

October 21, 2024

Offshore Wind Planning, Leasing, and Development

*Workshop on the methodology for calculating seabed
leasing payments and defining lease area limits*

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Office of Renewable Energy Programs

Sarah Coffman | Chief, Economics Division

Office of Strategic Resources

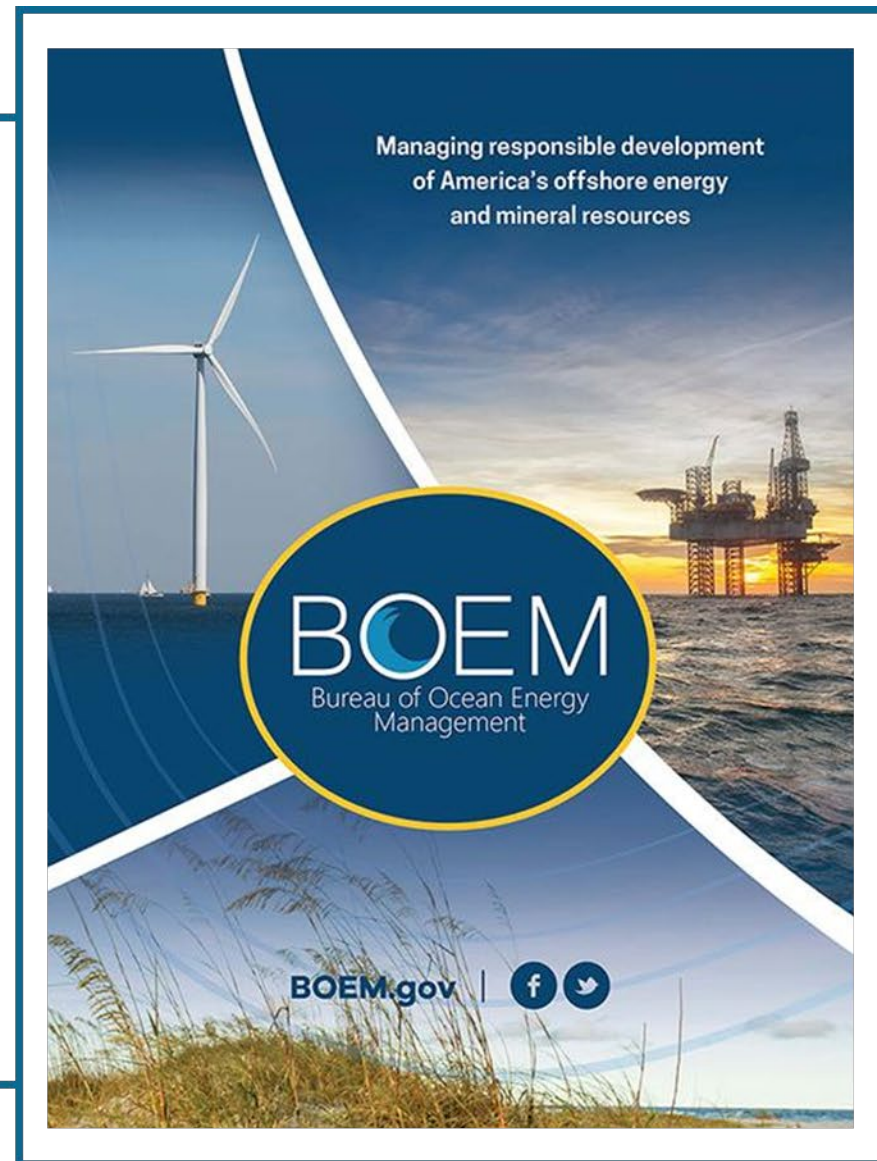


**BUREAU OF OCEAN ENERGY MANAGEMENT
U.S. DEPARTMENT OF THE INTERIOR**

BOEM Mission

To manage the development of U.S. Outer Continental Shelf (OCS) energy, mineral, and geological resources in an environmentally and economically responsible way.

BOEM manages almost 3.2 billion acres of the U.S. Outer Continental Shelf.



Authorities

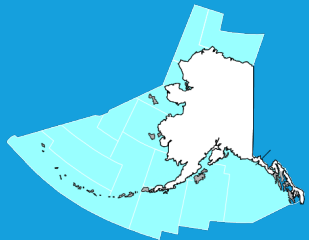
OCS Lands Act: "... vital national resource ... expeditious and orderly development ... environmental safeguards"

Energy Policy Act of 2005: "... energy from sources other than oil and gas ..."

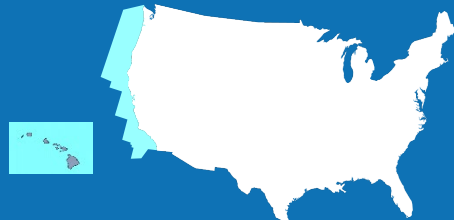
The Inflation Reduction Act (IRA) of 2022 "provides DOI with the authority to issue leases, easements and rights-of-way offshore US territories..."



Alaska OCS



Pacific OCS



Gulf of Mexico OCS



Atlantic OCS



Renewable Energy Program by the Numbers



Competitive Lease Sales Completed:

13

Commercial Offshore Leases Issued:

35

Research Offshore Leases Issued:

3

Site Assessment Plans (SAPs) Approved:

17

General Activities Plans Approved:

1

Construction and Operations Plans (COPs):

- Submitted to BOEM

20

- Records of Decision Issued

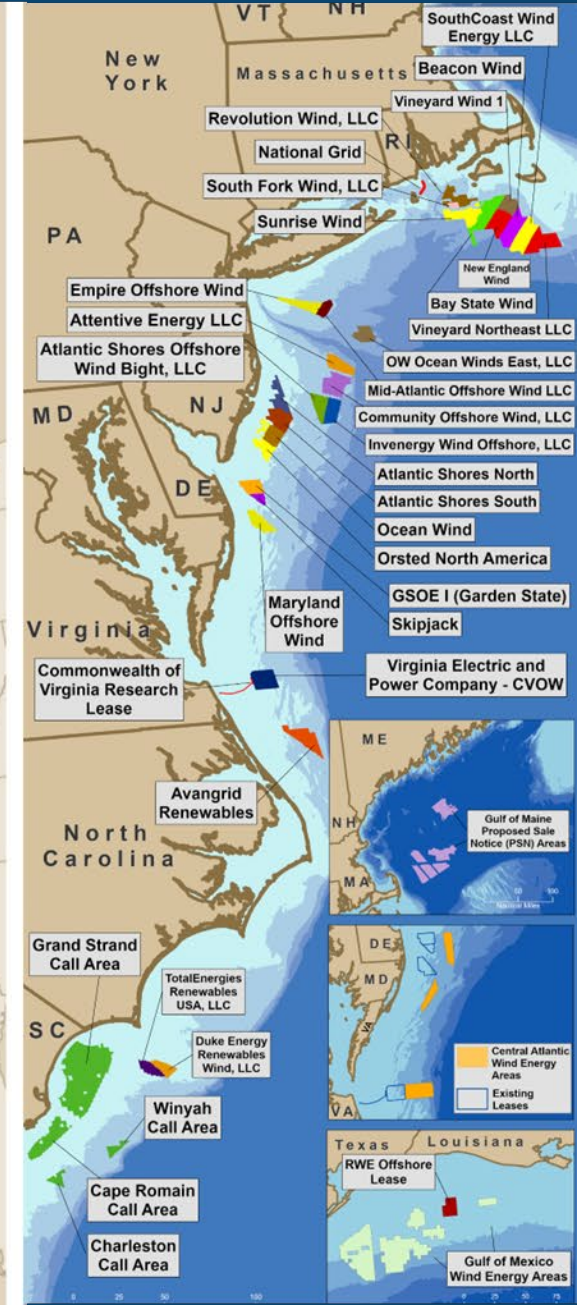
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- Under Review

