



BOEM Bureau of
Ocean Energy Management

Central Atlantic Offshore Wind (ATLW-10): Proposed Sale Notice

Offshore Wind Auction Seminar
January 17, 2024

Agenda

10:00 – 10:10 a.m.	Welcome, Agenda Review, Introductions, and Meeting Protocols	Josh Gange, Auction Manager, BOEM Office of Renewable Energy Programs (OREP)
10:10 – 10:25 a.m.	Central Atlantic Proposed Sale Notice (PSN) Overview	Bridgette Duplantis, Project Coordinator, BOEM GOM
10:25 – 10:40 a.m.	Deadlines and Milestones for Bidders	Josh Gange, Auction Manager, BOEM OREP
10:40 – 10:55 a.m.	Overview of Fiscal Terms	Martin Heinze, Economics Division, BOEM Office of Strategic Resources
10:55 – 12:00 p.m.	Presentation of Auction Format	Larry Ausubel, Power Auctions LLC. Olga Fetisova, Power Auctions LLC.
12:00 – 1:00 p.m.	Q&A Session	
1:00 p.m.	Meeting Wrap Up and Closing Remarks	Josh Gange, Auction Manager, BOEM Office of Renewable Energy Programs (OREP)



- **Proposed Sale Notice Overview**

Central Atlantic (ATLW-10) Proposed Sale Notice Overview

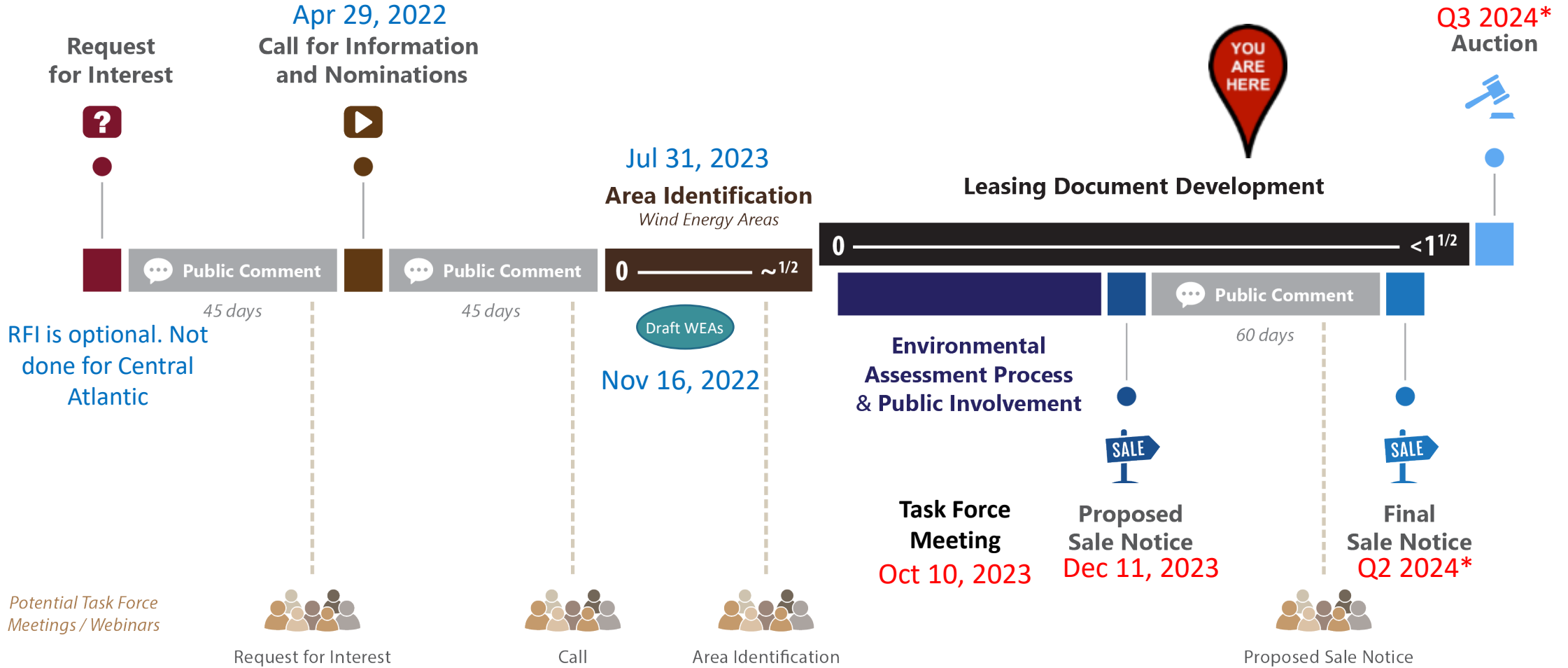
Bridgette Duplantis

Project Coordinator, BOEM GOM Regional Office



Central Atlantic Renewable Energy Leasing Process

PRE-DECISIONAL



* Planned Dates

Proposed Sale Notice (PSN)

