



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT

Pacific OCS Region

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October 12, 2022

Decision Memorandum

To: Amanda Lefton
Director, Bureau of Ocean Energy Management

From: Douglas Boren
Regional Director, Pacific Region

**DOUGLAS
BOREN**

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Subject: California Final Sale Notice

1. Purpose

This memorandum documents the analysis and rationale used to develop recommendations for the Lease Areas to be included in the Final Sale Notice (FSN) for the California offshore wind renewable energy lease sale on the Outer Continental Shelf (OCS), also known as Pacific Wind Lease Sale 1 (PACW-1). This memorandum also documents the Bureau of Ocean Energy Management's (BOEM's) decisions to exercise its authority under the Outer Continental Shelf Lands Act (OCSLA) to include certain stipulations in the leases that will be offered for sale in PACW-1. Last, this memorandum requests your concurrence with proceeding with the publication of the FSN and lease auction procedures for the decision described below.

2. Decision Summary

As described in Table 1 and depicted in Figure 1, the recommended Lease Areas for the California FSN consist of 373,268 total acres. The size of the Lease Areas has not changed from the size of the areas proposed in the Proposed Sale Notice (PSN). The leases to be awarded, by themselves, do not authorize any activities on the OCS. The leases grant the lessees the exclusive right to submit plans (e.g., Site Assessment Plan (SAP) and Construction and Operations Plan (COP)) that, if approved after completing all necessary reviews and consultations under applicable Federal statutes, would allow offshore wind energy activities on the Lease Areas. The leases to be awarded would have an operations term of 33 years. Some noteworthy stipulations included in the leases concern reporting requirements; commercial fisheries; protected species; communications plans with Tribes, agencies, and fisheries; conditions required by the California Coastal Commission's concurrence on BOEM's Coastal Zone Management Act (CZMA) consistency determination; Project Labor Agreements (PLAs); and supply chain, research access, and archaeological survey requirements.

Table 1: PACW-1 Lease Area Descriptive Statistics

	North Coast Region		Central Coast Region			
<i>Lease Area</i>	OCS-P 0561	OCS-P 0562	OCS-P 0563	OCS-P 0564	OCS-P 0565	Total
<i>Acres</i>	63,338	69,031	80,062	80,418	80,418	373,268
<i>Installation Capacity (MW)¹</i>	769	838	972	976	976	4,532
<i>Homes Powered²</i>	269,136	293,328	340,200	341,712	341,712	1,586,088
<i>Power Production (MWh/yr)³</i>	2,694,436	2,936,632	3,405,888	3,421,025	3,421,025	15,879,007
<i>Maximum Depth (meters [m])</i>	1,017	1,137	1,271	1,284	1,165	--
<i>Minimum Depth (m)</i>	537	614	988	953	884	--
<i>Closest Distance to Shore (miles)</i>	20	20	26	22	20	--

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

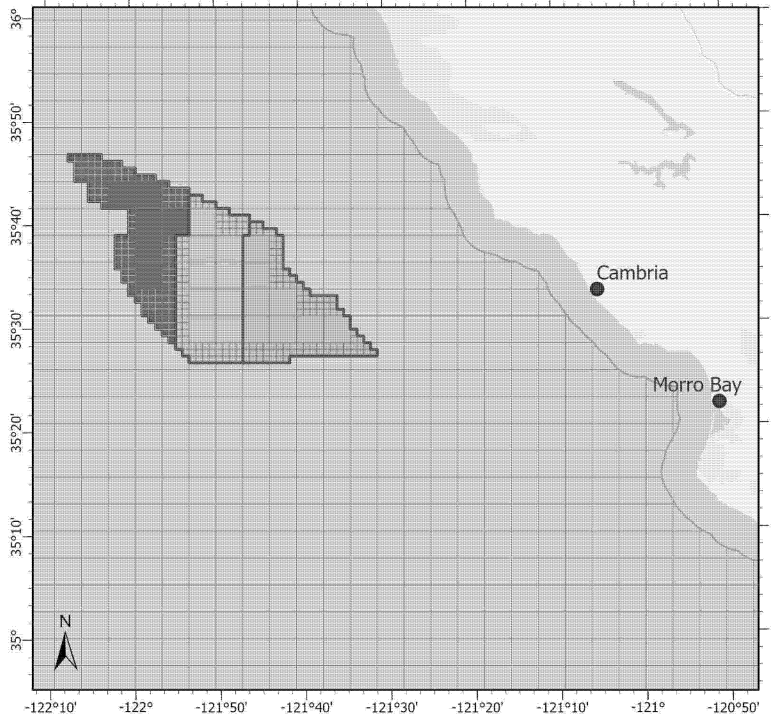
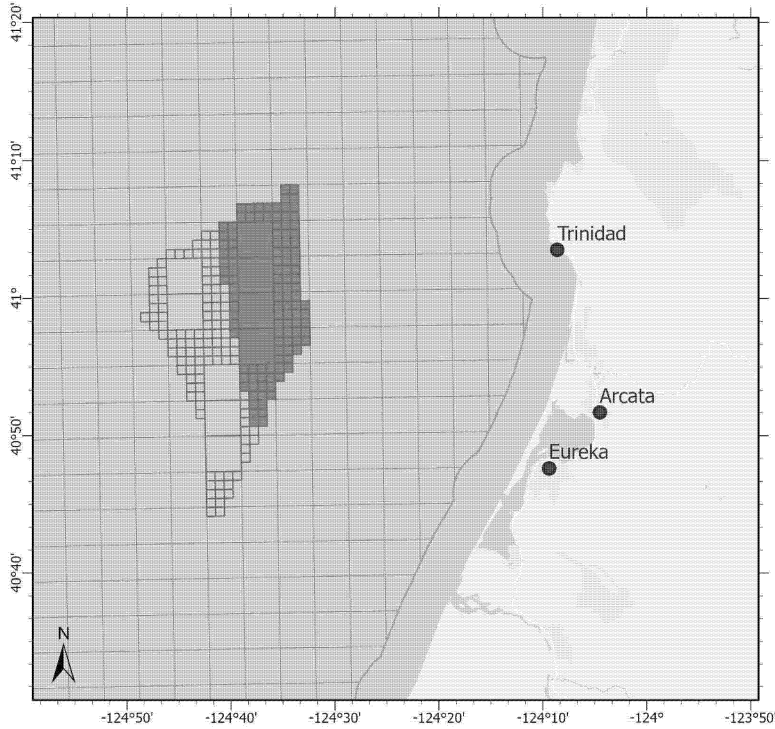
² Based upon 350 homes per MW of installation capacity