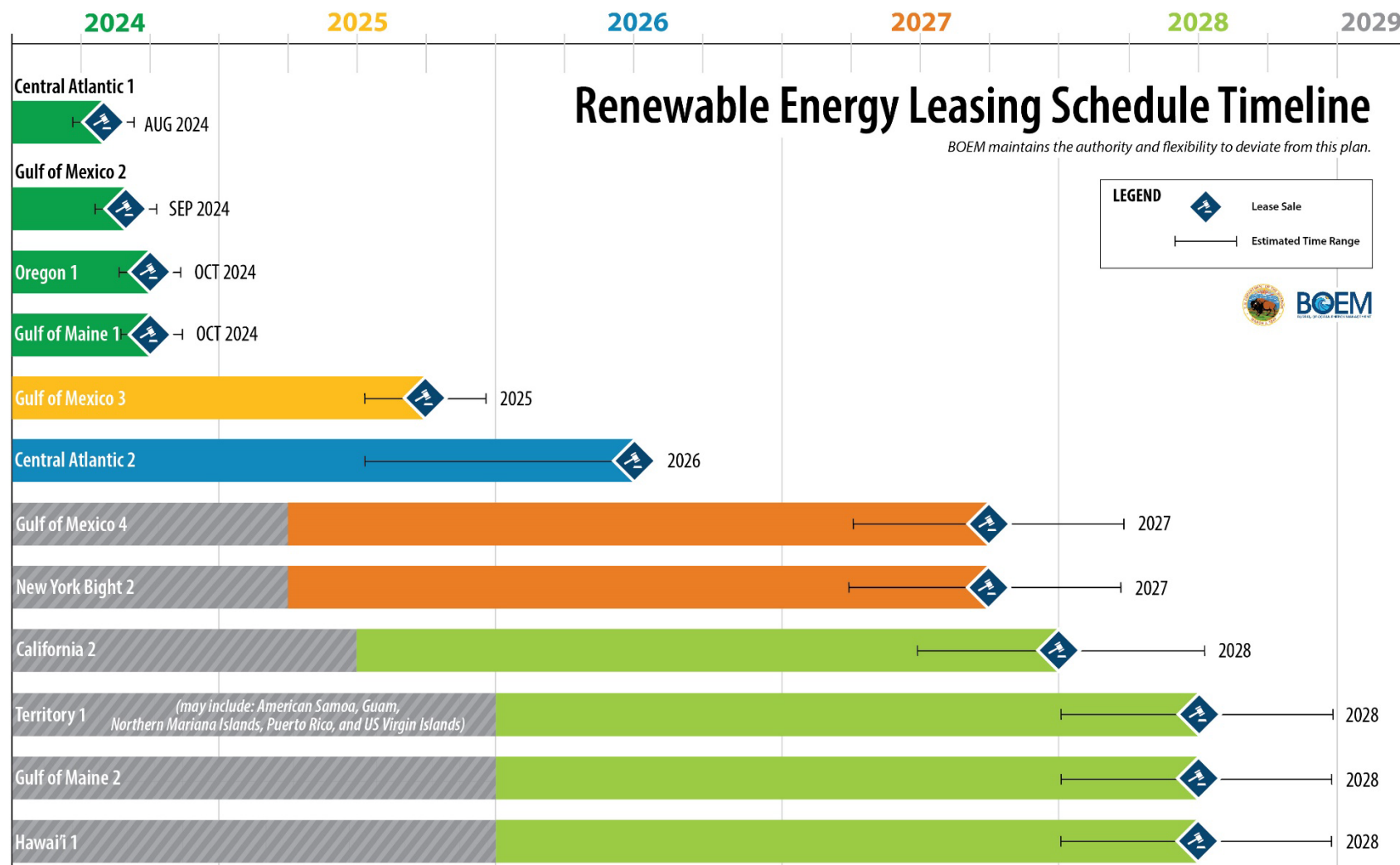
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- Other COPs Submitted

5



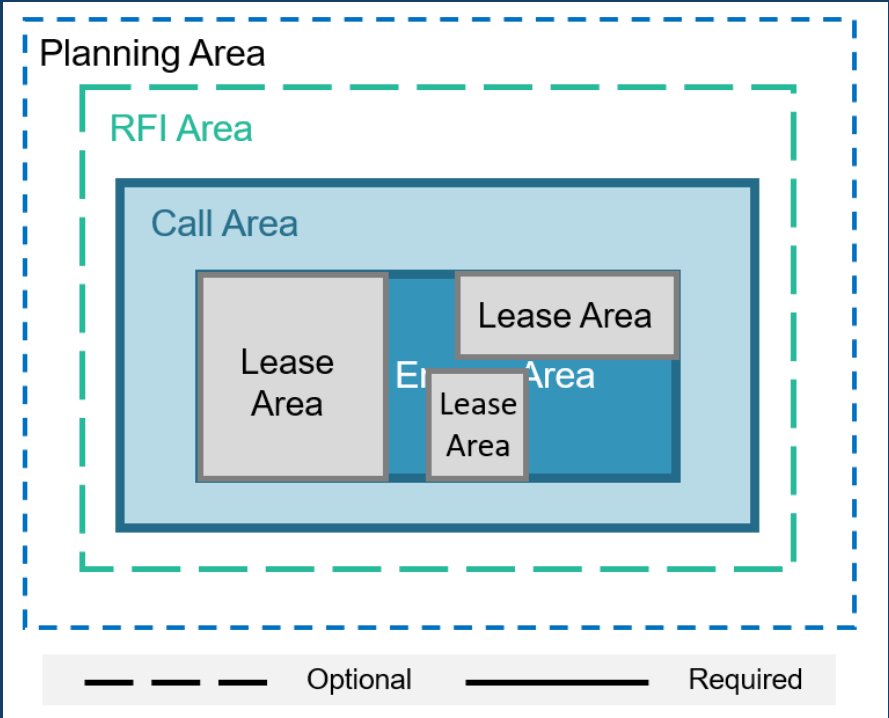
Sustaining Industry Confidence: Leasing Strategy