- **Published in the Federal Register on December 11, 2023**
 - www.federalregister.gov, Docket No. BOEM-2023-0062
- **The PSN describes:**
 - Two (2) 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
 - Instructions on how to become a qualified bidder
 - Specific questions on which BOEM is seeking feedback
 - Process for issuing a lease
- **60-day public comment period ends February 10, 2024**



PSN Package

- Proposed Sale Notice
 - Proposed Lease OCS-A 0557 (A-2)
 - Proposed Lease OCS-A 0558 (C-1)
- Overview Map of the Proposed Lease Areas
- Proposed Lease Areas Shapefiles
- Bidder's Financial Form
- Bidder's Financial Form Addendum
- Qualifications Guidelines
- EFT Payment Instructions

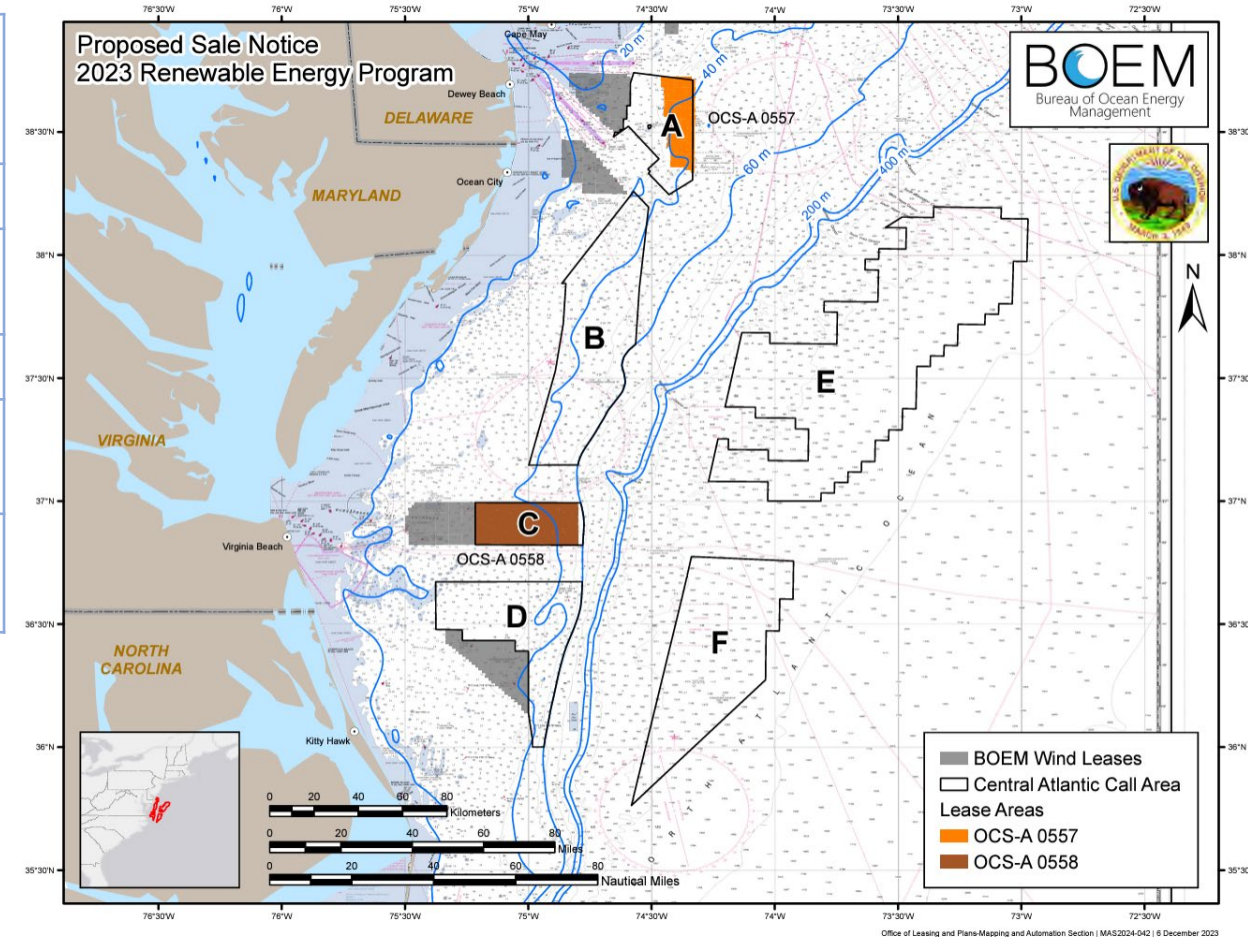
**All are available on BOEM Central Atlantic Activities webpage:
<https://www.boem.gov/renewable-energy/state-activities/central-atlantic>**