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

Figure 1: Map of the Final Lease Areas in California



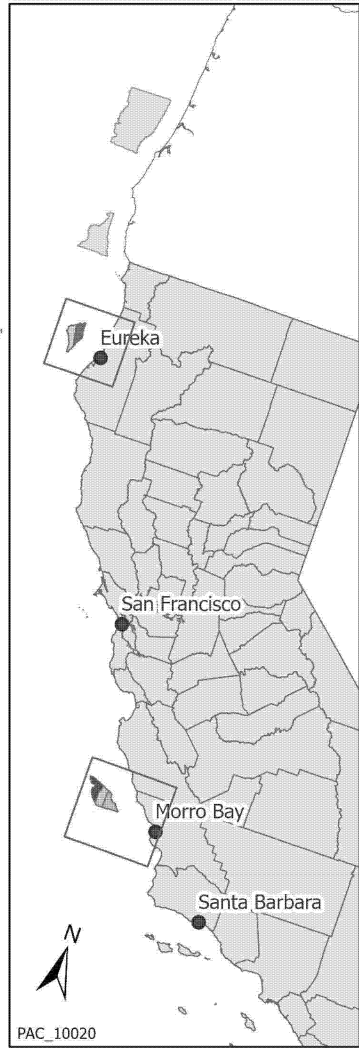
PACW-1 Final Lease Areas



Legend:

- Federal/State Boundary
- OCS-P 0561 (63,338 Acres)
- OCS-P 0562 (69,031 Acres)
- OCS-P 0563 (80,062 Acres)
- OCS-P 0564 (80,418 Acres)
- OCS-P 0565 (80,418 Acres)
- OCS Blocks and Aliquots
- Oregon Offshore Wind Call Areas

Scale: 0 5 10 20 30 40 Kilometers
0 5 10 20 30 Miles



3. Legal Background

Pursuant to OCSLA subsection 8(p)(1)(C), the Secretary of the Interior (the Secretary), in consultation with the U.S. Coast Guard (USCG) and other relevant Federal agencies, may grant a lease, easement, or right-of-way on the OCS for activities that produce or support production of energy from sources other than oil and gas (43 U.S.C. § 1337(p)(1)(C)). The Secretary must ensure that activities under this subsection are carried out in a manner that provides for 12 goals, including safety, protection of the environment, and consideration of other uses of the sea or seabed (43 U.S.C. § 1337(p)(4)(A)–(L)). These goals must be balanced, as there may be conflict or tension among them. The Secretary retains wide discretion to weigh those goals as an application of her technical expertise and policy judgment. *See* Department of the Interior Solicitor’s Opinion M-37067, *Secretary’s Duties under subsection 8(p)(4) of the Outer Continental Shelf Lands Act When Authorizing Activities on the Outer Continental Shelf* (Apr. 9, 2021). BOEM, on behalf of the Secretary, has issued regulations governing the leasing process and management of offshore renewable energy projects. *See* 74 Fed. Reg. 19,638 (Apr. 29, 2009); *see also* 30 C.F.R. part 585.

This memorandum addresses BOEM’s consideration of the goals listed in OCSLA Section 8(p)(4), particularly environmental factors and multiple uses, at the FSN stage of the leasing process (43 U.S.C. § 1337(p)(4)(A), (B), (D), (F), (I), and (J)), as explained further in Section 4 below. Lease issuance is not the last stage at which BOEM will consider the goals under § 1337(p)(4). Issuance of a renewable energy lease, which does not authorize any activities on the lease, but only authorizes the submittal of plans for BOEM’s approval, does not constitute an irretrievable and irreversible commitment of resources. BOEM will conduct further analysis under OCSLA and the National Environmental Policy Act (NEPA), as well as other Federal statutes, if and when COPs are submitted.

4. Description of the BOEM Competitive Lease Award Process

4.1 Call for Information and Nominations to Area Identification

On October 19, 2018, BOEM published a *Call for Information and Nominations* in the Federal Register (83 FR 53096) (“2018 Call”) that identified three geographically distinct Call Areas on the OCS offshore California, delineated as the Humboldt Call Area (offshore the north coast) and the Morro Bay Call Area and the Diablo Canyon Call Area (offshore the central coast). Following the 2018 Call, the Morro Bay and Diablo Canyon Call Areas were initially assessed as incompatible for wind energy development by the U.S. Department of Defense (DoD). However, after the initial assessment, BOEM, the State of California, various California elected officials, the National Oceanic and Atmospheric Administration’s Office of National Marine Sanctuaries, and DoD continued to have discussions and conduct stakeholder outreach in efforts to accommodate offshore wind development within and adjacent to the Morro Bay Call Area and DoD’s mission requirements. More information and results of these meetings and outreach can be viewed at: <https://www.boem.gov/renewable-energy/state-activities/public-information-meetings-and-outreach-efforts>.

In May 2021, the White House, the Department of the Interior, DoD, and the State of California announced an agreement to advance an area, known as the “Morro Bay 399 Area,” that could support approximately three gigawatts of offshore wind on roughly 399 square miles (255,487

acres) off California's central coast within and adjacent to the initial 2018 Morro Bay Call Area (<https://www.doi.gov/pressreleases/biden-harris-administration-advances-offshore-wind-pacific>).

On July 29, 2021, BOEM delineated the two extensions to the original Morro Bay Call Area in the identified Morro Bay 399 Area, known as the East and West Extensions, in a published *Call for Information and Nominations* in the Federal Register (86 FR 40869) ("2021 Call") to solicit public input and industry interest in the extensions.

In response to the 2018 Call and 2021 Call, BOEM received over 180 comments from the general public, representatives of fishing organizations and interests, offshore wind developers, other ocean industry groups, non-governmental organizations, universities, Tribal governments, local governments, Federal and state agencies, and other stakeholders. In addition to the comments received in response to the 2018 Call and 2021 Call, BOEM received input during outreach and engagement with Tribal governments, the State of California, and public stakeholders in over 80 meetings. The outreach effort and input received are documented in a California Offshore Wind Energy Planning Outreach Summary Report published in September 2018 (<https://www.boem.gov/renewable-energy/california-outreach-summary-report>) and an Outreach Summary Report Addendum published in June 2021 (<https://www.boem.gov/renewable-energy/state-activities/offshore-wind-outreach-addendum>).

A total of 20 offshore wind developers submitted nominations in response to the 2018 Call and 2021 Call with 10 nominations for the Humboldt Call Area and 17 nominations for the Morro Bay Call Area.

After the close of the 2018 Call and the 2021 Call comment periods, BOEM initiated the Area identification (Area ID) process. Through the Area ID process, BOEM considered information sources such as: comments and nominations received on the 2018 Call and 2021 Call; information from the BOEM California Intergovernmental Renewable Energy Task Force; input from California State and Federal agencies; input received via consultation meetings and written comments from federally recognized Tribes; input received via Tribal outreach meetings with federally and non-federally recognized Tribes; the California Offshore Wind Energy Planning Outreach Summary Report and Addendum; California Offshore Wind Energy Gateway data and information (<https://caoffshorewind.databasin.org/>); outreach meetings and comments received under the California Energy Commission Notice of Availability of Outreach on Additional Considerations for Offshore Wind Energy off the Central Coast; comments from relevant stakeholders and ocean users, including the maritime community, environmental non-governmental organizations, offshore wind developers, and the commercial fishing industry; state and local renewable energy goals; and domestic and global offshore wind market and technological trends.

