resource, immediately halt bottom-disturbing activities, avoidance distance must be calculated from the maximum discernible extent of the resource (minimum of 50 meters).

Project Labor Agreements (PLAs)

- Lessee must make every reasonable effort to enter a PLA that covers the construction stage of any project proposed for the leased area, and that applies to all contractors.

National security and military operations

Marine trash and debris prevention

Site access by BOEM for research purposes



Selected Lease-Specific Terms, Conditions, and Stipulations

Additional conditions to be included in final leases

- Protective measures for biological surveys:
 - BOEM Endangered Species Act Consultation for biological surveys with National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service is in progress.
 - Biological surveys must be within the scope of activities described in consultation or Lessee must consult with BOEM and the Services.
- Protective measure for geological and geophysical surveys:
 - Lessee must comply with protective measures identified through BOEM Endangered Species Act consultation (in progress).
 - Lessee may satisfy the protected species requirements by complying with NMFS-approved measures most current at the time of activity.
- Updated conditions to ensure that the activities authorized under the lease are consistent with conditions of California Coastal Commission's consistency review under the Coastal Zone Management Act.



PSN Questions for Stakeholders

- **Number, size, orientation, and location of the proposed lease areas**
- **Engaging underserved communities**
- **Bidding credits**
- **Limits on the number of lease areas per bidder**
- **Definition of “affiliated entities”**
- **Engagement and reporting**
- **Project layout considerations**
- **Industry standards for environmental protection**
- **Measures to facilitate vessel transit**



Marty Heinze, BOEM

Proposed Bidding Credits and Auction Format



Lease Sale and Auction

- **Ascending bid clock auction format**
 - Multi-factor (cash + bidding credits)
 - Lease awarded to highest bidder
 - Bids are entered electronically through an online auction platform
 - PSN proposes limiting bidders to one lease area in each the north and central coast.
- **Auction ends when there is no more than one bidder for each of the lease areas**
 - Could span multiple days depending on demand



Post Auction

- Provisional winners announced following conclusion of auction
- DOJ Antitrust review (30 days)
- Lease awarded after payment of bonus balance and signed lease returned to BOEM
- A lease does not constitute approval of project-specific plans
 - 1-year preliminary term
 - 5-year site assessment term
 - 33-year operating term



Bidding Credit

- Bidders may receive a bidding credit in exchange for committing to make a qualifying monetary contribution to programs or initiatives supporting offshore wind
- Two types of bidding credits proposed:
 - 20% bidding credit for a commitment to invest in programs that will advance U.S. offshore wind energy **workforce training and/or supply chain development**.
 - 2.5% bidding credit for executing a community benefit agreement with a stakeholder group whose use of **resources harvested from within the geographic space of the lease** is directly impacted by the Lessee's potential offshore wind development.



Workforce Training Bidding Credit

- **The contribution must result in a better trained offshore wind workforce including:**
 - Union apprenticeships, labor management training partnerships, stipends for workforce training, or other technical training programs.
 - Maritime training for crewing vessels supporting wind energy projects.
 - Training workers in skills or techniques necessary to manufacture or assemble offshore wind components, subcomponents, or subassemblies.
 - Training in other skills Lessee can demonstrate are necessary for the planning, design, construction, operation, or maintenance of offshore wind energy projects in the United States.



Supply Chain Development Bidding Credit

- **The Contribution must result in:**

- Overall benefits to the U.S. offshore wind supply chain for all potential purchasers of offshore wind services, components, or subassemblies, not solely the Lessee's project.
- A demonstrable development of new domestic capacity (including vessels) or the demonstrable buildout of existing capacity.
- A more robust domestic supply chain by reducing the upfront capital or certification cost for manufacturing offshore wind components including the building of facilities, the purchasing of capital equipment, and the certifying of existing manufacturing facilities.
 - Includes quay-side fabrication and components specifically needed to develop floating wind technology.



Lease Area Use Community Benefit Agreement

- **A lessee agreement with a qualified stakeholder(s) to include provisions such as:**
 - Plans to mitigate potential impacts of the proposed development to ocean users within the lease area including fisheries.
 - Compensation, mitigation, or other compensatory measures for potential impacts to ocean uses within the lease area including fisheries.
 - 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.



Bid Amount

- **The bid made by a particular bidder in each round would represent the sum of a monetary (cash) amount and non-monetary factors (bidding credit(s)).**
 - The bidding credit is a percentage of the cash bid.
$$\text{Cash Bid} * \text{Credit Percentage} = \text{Credit}$$
 - The cash bid is then added to your credit to equal the round's asking price

$$\text{Cash Bid} + \text{Credit} = \text{Asking Price (or Imputed Price)}$$



Bidding Credit Formula

In the auction system the bidding credit is calculated as:

$$\text{Cash Bid} = \frac{\text{Imputed Price (bid amount)}}{(1 + \text{Bidding Credit Percentage})}$$

$$\text{Credit} = \text{Imputed Price} - \text{Cash Bid}$$

$$\text{Commitment} = 0.80 * \text{Credit}$$

(20% bid credit)

Imputed Price – the bidder’s total winning bid for the lease or lease areas

Cash Bid – the calculated amount the bidder pays

Credit – the calculated amount the bidder receives as credit

Commitment – the calculated amount the bidder will put towards workforce training, development of the domestic supply chain.