Proposed Lease Areas

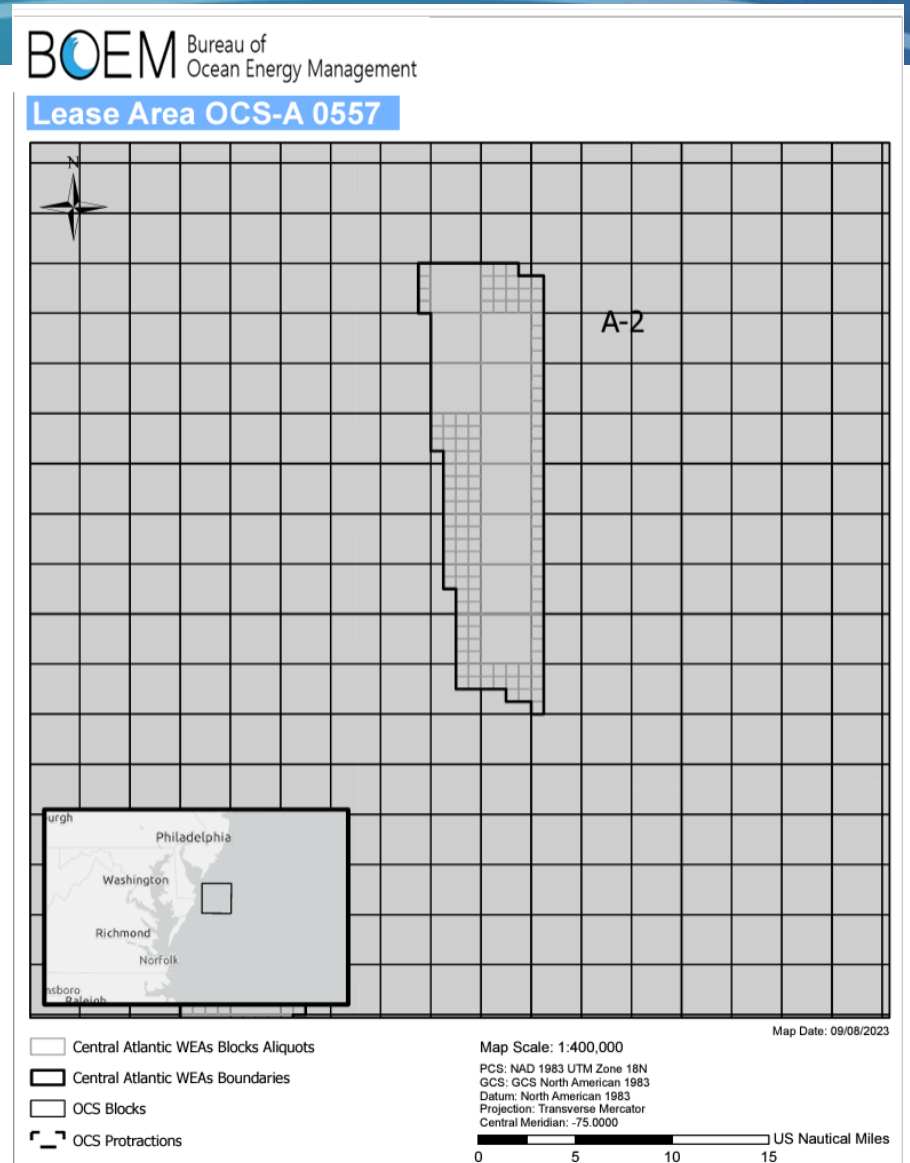
	OCS-A 0557 (A-2)	OCS-A 0558 (C-1)	Total
Acres	101,443	176,505	277,948
Installation Capacity (GW)^[1]	1.2-2.3	2.1-4.0	3.3-6.3
Mean depth (m)	37	36.5	--
Closest distance to Chesapeake Bay (nm)	--	35	--
Closest distance to Delaware Bay (nm)	26.4	--	--

¹ Capacity estimated using National Renewable Energy Laboratory's 3 megawatts per square kilometer (0.01214058 MW/acre) (low estimate) and the Coastal Virginia Offshore Wind Commercial Project, lease OCS A-0483, proposed facility of 2,587 MW within 112,799 acres (0.02293460 MW/acre) (high estimate).