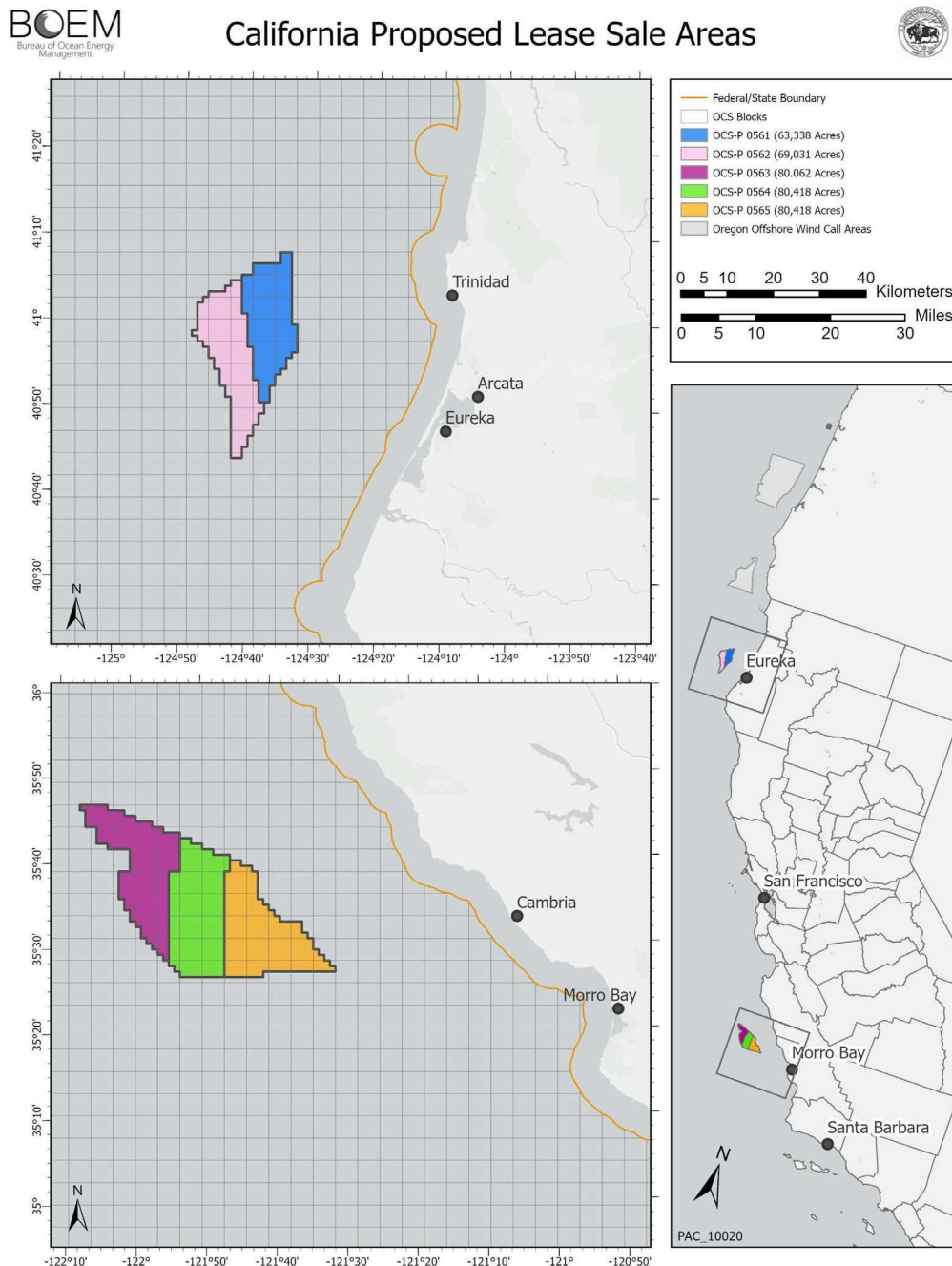
BOEM also considered multiple existing uses of the California coast in developing the Call Areas and Wind Energy Areas (WEAs). BOEM found that existing uses and resources with the highest potential to be affected by offshore wind energy development activities in the Call Areas, relative to other uses and resources, include: (i) commercial and recreational fishing; (ii) avian species; (iii) marine mammals; (iv) maritime navigation; (v) historic properties; (vi) viewsheds; (vii) DoD activities; (viii) places and resources of importance to Tribes; and (ix) other infrastructure. BOEM announced the Area ID by identifying within the Call Areas the Humboldt WEA on July 28, 2021, and the Morro Bay WEA on November 12, 2021. The Area ID

announcements and maps of the WEAs are available at: <https://www.boem.gov/renewable-energy/state-activities/california>.

4.2 Proposed Sale Notice

On May 31, 2022, BOEM published a Proposed Sale Notice (PSN) for PACW-1. The PSN provided detailed information about potential areas that could be available for leasing, possible lease provisions and conditions, auction details (e.g., criteria for evaluating competing bids and award procedures), and lease execution. The PSN included three Lease Areas in the Morro Bay WEA and two Lease Areas in the Humboldt WEA for commercial wind energy development.

Figure 2



The PSN for PACW-1 identified specific topics and questions necessary to inform BOEM's decisions on multiple aspects of the lease sale. The summaries below are intended to capture the specific comments received on the questions asked and relate to lease number, size, and orientation, and bidding credits. A summary of the 84 comments received on the PSN is in the Response to Comments document and full versions of the comments are available at: <https://www.regulations.gov/docket/BOEM-2022-0017>. All of the information gained through the PSN culminates in the FSN.