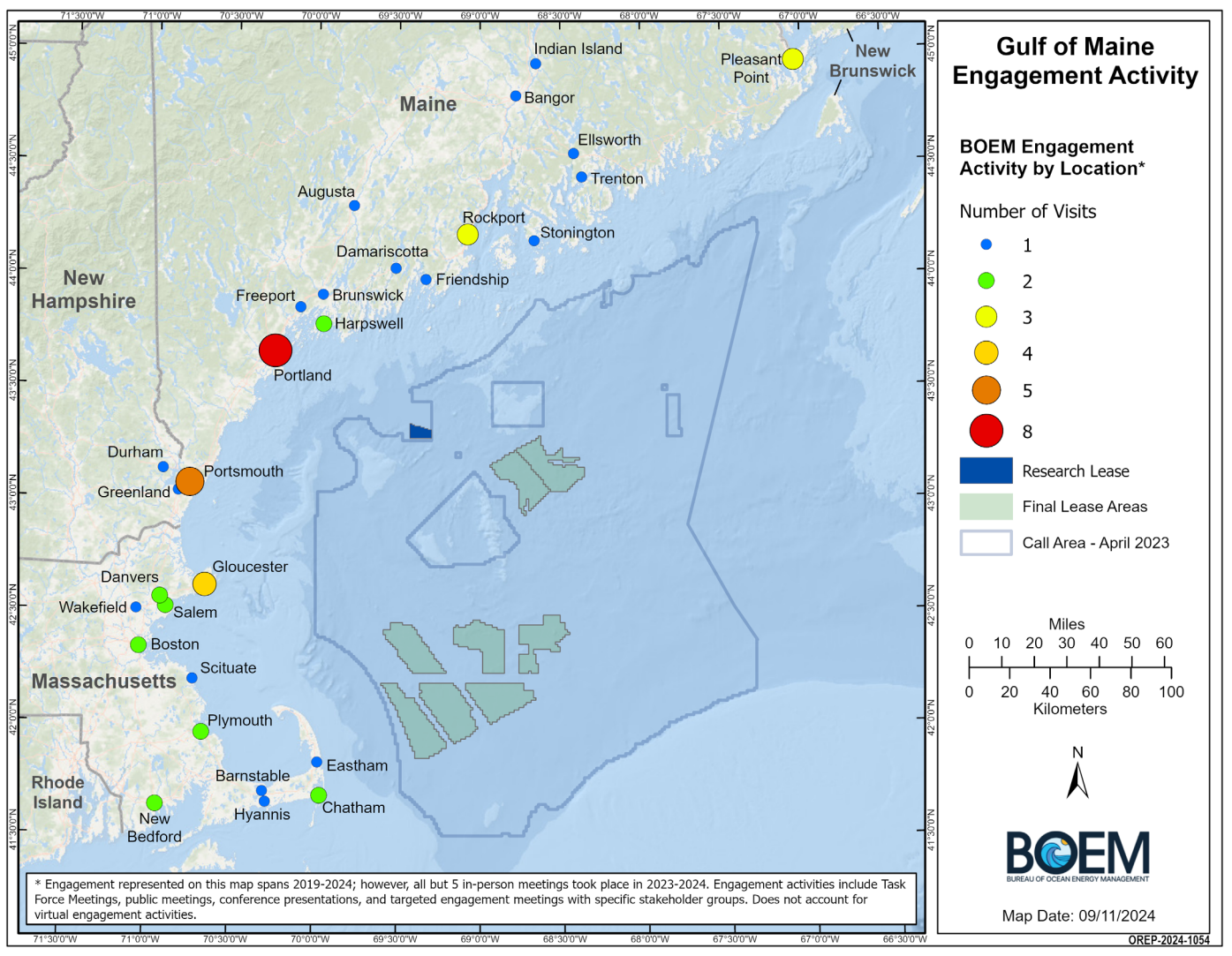
Renewable Energy Leasing Process



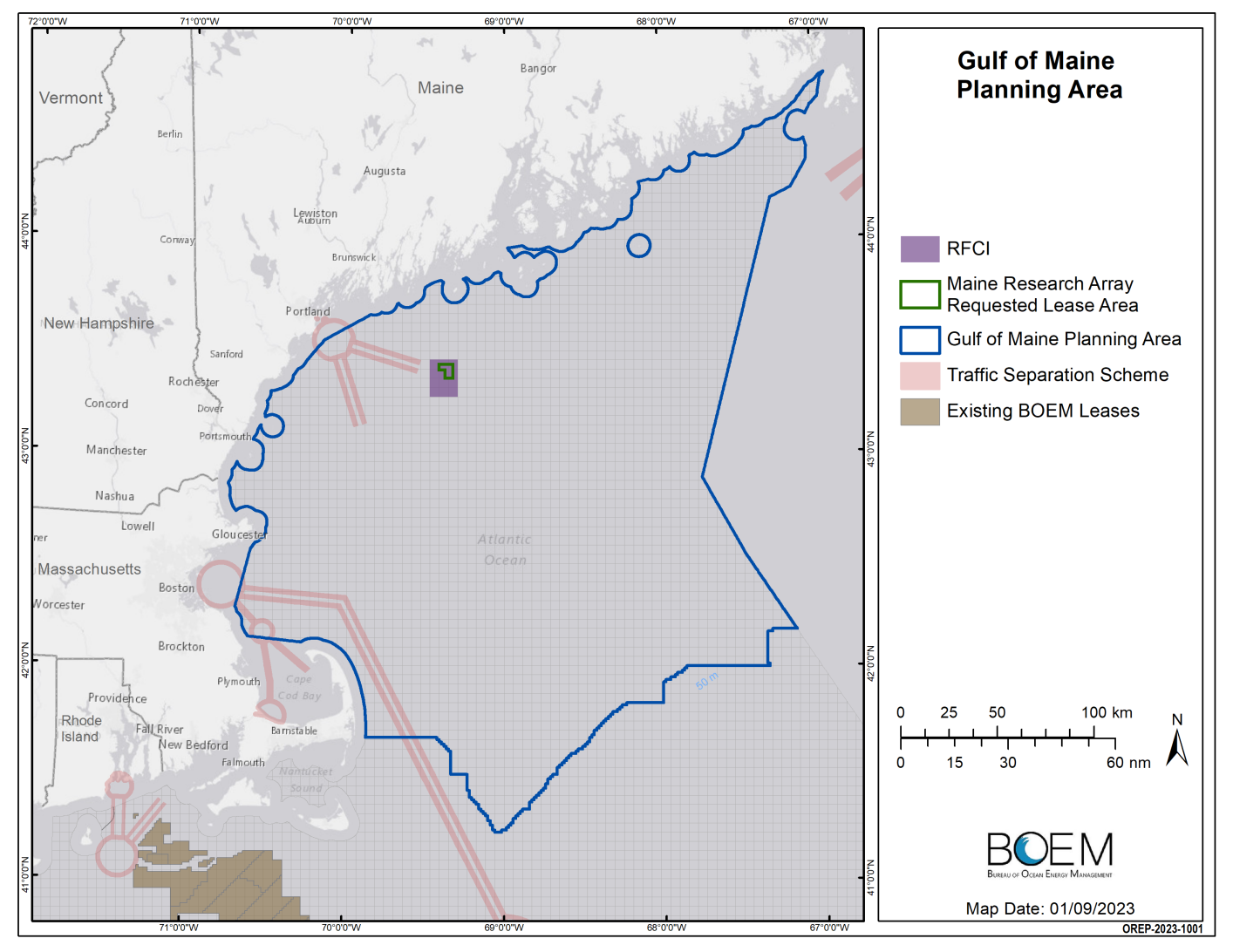
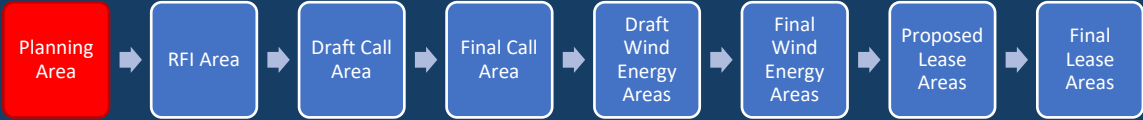
Planning and Leasing Process