Description of the Proposed Lease Area

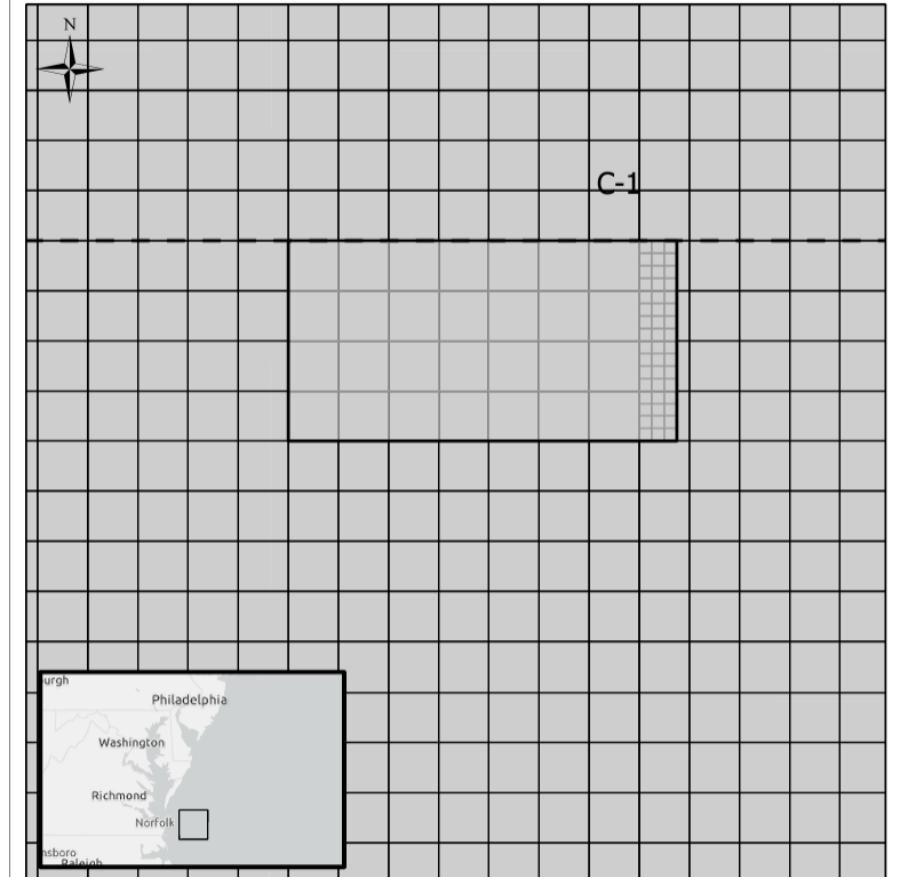
- The total acreage of the Proposed Lease Area is approximately 101,443 acres.
- The proposed Lease Area has a mean depth of 37m and is approximately 26.4nm from Delaware Bay.
- Shapefiles are available on BOEM's website at <https://www.boem.gov/renewable-energy/state-activities/central-atlantic>



Description of the Proposed Lease Area

- The total acreage of the Proposed Lease Area is approximately 176,505 acres.
- The proposed Lease Area has a mean depth of 36.5m and is approximately 35nm from Chesapeake Bay.
- Shapefiles are available on BOEM's website at <https://www.boem.gov/renewable-energy/state-activities/central-atlantic>

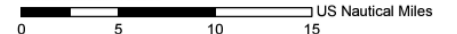
Lease Area OCS-A 0558



- Central Atlantic WEAs Blocks Aliquots
- ▭ Central Atlantic WEAs Boundaries
- OCS Blocks
- ▭ OCS Protractions

Map Scale: 1:400,000
PCS: NAD 1983 UTM Zone 18N
GCS: GCS North American 1983
Datum: North American 1983
Projection: Transverse Mercator
Central Meridian: -75.0000

Map Date: 09/08/2023



Auction Format and Proposed Bidding Credits

- **Multi-factor auction format: ascending bidding with cash and bidding credit combination as the bid variable.**
 - 17 percent non-monetary bid credit for a contribution to workforce training, supply chain development, or a combination of both.
 - 8 percent non-monetary bid credit for a contribution to a Fisheries Compensatory Mitigation Fund.