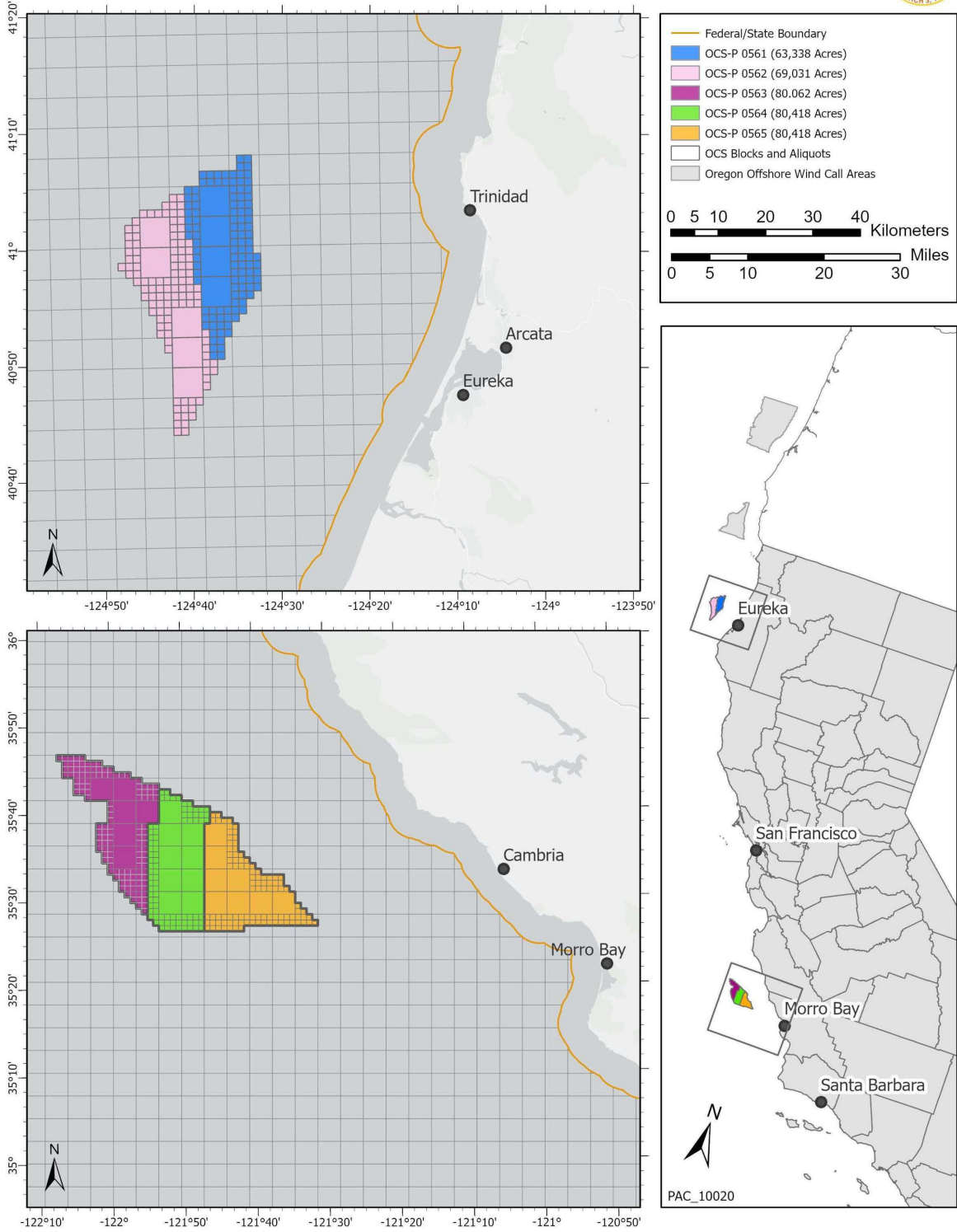
4.3 Final Sale Notice

The FSN is the last step, before the sale itself, in the competitive lease award process. *See* 30 C.F.R. § 585.211(d). The FSN contains information pertaining to the areas available for commercial wind energy leasing on the OCS in California. Specifically, this FSN includes details regarding certain provisions and conditions of the leases, auction details, the lease form, criteria for evaluating competing bids, award procedures, appeal procedures, and lease execution. BOEM will offer five leases: Lease OCS-P 0561, Lease OCS-P 0562, Lease OCS-P 0563, Lease OCS-P 0564, and Lease OCS-P 0565 (Lease Areas). These five Lease Areas have the potential to generate more than 4.6 gigawatts of offshore wind energy, which could power over 1.5 million homes and potentially support thousands of new jobs. The issuance of any lease resulting from this sale would not constitute an approval of project-specific plans to develop offshore wind energy. Such plans, if submitted by the Lessee, would be subject to subsequent environmental, technical, and public reviews prior to a decision on whether the proposed development should be authorized. See Figure 3 for a map of the final Lease Areas.

Figure 3



PACW-1 Final Lease Areas



5. Rationale for Size and Location of FSN Lease Areas

After analysis of the information received in response to the Calls for Information and Nominations, the California Intergovernmental Task Force engagement, and robust public outreach, BOEM published the PSN on May 31, 2022. Separate Scoping and Environmental Assessment processes were conducted to adequately assess impacts in the Humboldt and Morro Bay WEAs. A 45-day scoping period was initiated for the Humboldt WEA on July 30, 2021, during which two public meetings were held on August 24, 2021. The Draft Environmental Assessment was published on January 10, 2022, with a 30-day comment period. During this time, two public meetings were held, one on January 25, 2022, and one on January 26, 2022. The Final Environmental Assessment and Finding of No Significant Impact (FONSI) were published on May 5, 2022.

A 60-day scoping period for the Morro Bay WEA began on November 11, 2021, during which two public meetings were held, one on December 1, 2021, and one on January 5, 2022. The Morro Bay WEA Draft Environmental Assessment was published on April 6, 2022, initiating a 30-day comment period. In response to stakeholder requests, the comment period was extended 10 days and closed on May 16, 2022. During this time, two public meetings were held, one on April 15, 2022, and one on April 19, 2022. The Final Environmental Assessment and Finding of No Significant Impact (FONSI) were released on October 5, 2022. The FSN for PACW-1 includes 373,268 acres available for lease.

The Lease Areas in the FSN represent a balance of existing and future uses with the need for expeditious and orderly development of renewable energy. The five areas were chosen after taking into consideration stakeholder comments and to ensure a sufficient area to meet Federal and state⁴ renewable energy goals. BOEM designated the five Lease Areas to ensure that each area has similar acreage, distance to shore, potential wake effects, energy generation potential, and commercial viability.

For the California leases, BOEM is including reporting requirements, discussed below, which are designed to increase and improve communication between future lessees and Tribes and parties that may be affected by lessees' activities on the OCS. It is BOEM's intent that these reporting requirements establish and maintain a foundation of communication and accountability that will inform project design early in the process and minimize future conflicts.

In addition to the reporting requirements, BOEM is including several stipulations aimed at catalyzing development of a domestic workforce and supply chain and encouraging the use of Project Labor Agreements. These latter efforts advance OCSLA's goals, such as orderly and expeditious development, national security, and operations conducted in a safe manner by well-trained personnel.

BOEM is also including a stipulation pertaining to a bidding credit to be granted for community benefit agreements that address potential impacts to communities that use the Lease Areas or use resources harvested from the Lease Areas. A second stipulation pertaining to a bidding credit, for

⁴ The State of California has planning goals of developing up to 3,000 MW of offshore wind energy by 2030 and up to 25,000 MW by 2045 (Flint, Scott, et al. Offshore Wind Energy Development off the California Coast: Maximum Feasible Capacity and Megawatt Planning Goals for 2030 and 2045. CEC-800-2022-001. California Energy Commission. Commission Siting Decisions and Regulations (800). 2 August, 2022. in reference to [AB 525, Chiu, Chapter 231, Statutes of 2021](#)).

entering into a general community benefit agreement with communities impacted by lessees' offshore wind development, is also being offered. The bidding credits are consistent with BOEM's goal of ensuring that activities on the OCS protect the human environment.