Bidding Credit Example

- **Example: a winning bidder qualifying for the 20% bidding credit.**
 - The total winning bid for the bidder was \$30 million. The bidder would receive a credit of \$5 million towards its winning bid in exchange for \$4 million commitment to workforce training or development of the domestic supply chain. The calculations are as follows:

$$\text{Cash Bid} = \frac{\$30 \text{ million}}{(1 + 0.20)} = \$25 \text{ million}$$

$$\text{Credit} = \$30 \text{ million} - \$25 \text{ million} = \$5 \text{ million}$$

$$\text{Commitment} = 0.80 * \$5 \text{ million} = \$4 \text{ million}$$

- **Note:**
 - Credit is 16.67% of Imputed Price
 - Commitment is 13.33% of Imputed Price



Compliance/Enforcement

- **20% Workforce Training/Supply Chain Bidding Credit**
 - The Lessee is not permitted to retain an equity interest in the entity receiving the Contribution, a discount on the market price for goods or services, but can purchase offshore wind goods or services from the recipient at market rates.
 - All lessees must have the opportunity to hire trained individuals. Trainees cannot be contractually required to enter into employment agreements with either the Lessee or the entity providing the training.
 - 25% of the supply chain Contribution is due before submission of the first COP; remainder is due before the Lessee's first FDR.
- **If the Lessee fails to satisfy the bidding credit commitment, the amount will be immediately due and payable with interest.**



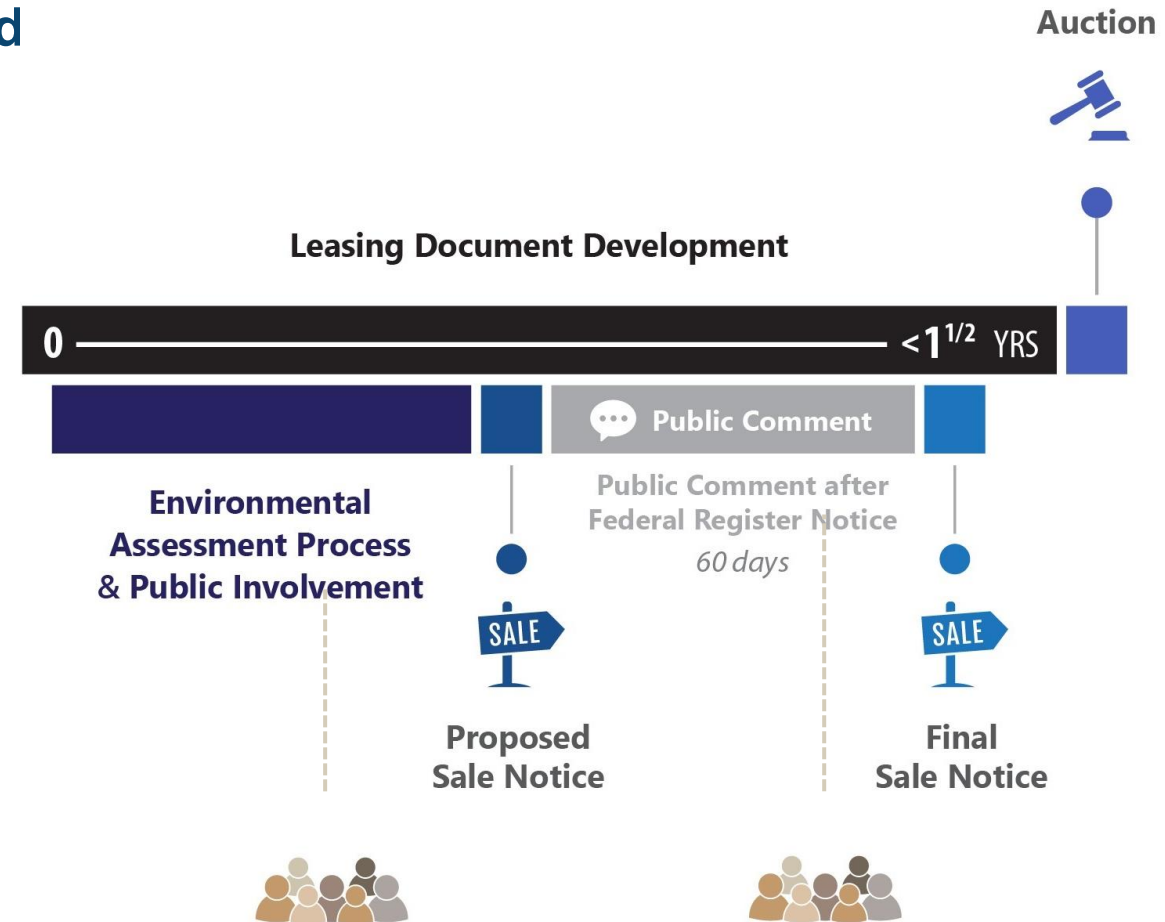
Sara Gultinan, BOEM

Next Steps



Next Steps for California Offshore Wind

- California Coastal Commission Hearing on Consistency Determination for Morro Bay Wind Energy Area (June 8, 2022)
- Public Auction Seminar (June 16, 2022)
- Additional fishing engagement
- Additional Tribal consultation and engagement
- Complete Morro Bay Environmental Assessment
- Review PSN comments, finalize qualification reviews
- Publish Final Sale Notice
 - Specifies the final lease areas to be offered, final auction format, auction date, and lists qualified bidders
- 30-day waiting period
- Lease Auction



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