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

- Site Characterization Activities
- Engagement and Reporting
 - Communications Plans (Fisheries, Agencies, Native American Tribal)
- Endangered Species Act Coordination for Biological Surveys
- Archaeological Survey Requirements
- Avian and Bat Survey and Reporting Requirements
- Project Labor Agreements
- Supply Chain Statement of Goals
- National Security and Military Operations
- Site access by BOEM for research purposes

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



PSN Questions for Stakeholders

- Number, size, orientation, and location of the proposed lease areas
- Delineation of a lease area
 - Comments on the need for a buffer or setback between proposed Lease Area C-1 (Lease OCS-A 0558) and the existing Lease Area OCS-A 0483 to the West.
- Bidding credits
- Limit on number of Lease Areas per bidder
- New Stipulations related to foreign entities and national security
 - Stipulation 4.4 would require the lessee to provide the names of entities who own, or will engage in activities at an OCS facility, and the names of any foreign entities allowed access to such facilities, to DOD for review at least 14 days prior to the lessee taking any actions in the Lease Area.
 - Stipulation 4.5 requires an assignor and assignee to notify the Committee on Foreign Investment in the United States as part of the assignment process. BOEM requests comment on both of these proposed lease stipulations.





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Deadlines & Milestones

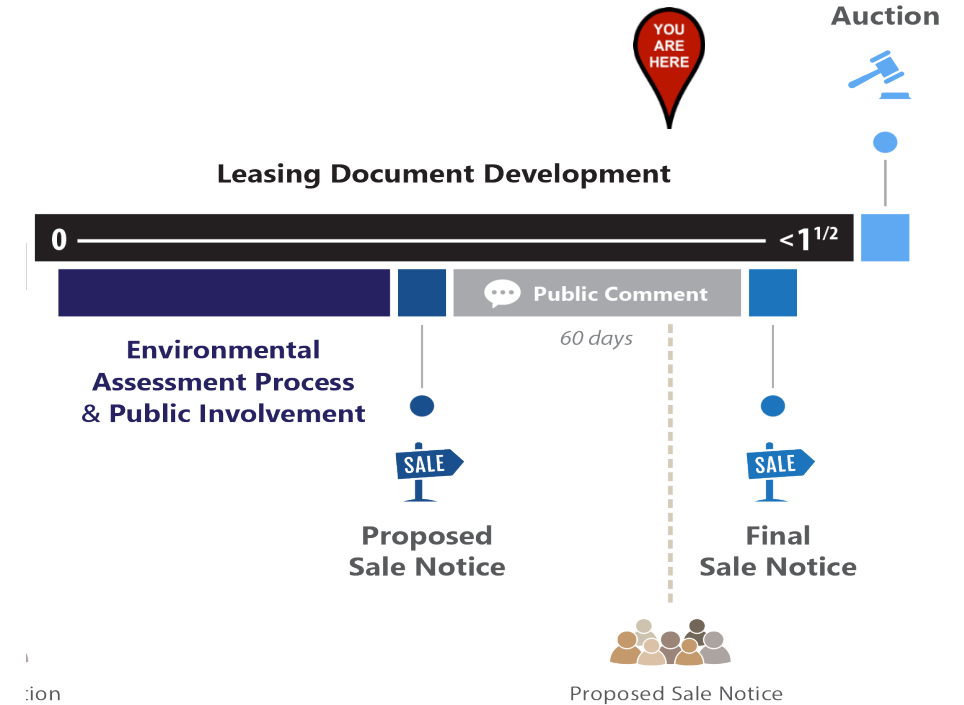
ATLW-10: Central Atlantic Lease Sale

Josh Gange

January 17, 2024

Proposed Sale Notice

- Published December 11, 2023
 - 60 Day Comment Period
 - Accepting and Processing New Company Qualifications
 - Soliciting Comments on Auction Rules
 - Lease Areas & Buffers
 - Bidder Credits
 - Lease Stipulations
 - One per Customer Rule
- Auction Seminar January 17, 2024
- Comment Period Closes February 12, 2024