6. Lease Stipulations

BOEM has included a series of lease stipulations for the leases offered in this sale to mitigate existing use conflicts and enhance the development process for all parties involved. Please see the discussion below for a summary of lease stipulations that will be included in the California leases.

6.1 Reporting Requirements

BOEM is building upon a previously used lease stipulation to require a progress report every six months and early and active information sharing, focused discussion of potential issues, and collaborative identification of solutions with affected Tribes and parties that may be affected by lessees' activities on the OCS, including but not limited to:

- Coastal communities
- Commercial and recreational fishing industries and stakeholders
- Educational and research institutions
- Environmental and public interest non-governmental organizations
- Federal, state, and local agencies
- Tribes
- Mariners and the maritime industry
- Ocean users
- Submarine cable operators
- Underserved communities, as defined in Section 2 of Executive Order 13985

Within the progress report, lessees will be required to identify Tribes and parties that may be affected by lessees' activities on the OCS and with whom the lessees engaged, provide updates on engagement activities, document potential adverse effects to the interests of Tribes and parties, document how, if at all, a project has been informed or altered to address those potential effects, document feedback from engagement regarding transmission planning prior to proposing any export cable route, provide information that can be made available to the public, and include strategies to reach potentially affected individuals with Limited English Proficiency.

Acknowledging that there is an existing and growing consultation burden placed on many affected Tribes and parties, the stipulation also requires, to the maximum extent practicable, that lessees coordinate with one another on engagement activities. The engagement stipulation requires lessees to engage in ways that minimize linguistic, technological, cultural, capacity, or other obstacles. The stipulation encourages lessees to work collaboratively with governments, community leadership and organizations, and Tribes and to develop specific frameworks for capacity building.

In addition, the stipulation requires that the progress report also addresses lease requirements for the development of communications plans with:

- Tribes (Native American Tribes Communications Plan, NATCP),

- Agencies (Agency Communications Plan, ACP), and
- Fisheries (Fisheries Communications Plan, FCP).

These plans serve to guide engagement activities with those groups, and the progress report must also include an update on activities executed under the Lessee's survey plan(s).

Implementation of this stipulation will increase communication and accountability between the lessees, Tribes and parties, and BOEM.

6.2 Supply Chain Statement of Goals (Stipulation 10/10.1)

BOEM is committed to establishing a durable domestic supply chain that can sustain the U.S. offshore wind industry and support safe, expeditious and orderly development on the OCS. To advance this vision, BOEM has included a stipulation that requires the Lessee to establish a statement of goals in which the Lessee will describe its plans for contributing to the creation of a robust and resilient U.S.-based offshore wind supply chain. The Lessee must provide regular progress updates to BOEM on the achievement of those goals, and BOEM will make these updates publicly available.

6.3 Project Labor Agreements (Stipulation 8/8.1)

BOEM has included a stipulation that encourages lessees to make every reasonable effort to enter into PLAs covering the construction stage of any project proposed for the leased area. Offshore wind projects are large, complex construction efforts and are well suited for PLAs. PLAs generally require all contractors working on the construction stage of a project to adhere to collectively bargained terms and conditions of employment, whether the contractors are union or non-union contractors. PLA clauses typically include prevailing wage provisions, no-strike clauses, dispute resolution procedures, and safety and training provisions.

BOEM has concluded that the use of PLAs when developing the leases at issue will facilitate construction of the projects and potentially help achieve several of OCSLA's goals. Pursuant to 43 U.S.C. § 1332(6), operations on the OCS should be conducted in a safe manner by well-trained personnel using technology, precautions, and techniques sufficient to prevent occurrences that may cause damage to the environment or to property or endanger life or health. One way to promote the expansion of a workforce of well-trained personnel that is ready to construct offshore wind projects is through PLAs. OCSLA § 8(p)(4)(A) requires that OCS activities are carried out in a manner that provides for safety. The use of a PLA can help achieve this goal as well.

6.4 Endangered Species Act Consultation

BOEM has completed a consultation with the National Marine Fisheries Service (NMFS) under Section 7 of the Endangered Species Act (ESA). On September 21, 2022, NMFS issued an *Endangered Species Act Section 7(a)(2) Concurrence Letter and Magnuson-Stevens Fishery Conservation and Management Act Essential Fish Habitat Response for the Bureau of Ocean Energy Management's Offshore Wind Lease Issuance, Site Characterization and Assessment for the Morro Bay and Humboldt Wind Energy Areas* ("2022 ESA Concurrence Letter and EFH Response") that covers site characterization (high resolution geophysical (HRG) and geotechnical and marine mammal surveys) and site assessment/data collection (deployment,

operation, and retrieval of meteorological and oceanographic data buoys) activities associated with California OCS leases. As a result of this consultation, Project Design Criteria (PDC) and Best Management Practices (BMPs) associated with the mitigation, monitoring, and reporting conditions have been developed for those data collection activities covered in the consultation. The PDC and BMPs pertain to mitigation, monitoring, and reporting conditions for reducing noise exposure to protected species from HRG surveys, avoiding vessel interactions with protected species, and mooring design and marine debris requirements to avoid entanglement of listed species. Similar to the requirements for threatened and endangered species and critical habitat under the ESA, BOEM requires mitigation, monitoring, and reporting conditions for all marine mammals. All applicable PDC and BMPs will become provisions of all leases issued for California and are found in the 2022 ESA Concurrence Letter and EFH Response (<https://www.boem.gov/sites/default/files/documents/renewable-energy/state-activities/LOC-EFH%20for%20OSW%20leases%20in%20CA.pdf>).

7. Auction Format

Among BOEM's goals is conveyance of renewable energy leases to those entities most likely to successfully develop the wind resources. BOEM must also comply with the statutory requirement to obtain a fair return on leased acreage. For the California auction, BOEM has elected to utilize a multiple-factor auction format, with a multiple-factor bidding system under 30 CFR 585.220(a)(4) and 585.221(a)(6). Multiple-factor auction formats allow BOEM to balance fair return on leased acreage while incentivizing initiatives that will aid in the expeditious and orderly development of the Outer Continental Shelf or other priorities under BOEM's statutory requirements. Under this format, BOEM would consider a combination of a monetary (cash) bid and non-monetary factor (bidding credit) in determining the outcome of the auction. BOEM has selected a multiple-factor auction format to incentivize workforce training and domestic supply chain development, as well as the use of Community Benefit Agreements (CBAs). BOEM's decision to select these targeted factors is further addressed in Section 8 below, which describes in detail BOEM's decision to offer certain bidding credits.