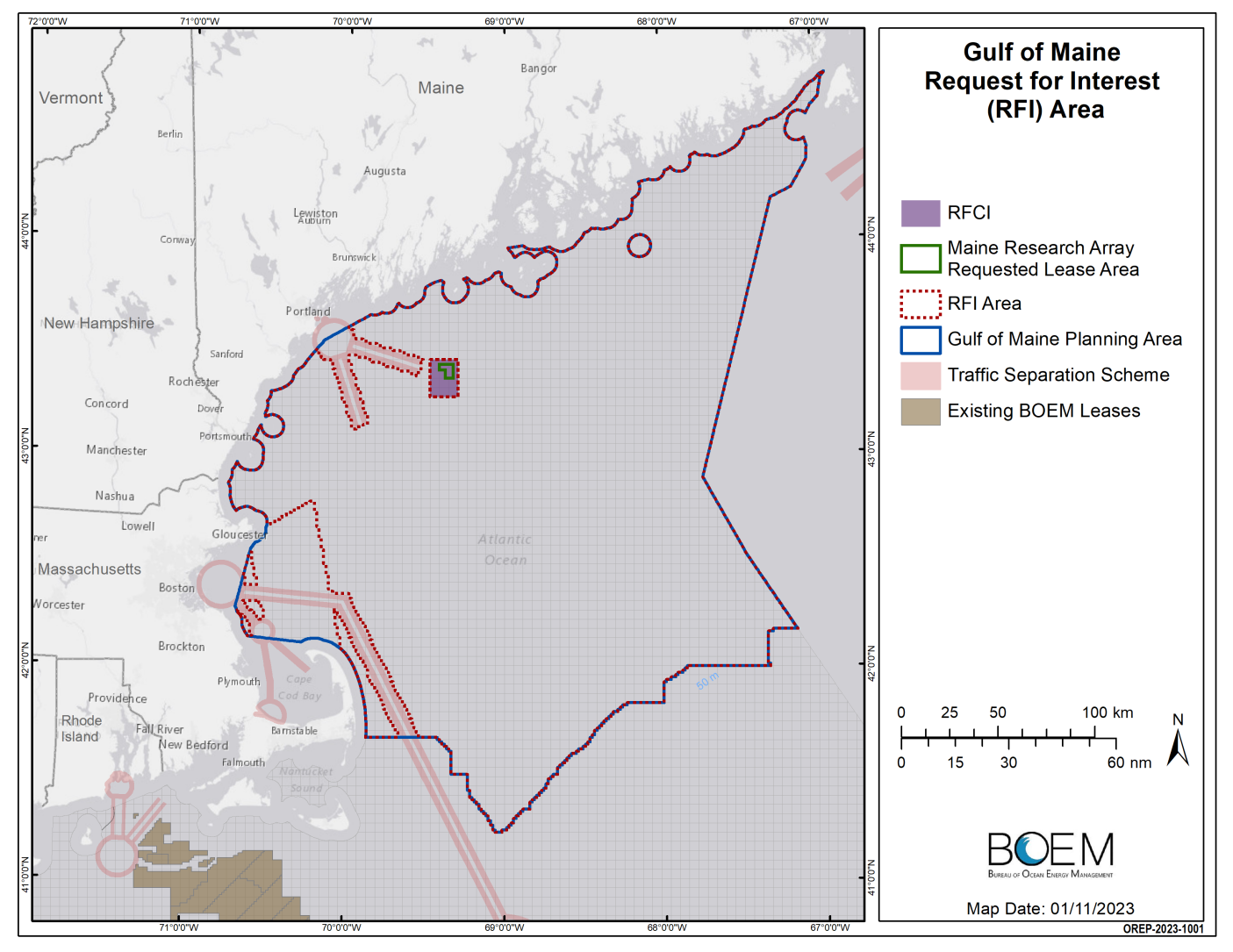
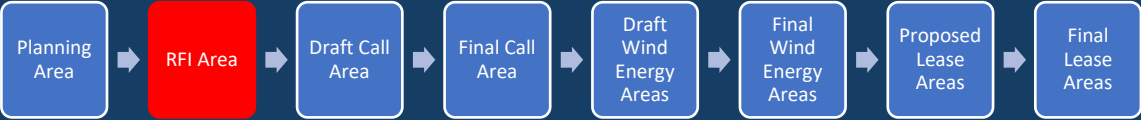
Case Study: Gulf of Maine



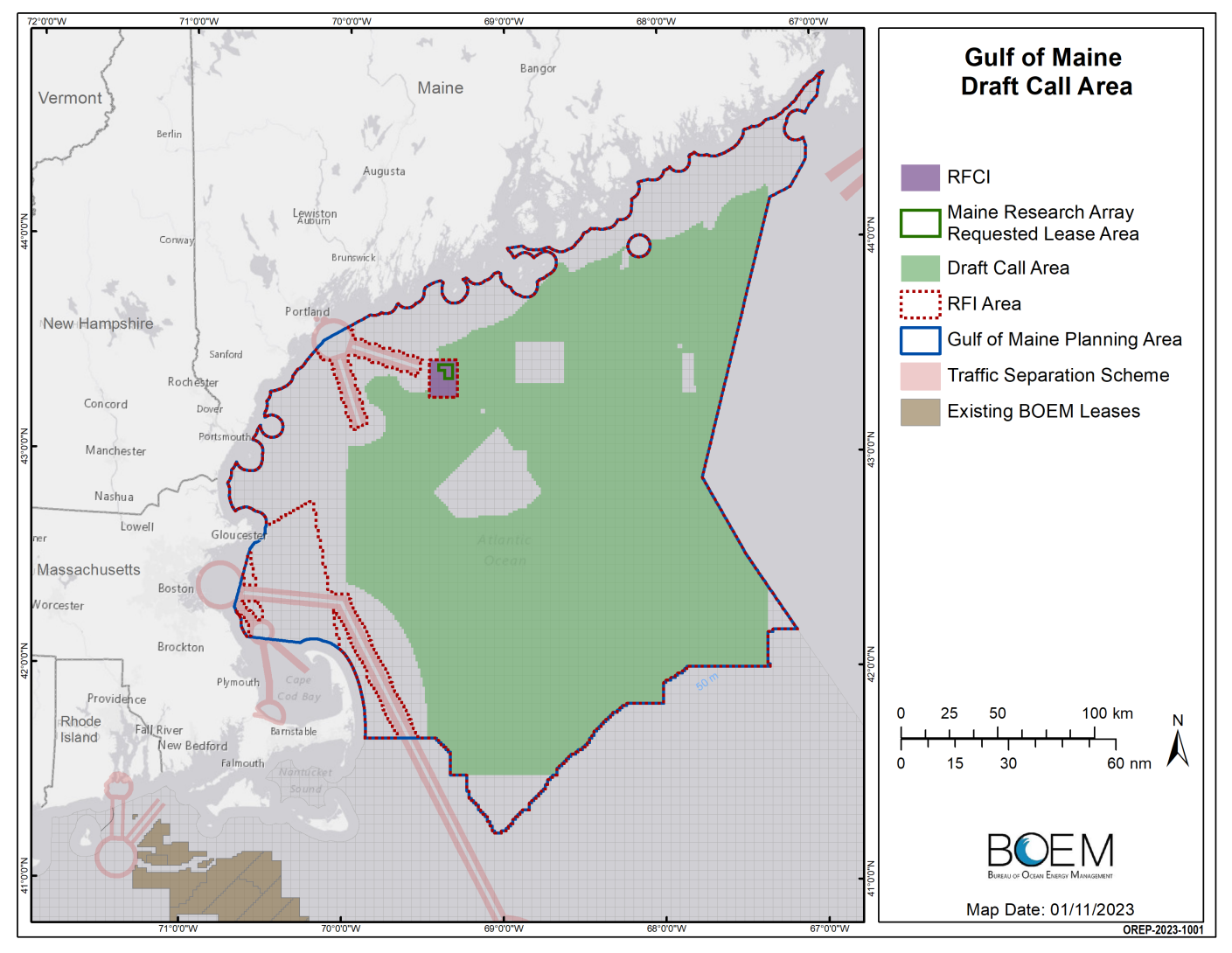
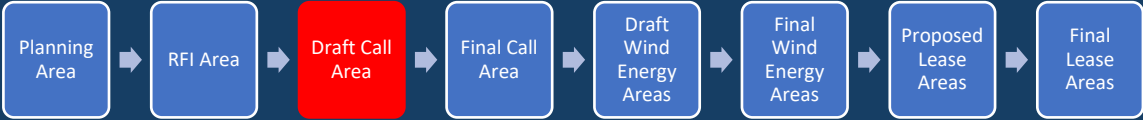
Planning Area