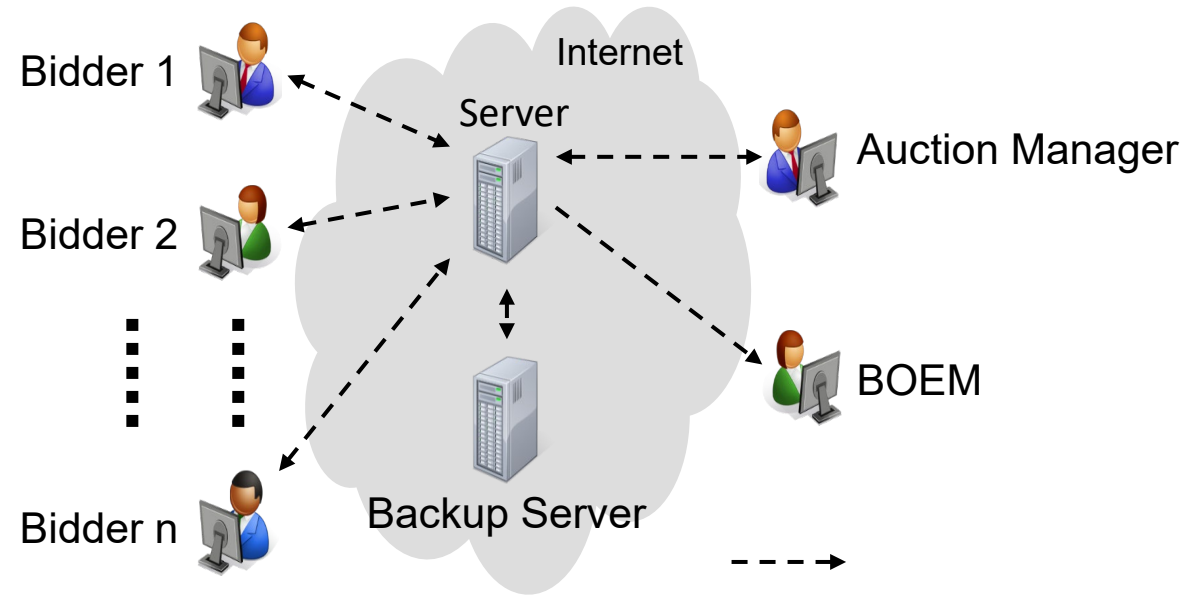
Final Sale Notice

- Specifies final areas for sale and selected auction format & rules
 - May specify timing of submissions needed to qualify for a bidding credit(s)
- Incorporates any changes based on feedback from the comment period
- Lists eligible bidders
 - Does not guarantee participation
- Sets dates for next steps
- Minimum of 30 days from FSN to Auction



FSN to the Auction

1. Bidder Financial Forms Due to BOEM
 - Lists any affiliations
 - Designates POC & Bidders
 - Bidding Credit Information
2. Bid Deposits Paid
3. Connectivity Test
 - Login.gov & FIDO compliant security key
4. Mock Auction
 - Notification of Bid Credit Eligibility
5. Live Auction



Auction Day

- 1. Bidders log in**
- 2. Rounds of the auction occur until one winner for each area**
 - New Auction Format**
- 3. Website updated periodically throughout day**



Auction to Lease Issuance

1. Declaration of Provisional Winners
 - Panel Decision
 - BOEM announces provisional winners
2. DOJ Review
 - Up to 30 Days
3. Lease Sent to Winners for Execution (10 Business Days)
 - Pay balance of bonus bid
 - File financial assurance
 - Return signed lease copies



BOEM

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Fiscal Terms Overview

ATLW-10: Central Atlantic Lease Sale

Marty Heinze

BOEM Office of Strategic Resources
Economics Division

Fiscal Terms Overview

- **Bonus Bid**
- **Bidding Credits**
- **Rent**
- **Project Easement**
- **Operating Fee**
- **Financial Assurance Requirements**



Bonus Bid

- **Lease awarded to the highest bidder**
- **High bid is a cash bonus, or a cash bonus combined with a bidding credit**
- **Bidding Credit(s)**
 - Proposed credits include contributions to workforce development or supply chain development and/or a Fishing Compensatory Mitigation Fund.
 - Commitment to the bidding credit will be identified on the Bidders Financial Form (BFF).
 - Any bidding credits offered will be described in the FSN and the lease.



Bidding Credits

- **Bidders may receive a bidding credit in exchange for committing to make a qualifying monetary contribution to programs or initiatives supporting offshore wind.**
 - Bidding credits are calculated as a percentage of the bid.
- **Two types of bidding credits proposed:**
 - 17% bidding credit for a commitment to invest in programs that will advance U.S. offshore wind energy **workforce training and/or supply chain development.**
 - The credit is intended to incentivize investments that would not occur otherwise.
 - 8% bidding credit for establishing or contributing to an **Atlantic Fisheries Compensatory Mitigation Fund.**
 - BOEM encourages lessees to work together to establish a single regional fund.