In the PSN, BOEM proposed two simultaneous auctions, one for the two Lease Areas offshore the North Coast Region and another for the three Lease Areas offshore the Central Coast Region. BOEM also proposed that a bidder would be allowed to win a lease in both regions. BOEM received overwhelming comments from industry to not make distinctions between the North Coast and Central Coast Regions within the auction process. Further, there were several comments on adopting a single lease auction format that maximizes the number of potential lessees in the market, rather than limiting them, as a critical first step towards maintaining a competitive lease allocation process that sufficiently encourages participation from all interested parties. BOEM agrees that offering all available Lease Areas in a single auction will ultimately lead to a more efficient outcome. Accordingly, the auction format has been revised in the FSN to a single auction resulting in five different winners.

In addition, affiliated entities are not permitted to bid against one another. In the case of two or more affiliated entities qualifying for the auction, only one will be permitted to participate.

Allowing the competitive market to determine the value of each individual area will facilitate efficient development of OCS wind resources and award leases to companies that are most likely to develop their Lease Areas in a timely manner.

8. Bidding Credits

For the California Final Sale Notice, BOEM is including two types of bidding credits, one for workforce training and/or supply chain development and two for CBAs.

The workforce training and/or supply chain development bidding credit would allow a bidder to receive a credit of 20 percent of its cash bid in exchange for financial commitments to a floating offshore wind workforce training program and/or to the development of a floating offshore wind domestic supply chain. In the PSN, BOEM proposed that the winning bidder would be required to financially commit at least 80 percent of the bidding credit value toward an offshore wind workforce training program and/or development of an offshore wind domestic supply chain (“Contribution”). In the FSN, BOEM has decided to revise the Contribution percentage to 100 percent of the bidding credit value. This revision from 80 to 100 percent commitment removes the financial discount incentive, but BOEM chose to make this change for several reasons. First, BOEM chose to make this change because it also changed the time the Contribution is due. In the PSN, BOEM required a portion of the Contribution due at the first COP, but BOEM has changed that and now requires the complete Contribution no later than the submission of the first Facility Design Report (FDR). BOEM made this timing change in response to comments from developers that the early Contribution may lead to inefficiencies due to timing, and that the Contributions may be too rushed. Given the time between lease acquisition and FDR, BOEM believes that the time value of money provides sufficient financial incentive for lessees to partake in this credit. Lessees receive the benefit of the credit now (in the non-monetary component of their bid) and do not have to fund the Contribution for several years; the delay provides value and incentive for lessees. Second, BOEM removed the discount to ensure that the maximum amount of funds is invested in supply chain and workforce development. Given these considerations, BOEM found that removing the discount was appropriate.

The Contribution to workforce training will result in a better trained, larger domestic floating offshore wind workforce that would allow for more efficient operations via increasing the supply of fully trained personnel. The Contribution to domestic supply chain development will result in a more robust domestic floating offshore wind 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.

The workforce training/supply chain development bidding credit offered in the California lease sale is designed to enhance, through training, the floating offshore wind workforce or stand-up the domestic supply chain for floating offshore wind technology, manufacturing, assembly, or services. Assuming a cumulative bid amount for all five Lease Areas is between \$400 million and \$1.6 billion, the value of the 20 percent workforce training/supply chain bidding credit would be between \$62 million and \$267 million depending on the total number of credits earned by the bidders.

The Contribution is required to benefit the floating offshore wind supply chain for all potential purchasers of offshore wind services, components, or subassemblies, not solely the Lessee’s project. The term “floating” was specifically added to the FSN as it will target the specific needs of these Lease Areas. The supply chain and workforce requirements offshore California will be significantly different from those of East Coast projects due to water depths that far exceed the

technical capabilities of the East Coast's fixed bottom turbines. Fixed bottom foundations are generally considered viable for water depths less than 60 meters. Water depths beyond 60 meters will likely require floating offshore wind turbines. Water depths range from 500 to 1,100 meters in the Humboldt WEA and 900 to 1,300 meters in the Morro Bay WEA, therefore only floating offshore wind turbines are expected to be viable in these Lease Areas. This will require significant investments in a separate supply chain than what is expected for the East Coast projects. For example, the floating foundations must be manufactured quayside; the turbines will be fully assembled quayside; and the foundations with the attached turbines will be towed or barged to their mooring locations. This differs from the East Coast projects, where fixed-bottom turbines may be barged out in pieces and assembled in the project area during construction. Additional components that are not found in fixed-bottom projects will also need to be manufactured. The manufacturing capacity for mooring cables required for projects of this size does not currently exist domestically, and may not exist globally.⁵ This bidding credit is designed to address these deficits, and will allow for a more expeditious and orderly development of each offshore wind project.

The BFF Addendum provides examples of efforts in support of workforce training programs and a domestic supply chain that would be eligible for the bidding credit. 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.

BOEM is offering two types of CBA bidding credits that, when combined, would total 10 percent of the monetary bid. These two credits are designed to facilitate BOEM's mission as outlined in OCSLA. The first is a Lease Area Use CBA bidding credit which would allow a bidder to receive a credit of 5 percent of its cash bid in exchange for a commitment(s) to execute a CBA with one or more communities, stakeholder groups, or Tribal entities whose use of the geographic space of the Lease Area, or whose use of resources harvested from that geographic space, is expected to be impacted by the Lessee's potential offshore wind development. The second credit is a General CBA bidding credit which would allow a bidder to receive a credit of 5 percent of its cash bid in exchange for a commitment(s) to execute a General CBA with one or more communities, Tribes, or stakeholder groups that are expected to be affected by the potential impacts on the marine, coastal, and/or human environment (such as impacts on visual or cultural resources) from activities resulting from lease development that are not otherwise addressed by the Lease Area Use CBA.

The Lease Area Use CBA was proposed as a 2.5 percent bidding credit in the PSN. In the PSN, BOEM asked questions regarding a potential general CBA bidding credit (see Section 11.2 below). The Lease Area Use CBA was increased to a 5 percent credit of the monetary bid, and the General CBA bidding credit is worth 5 percent of the monetary bid, in response to comments on the PSN stating that 2.5 percent was too low to incentivize developers to invest time and resources into developing authentic collaborative efforts with groups who will be impacted by lease development. In its comments on the PSN, the State of California commented that BOEM

⁵ Shields, Matt, Ruth Marsh, Jeremy Stefek, Frank Oteri, Ross Gould, Noé Rouxel, Katherine Diaz, Javier Molinero, Abigail Moser, Courtney Malvik, and Sam Tirone. 2022. *The Demand for a Domestic Offshore Wind Energy Supply Chain*. Golden, CO: National Renewable Energy Laboratory. NREL/TP-5000-81602. <https://www.nrel.gov/docs/fy22osti/81602.pdf>.

should create a strong incentive for bidders to propose robust concepts going into the lease auction that result in meaningful investments into these community benefit agreements. Moreover, the California Coastal Commission conditionally concurred with the consistency determination submitted by BOEM for leasing activities associated with future offshore wind development in the Humboldt and Morro Bay WEAs. The Concurrence conditions include addressing benefits to community and Tribal entities that may be impacted. The CBA bidding credits included in the Final Sale Notice are consistent with these Commission conditions. BOEM used its best judgment to determine that 10 percent is a reasonable percentage for these bid credits and decided to equally apportion them between the two types of CBAs.