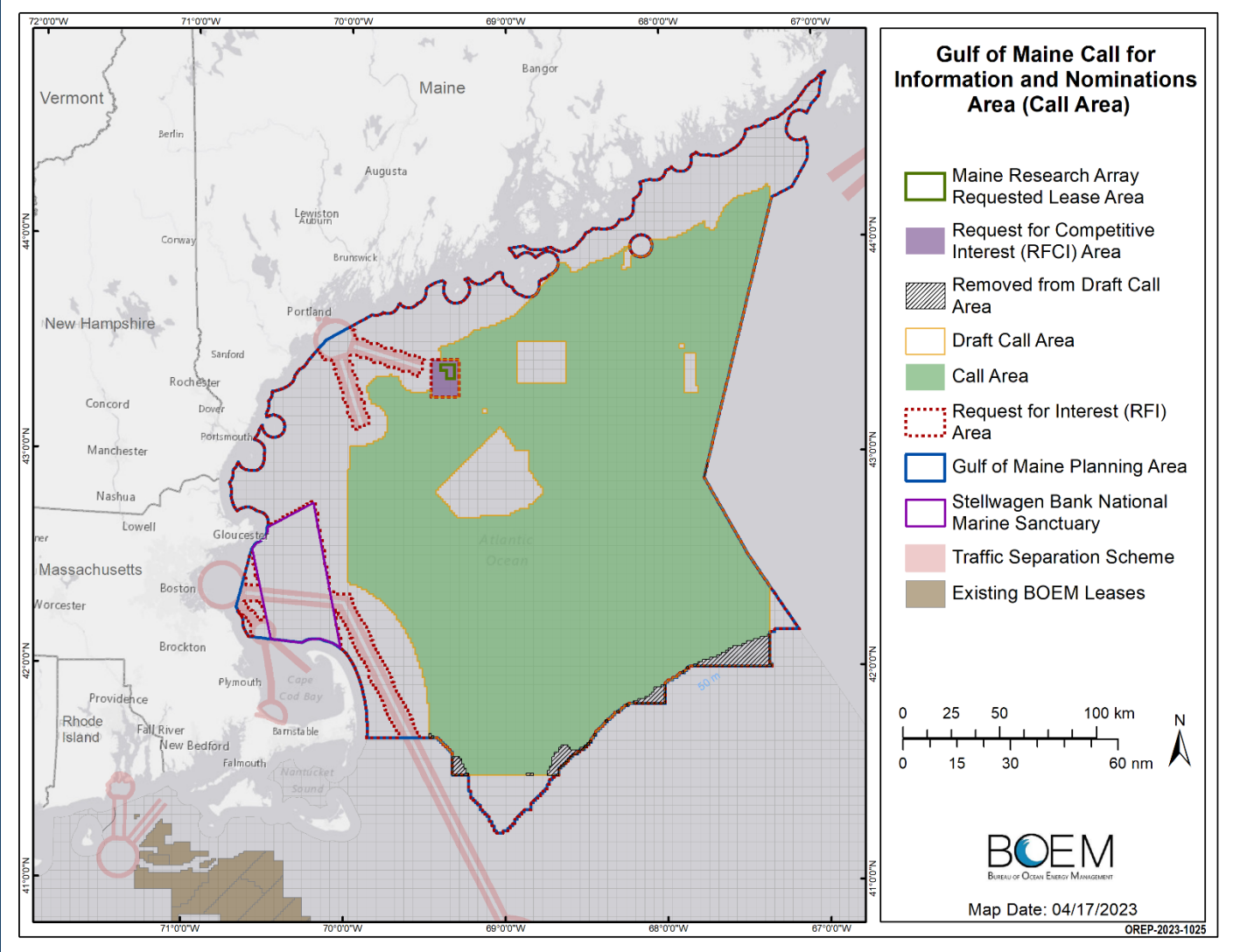
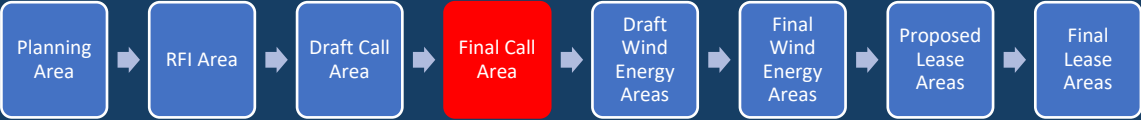
Request for Interest (RFI) Area