Workforce Training & Supply Chain Development Compliance

- **17% 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.
- **If the Lessee fails to satisfy the bidding credit commitment, the amount will be immediately due and payable with interest.**



Fisheries Compensatory Mitigation Fund Compliance

- **8% Fisheries Compensatory Mitigation Fund Bidding Credit**
- **The Fund does not need to be established until submission of the lease's 5th year or first FDR, but the lessee must provide compensatory mitigation for direct impacts even if the fund is not established.**
 - The documentation provided by the Lessee must contain the information called for in the lease and must allow BOEM to objectively verify compliance with the bidding credit requirements.
 - The Lessee must provide chartering or other written agreements of the Fund.
- **If BOEM determines that a Lessee or assignee has failed to satisfy the commitment the amount corresponding to the bidding credit awarded shall be immediately due and payable with interest.**



Conceptual Strategy

- **Bidders must submit a bidding credit conceptual strategy with the BFF.**
- **The bidder's conceptual strategy will be reviewed by a BOEM Auction Panel for compliance with the bidding credit requirements.**
 - Result is a Pass/Fail for each credit
- **The BFF-Addendum provides instructions for completing the Conceptual Strategy.**
 - Key components include: [next slide]



Conceptual Strategy Commits Bidder to Requirements in the Lease

Workforce Training/Supply Chain Development

- 1) Describe the bidder's individual proposals for Contributions to fulfill the bidding credit, including the form of Contributions, subject to the requirements and restrictions described in the Lease.
- 2) Describe how each proposal will support workforce training programs and/or development of a U.S. domestic supply chain for the offshore wind energy industry as required in the Lease
- 3) Explain how the Lessee will select Contribution recipients. The Conceptual Strategy can prioritize different programs under consideration while maintaining flexibility to select recipients closer to the time when the Contribution is made.
- 4) Describe the process for documentation and verification once the Contribution has been made.

Fisheries Compensatory Mitigation Fund

- 1) Describe the primary provisions it proposes to include in the fisheries compensatory mitigation fund charter. The bidder is encouraged to consider existing fisheries compensatory mitigation models.
- 2) Describe a process or mechanism for compensating fishers for income loss or gear loss or damage, including such losses or damage that may occur before the Fisheries Compensatory Mitigation Fund has been established
- 3) Certify that documentation and verification processes for the Fisheries Compensatory Mitigation Fund will be established and that the fund itself will be funded according to the requirements in the Lease.



Bidding Credit Example

- **A provisional winner will pay the posted price for each lease area it won less its bidding credit.**
- **Example: a winning bidder qualifies for both bidding credits (a 25% bidding credit) and the total winning bid is \$100 million.**
 - The bidder would pay its \$75 million cash bonus to the Office of Natural Resource Revenue (ONRR).
 - The bidder receives a credit of \$17 million towards its winning bid in exchange for committing \$17 million to workforce training or development of the domestic supply.
 - The bidder receives a credit of \$8 million towards its winning bid in exchange for committing \$8 million to an Atlantic Fisheries Compensatory Mitigation Fund.