Future negotiations with impacted communities and the high bid amounts for leases will influence the financial contributions associated with the CBAs. The high bid amounts may differ substantially between the North Coast and Central Coast Regions. However, assuming a cumulative bid amount for all five Lease Areas is between \$400 million and \$1.6 billion, the value of the 10 percent CBA credits would be between \$30 million and \$152 million depending on the total number of credits earned by the bidders. For potential impacts to the Lease Area, it is expected that Lease Use CBA contributions comparable to the bidding credit value would address gear changes, potential gear loss or damage, loss of income, or other impacts to ocean users. For a General CBA with impacted communities, it is similarly expected potential Contributions comparable to the bidding credit value would address infrastructure affected by the project, mitigation concerning impacts to cultural viewsheds, need to facilitate engagement in the process through which the lease will be developed, or similar community impacts.

Prior to the auction, bidders will submit to BOEM a Bidder's Financial Form (BFF), in which they will inform BOEM of their decision to commit to the efforts for which the bidding credit(s) can be awarded. In order to receive bidding credits, bidders must submit to BOEM a conceptual strategy for each credit with their BFFs. Strategies must address plans to meet the criteria described in the BFF Addendum and must describe objective, quantifiable, and verifiable steps that would allow BOEM to confirm compliance with the bidding credit when required documentation is submitted.

Documentation demonstrating payment of the full Contribution or the executed CBA(s) must be provided to BOEM no later than the date that the first FDR for the project is submitted to BOEM. The documentation must contain and elaborate on the information called for in the conceptual strategy submitted with the BFF to allow BOEM to confirm compliance with the bidding credit criteria provided in Addendum "C," Sections 11, 12, and 13 of the Lease.

9. Lease and Fiscal Terms

BOEM's regulations initially default to a 25-year operations term. However, BOEM has recognized an increased term length is appropriate due to increased longevity of projects and the time in the operations term that will be taken by construction and post-COP approval activities. Thus, in the PACW-1 lease sale, BOEM is offering leases with a 33-year operations term.

To calculate the operating fees, all leases issued under this auction will use the index for the California Independent System Operator (California ISO) North of Path 15 (NP15) market hub. Aggregated data from commercial subscription services such as S&P Global Market Intelligence Platform or Hitachi ABB Velocity Suite can also be used by the Lessee and may be posted by BOEM for reference.

10. Fair Return and Bidding Credits

In developing the auction design for offshore wind rights, BOEM contracted with Power Auctions for design guidance. The Power Auctions study describes that a commonly held practice among Federal agencies is to provide discounts of 25 percent or less of the bid in Federal auctions. While some exceptions to this practice exist, such exceptions are typically reserved for issues of critical importance to the United States (e.g., the Department of Defense providing a larger “discount” in contracting for domestic firms). Power Auctions found that bidding credits work best when they are kept to a ‘modest amount’ to maintain the efficiency of the auction and prevent some bidders from abandoning the auction if they do not have a credit.⁶ Power Auctions highlights the difficulty of determining bidding credit values on p. 17:

It is impossible to determine in an objective manner what these values should be – they can be assessed based on the relative importance of the factors, but this, and the total percentage assigned to bidder discounts is somewhat subjective. Note that the percentage discounts in one lease area may be different than the discounts for another lease area, depending on state-specific issues. Our auction research, design and implementation experience allows us to opine on the effect of bidder discounts on auction efficiency; the exact factors used to determine the bidder discount should be determined by BOEMRE and other industry experts.

OCSLA section 8(p)(4)(h) requires BOEM to obtain a “fair return” for its offshore wind leases. “Fair return” is not defined in OCSLA or in BOEM’s renewable energy regulations, and there is no applicable legislative history. BOEM thus has discretion in interpreting this term. For its renewable energy leases, BOEM ensures that the taxpayer receives a fair return for the use of the OCS through a series of required payments, including up-front bonus bids, acreage-based rentals for the predevelopment phase, and a share of revenues in the form of operating fees during the project operations. Fair return is listed as one of several required factors in OCSLA Section 8(p) that the Secretary must consider in carrying out the leasing program. BOEM has discretion in determining “a fair return to the United States for any lease,” and receipt of fair return is one factor that must be balanced when making leasing decisions.

Solicitor’s Opinion M-37067⁷ provides context on the Secretary’s consideration of the 8(p) factors and his or her discretion on balancing among the factors. In cases where each of the factors cannot be optimized, the Secretary must balance them. The balancing requirement suggests that any reduction in financial return to the taxpayer must arise from the balancing of fair return with the other 8(p) factors. Therefore, bidding credits must help the Secretary achieve application of these other factors.

BOEM has traditionally limited non-monetary factors to no more than 25 percent of the bid price but also considers market and stakeholder needs. For this PACW-1 lease sale, the workforce training/supply chain and CBA bidding credits would total 23.1 percent of the bid price (30

⁶ Lawrence M. Ausubel & Peter Cramton, 2012. "Multiple Factor Auction Design for Wind Rights," Papers of Peter Cramton 11acmf, University of Maryland, Department of Economics - Peter Cramton, revised 2012. https://www.boem.gov/sites/default/files/uploadedFiles/BOEM/Renewable_Energy_Program/Regulatory_Information/AusubelCramtonPaper2.pdf.

⁷ *Secretary’s Duties under Subsection 8(p)(4) of the Outer Continental Shelf Lands Act When Authorizing Activities on the Outer Continental Shelf*, M-37067 (Apr. 9, 2021), <https://www.doi.gov/sites/doi.gov/files/m-37067.pdf>.

percent of the cash bid). Limiting the bidding credits in this sale to 23.1 percent of the bid price is consistent Congress' intent to direct wind energy leasing revenues to the General Fund pursuant to section 9 of OCSLA (43 U.S.C. § 1338), while at the same time allows BOEM to use monetary bidding incentives to further OCSLA goals, such as protecting the environment, furthering the expeditious and orderly development of OCS resources, and achieving fair return. Assuming a cumulative bid amount for all five Lease Areas is between \$400 million and \$1.6 billion, if all lessees receive all credits, between \$308 million to \$1.231 billion would be deposited into the General Fund by limiting the bidding credits to 23.1 percent of the bid price. This framework allows the Secretary to balance some of the return from leasing to be allocated to other OCSLA goals, while still retaining significant financial return to the taxpayer.

In sum, for the PACW-1 auction, BOEM has determined that the combination of an aggregate bidding credit of 30 percent of the cash bid (equivalent to 23.1 percent of the total bid) and the monetary bid component provides fair return to the United States. The fair return to the United States is achieved through both the monetary component of the bid (through revenue to the U.S. Treasury) as well as the non-monetary components (through the advancement of domestic offshore wind and other section 8(p)(4) factors which benefit the United States).