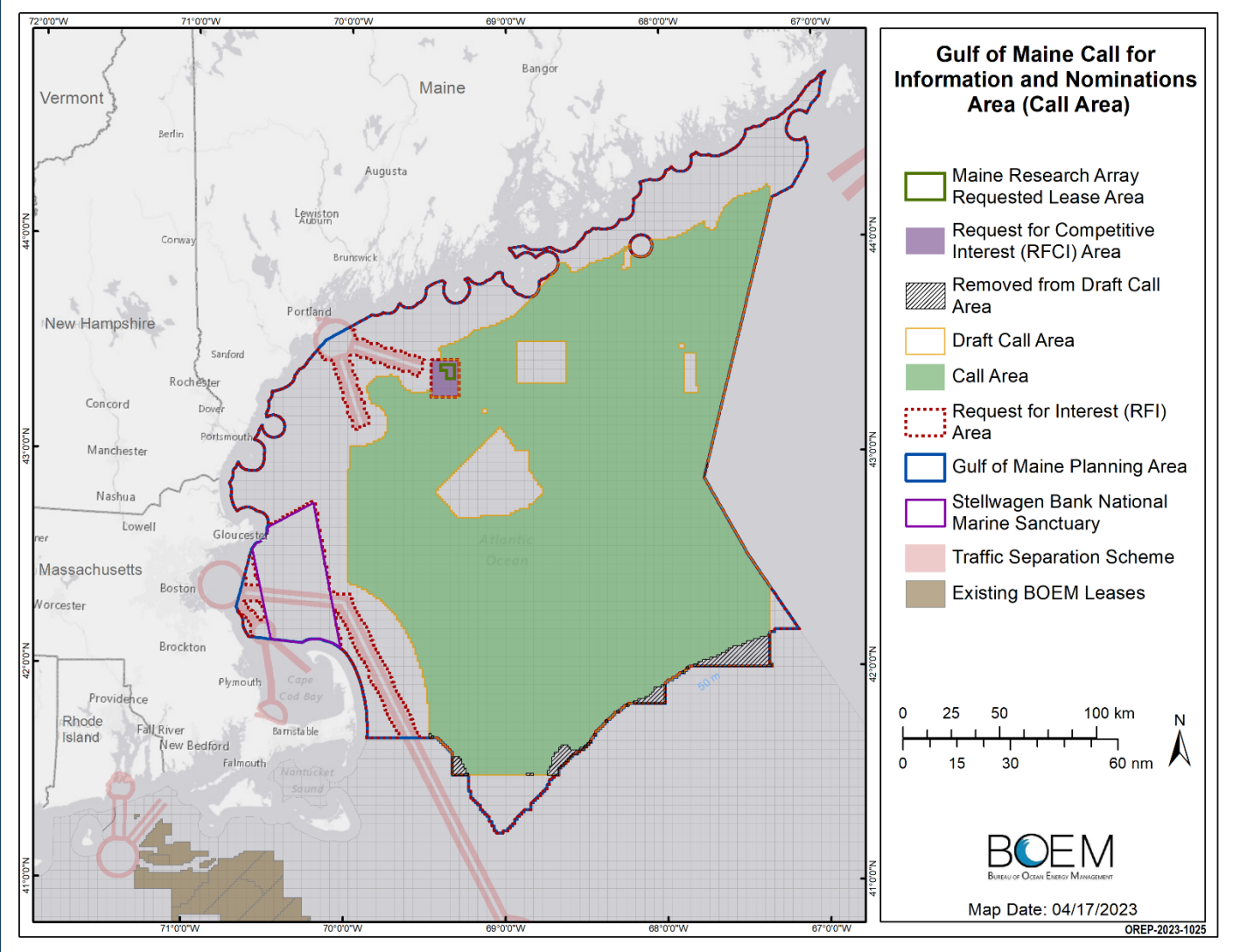
Draft Call Area



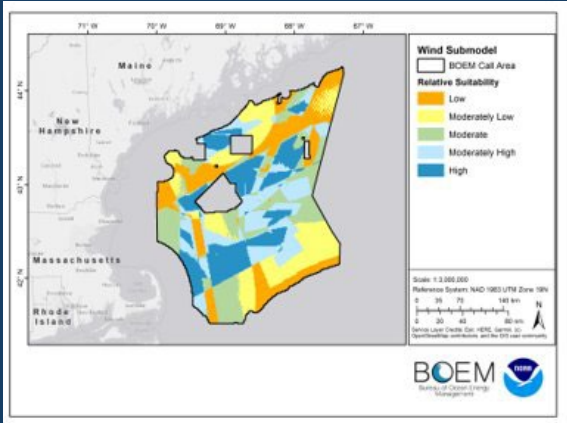
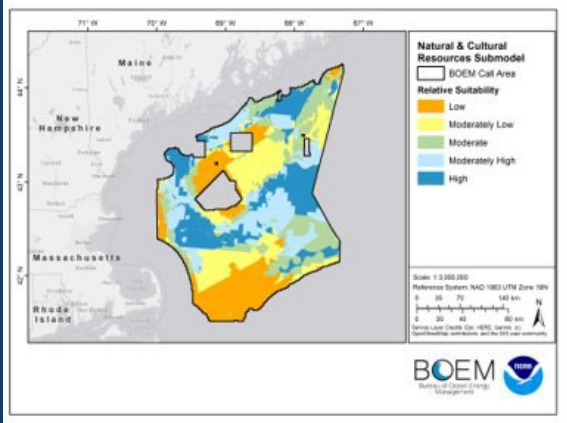
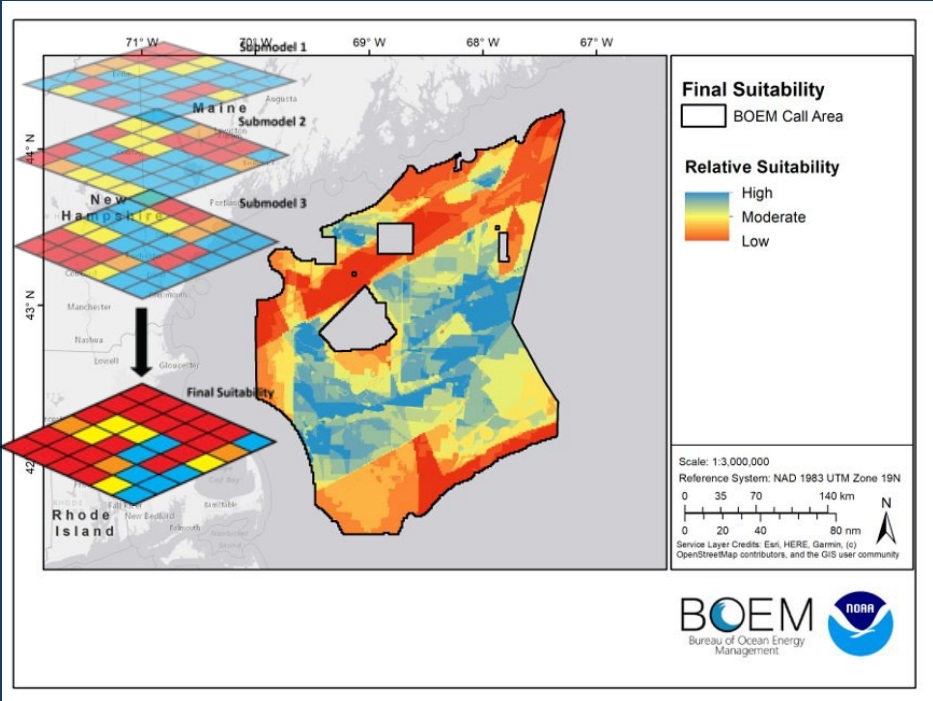
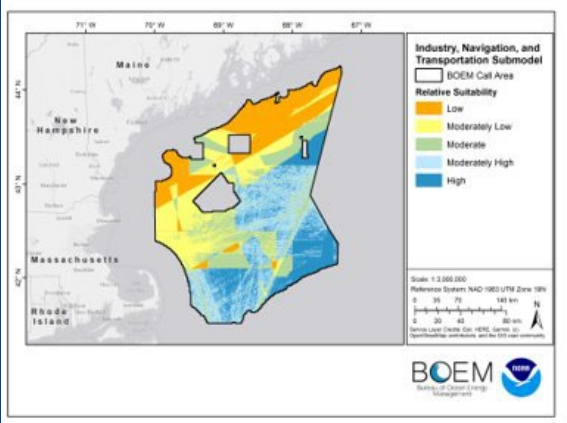
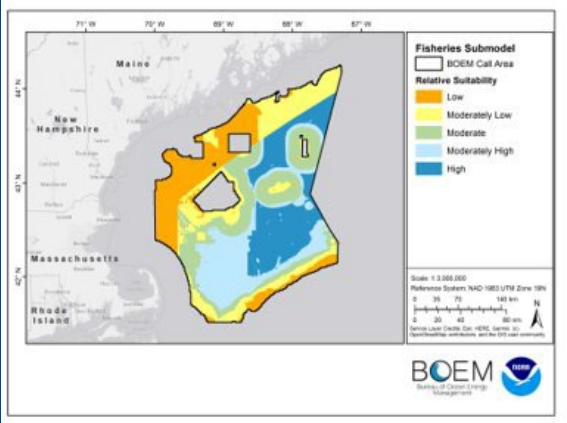
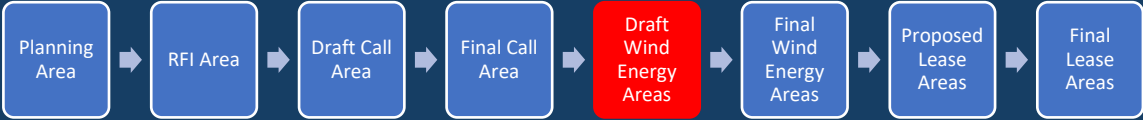
Call Area