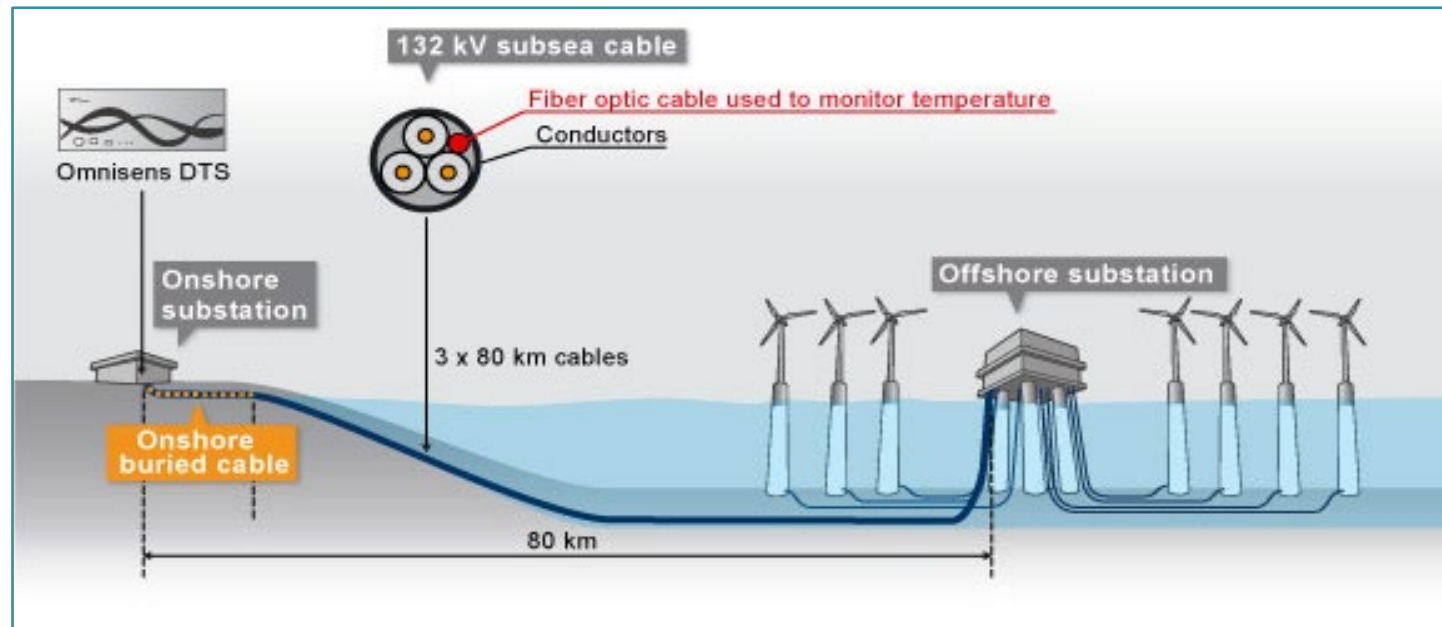
Annual Rent Payment

- Payment Formula = Leased Acreage x \$3.00/acre
- First year's payment due within 45 days of lease effective date
- Subsequent payment due on lease anniversary
- Rental payments reflect adjustments for relinquished acreage, phased development and the start of commercial operations.
 - Addendum "E" has been removed.

Lease Area	OCS-A 0557
Size (acres)	101,443
Rental Payment	\$ 304,329

Annual Project Easement Payment

- ROW Grant authorizes OCS export cables
 - ROW Formula = \$70/statute mile x # of statute miles
- RUE Grant authorized a separate facility off the lease
 - RUE Formula = \$5/ac or \$450 minimum



Annual Operating Fee

- **Initial fee due within 45 days of commercial operations**
- **Operating fee is paid in advance**
 - Subsequent payments due annually, on or before each lease anniversary
- **Operating fee is calculated based on the operating fee formula**



Annual Operating Fee

- **The annual operating fee is based on:**

- *Anticipated* annual power output valued at the preceding year's regional wholesale power price, multiplied by an operating fee rate

$$F = M * H * C * P * r$$

Annual
Operating
Fee

Nameplate
Capacity
[MW]

Hours per
Year
[8,760]

Capacity
Factor
[initial 0.4]

Power Price
[\$/MWh]

Operating
Fee Rate
[0.02]



Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Generation at continuous full power operation (MWh)

- Nameplate capacity is the installed capacity measured in megawatts (MW)

Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Anticipated Annual Power Output (MWh)

- The capacity factor is the share of anticipated generation relative to its generation at continuous full power operation
 - Value is set to 0.4 for the first 6 years of commercial operations
 - Adjusted at 5-year intervals to reflect actual metered generation

Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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Estimated Market Annual Value (\$)

- Power price is determined at the time each payment is due based on the latest calendar year average of the regional wholesale spot price (\$/MWh)
 - The proposed power price for Lease Area A-2 is PJM DPL and for C-1 it is PJM DOM.

Annual Operating Fee (cont.)

$$F = M * H * C * P * r$$

Annual Operating Fee	Nameplate Capacity [MW]	Hours per Year [8,760]	Capacity Factor [initial 0.4]	Power Price [\$/MWh]	Operating Fee Rate [0.02]
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- Operating fee rate is the share of the estimated market value of the power produced payable to the Lessor
 - The operating fee rate is 0.02 through the life of the commercial operations on the lease



Annual Operating Fee Example (1,000 MW project)

$$F = M * H * C * P * r$$

Annual
Operating
Fee

Nameplate
Capacity
[MW]

Hours per
Year
[8,760]

Capacity
Factor
[initial 0.4]

Power Price
[\$/MWh]

Operating
Fee Rate
[0.02]

$$F = 1,000 * 8,760 * 0.4 * \$40.00 * 0.02$$

$$F = \$2,803,200$$



Financial Assurance Requirements

- Prior to lease issuance, the provisional winner must provide assurance for initial financial obligations on the lease.
 - \$100,000 initial financial assurance due prior to lease issuance.
- Additional assurance required to cover decommissioning, operating fees, and other obligations as lease development progresses.
 - Lessees have proposed alternate decommissioning financial assurance schedules to BOEM.



Presentation of Auction Format

Larry Ausubel, Power Auctions LLC



Presentation of Auction Format

Q&A Session



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