10.1 Maintaining Competition

As OCSLA states: “the outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs” (43 U.S.C. § 1332(3)). The bidding credits proposed in the PACW-1 are designed to be assessable and executable by all qualified bidders. The auction is held after all bidders know if they qualify for bidding credits. From a competitive standpoint, any bidding credit that would only apply to specific bidders could impact the auction's competitiveness. For example, a bidding credit that was designed to give only small businesses a credit could result in an inefficient outcome. If non-small businesses are required to pay significantly more than the small business, the lease would either be awarded to the small business, who might not be the most efficient developer of the lease, or the non-small business would be required to pay significantly more for the right to the lease. The design of the California bidding credits maintains competition and affords all bidders a level playing field.

11. Justification for Specific Bidding Credit Percentages

As described, BOEM has determined that a bid credit of 23.1 percent of the bid value is reasonable for this California offshore wind lease sale. Also, as described earlier, BOEM has determined that workforce training, domestic supply chain development, and CBAs are important components of a successful offshore wind industry through advancement of expeditious and orderly development, a safe and well-trained work force, and considerations of other uses of the OCS.

For PACW-1, the Pacific Region and BOEM's Economics Division recommend that workforce development and domestic supply chain would receive a bidding credit of 20 percent of the monetary component, a Lease Area Use CBA would receive a bidding credit of 5 percent of the monetary component, and a General CBA would receive a bidding credit of 5 percent of the monetary component. Explanations for those percentages are provided in the following sections.

11.1 20 Percent Monetary Component to Workforce and Supply Chain

Offshore wind, particularly floating offshore wind, is a nascent industry with significant promise to contribute to the increasing demand for renewable energy to meet climate goals. Providing incentives in the form of bidding credits to drive investments in supply chain and workforce training is consistent with BOEM's mission of furthering the expeditious and orderly development of offshore wind resource on the OCS. There is no existing supply chain for floating offshore wind and limited trained workforce for the industry. Establishing a domestic workforce and supply chain will require significant investments and allocating the largest bid credit to these efforts is reasonable. The National Renewable Energy Laboratory (NREL) estimates that the average number of jobs to support the wind turbines and offshore substations in the West Coast baseline demand scenario would be between 2,200 and 8,700 (FTE).⁸ The vast need for a skilled floating offshore wind workforce signifies the ability of the industry to absorb a large bidding credit. Further, NREL suggests that significant investments would be needed for floating wind components. These investments would generate substantial economic development that benefits the United States. Given the great need for a domestic offshore wind workforce and domestic supply chain, as well as the expense and time required to develop them, BOEM finds that allocating two-thirds of the bidding credit (20 percent of the monetary component) is reasonable to encourage expeditious and orderly development.

11.2 5 Percent Monetary Component to Lease Area Use CBA and 5 Percent Monetary Component to General CBA

In addition to the need for advancements in work force and supply chain, BOEM also recognizes the potential impact both to users of the Lease Area and nearby communities. BOEM has determined that roughly half the total value going into domestic supply chain and work force development is appropriate to incentivize developers to enter into CBAs. This amount is then split between the two CBAs, meaning that BOEM will provide a bidding credit of 5 percent of the monetary component to potential lessees for entering into a CBA with Lease Area impacted users and a bidding credit of 5 percent of the monetary component for a CBA with an impacted community. Working with the aggregate value of 30 percent of the monetary component, BOEM determined that because the needs for workforce training and domestic supply chain are great and required for development of the offshore wind industry, the majority of the credit should be allocated there. BOEM has allocated two-thirds of the non-monetary component to these purposes and is splitting the remaining one-third of the non-monetary credit between the two CBAs. Given the anticipated value of the Lease Area, BOEM finds this amount would be sufficient to encourage benefits to communities that may be affected by the project.

In the PSN, BOEM proposed one CBA for Lease Area users and asked questions regarding a potential additional bidding credit for a general CBA. BOEM received several comments on the CBAs and percentages. Most of the comments asked for a general CBA and for higher percentages for both CBA bidding credits. BOEM increased the percentage of the Lease Area Use CBA to 5 percent from 2.5 percent both in response to comments and to further encourage

⁸ Average Number of Jobs (2026-2030) for the Baseline West Coast Demand Scenario. Shields, Matt, Ruth Marsh, Jeremy Stefek, Frank Oteri, Ross Gould, Noé Rouxel, Katherine Diaz, Javier Molinero, Abigayle Moser, Courtney Malvik, and Sam Tirone. 2022. *The Demand for a Domestic Offshore Wind Energy Supply Chain*. Golden, CO: National Renewable Energy Laboratory. NREL/TP-5000-81602. <https://www.nrel.gov/docs/fy22osti/81602.pdf>.

lessees to partake in that credit. BOEM has set both CBAs at the same amount to equally encourage lessees to enter into both CBAs.

Potential impacts on the local fishing community and culture may include managing transitions, gear changes, change in livelihood, the loss of a way-of-life, increased traffic, port congestion, change of travel routes, loss of fishing opportunity, change of fish behavior, etc. Through the bidding credit, lessees can enter into agreements with the Lease Area users that can last over the lifetime of the project.

The strongest wind resource offshore California is off the north coast. Potential impacts of the offshore wind industry on the human, marine and coastal environments are significant concerns to Tribes and stakeholders in the North Coast Region. Comments indicated that new industry and residents may exacerbate existing burdens on North Coast communities, especially those that are underserved. Further, comments noted that in addition to these potential impacts, communities immediately surrounding the port, including Manila, Samoa and Fairhaven, experience deteriorated road conditions, which may be worsened through traffic brought by the offshore wind development. In the Central Coast Region, Morro Bay hosts transmission assets, roads, harbor facilities, and other facilities that will be used, and thus impacted, during project construction and maintenance. Additionally, the area's businesses and other infrastructure could be potentially impacted by the offshore wind projects. Providing incentives for the developers to engage with these communities will help to redress potential project impacts.

12. Director Concurrence

<input checked="" type="checkbox"/> Yes	Proceed with the publication of the FSN and lease auction procedures to lease a total area of 373,268 acres offshore California, as described in Table 1 and depicted in Figure 1 of this Decision Memorandum. The five leases to be awarded, by themselves, will not authorize any activities on the OCS, but grant the exclusive right to submit plans (e.g., Site Assessment Plan (SAP) and Construction and Operations Plan (COP)) that, if approved after completing all necessary reviews and consultations under applicable Federal statutes, would allow offshore wind energy activities on the Lease Areas. The leases to be awarded will have an operations term of 33 years and will include the stipulations described in this Decision Memorandum and the FSN.
<input type="checkbox"/> No	

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Amanda Lefton
Director, Bureau of Ocean Energy Management

Date