Call Area



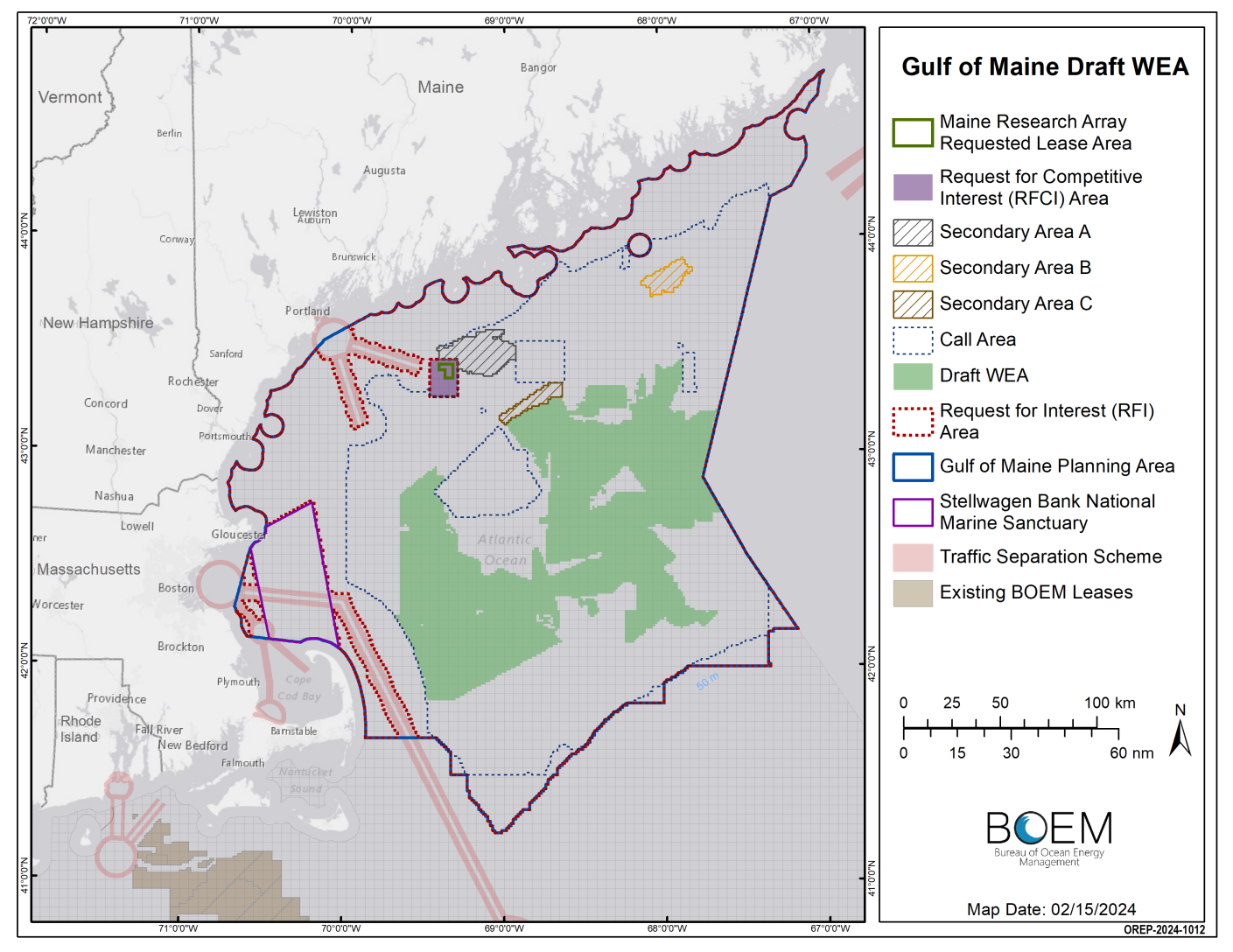
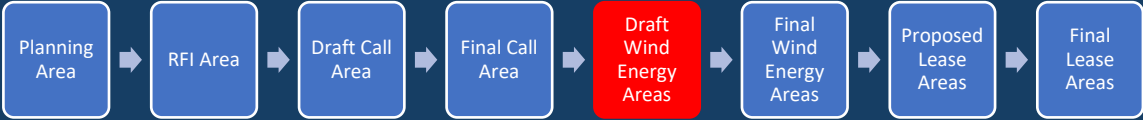
Draft Wind Energy Area



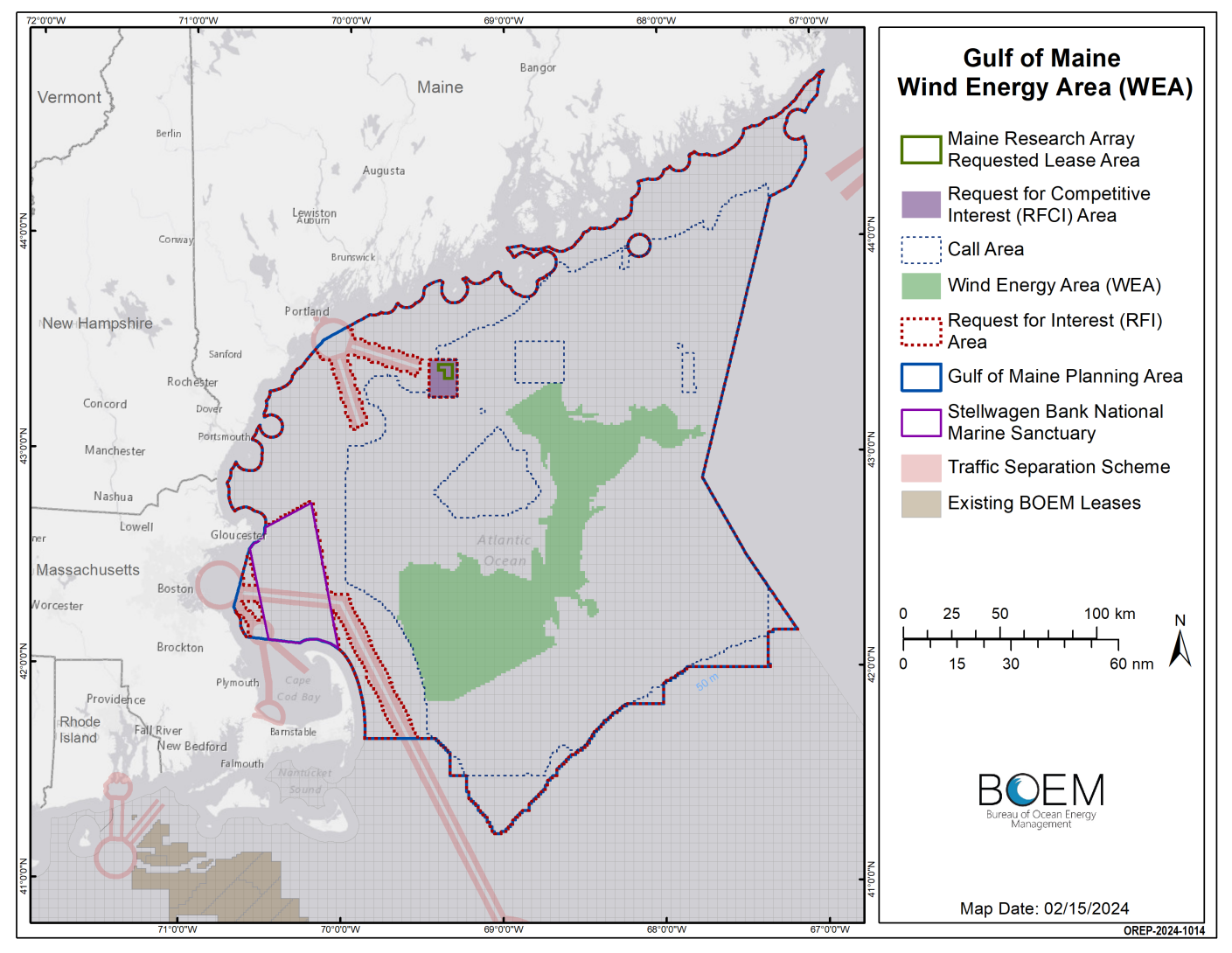
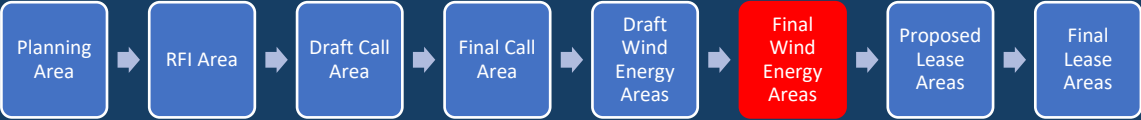
Spatial Suitability Modeling Partnership:
[Read More](#)



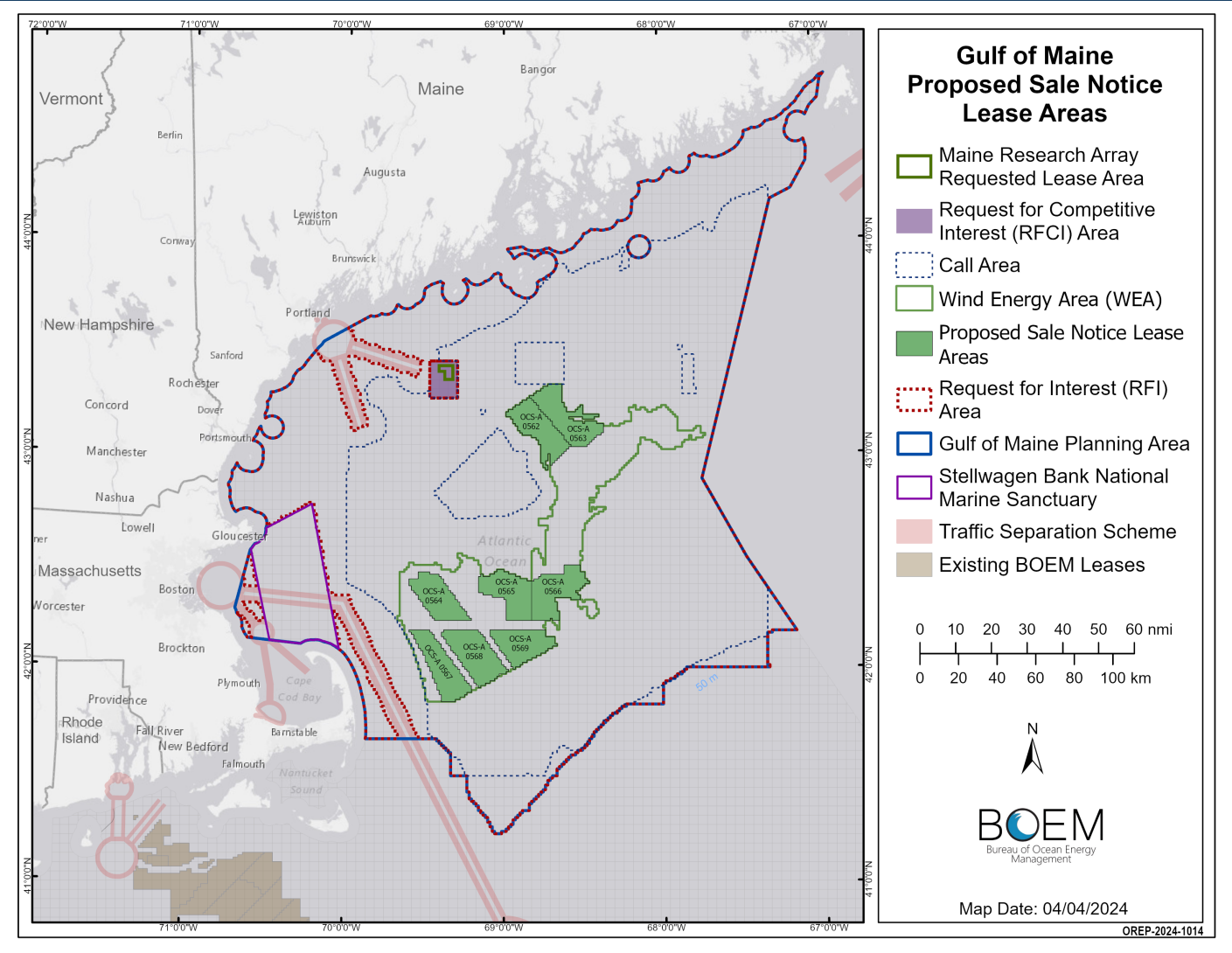
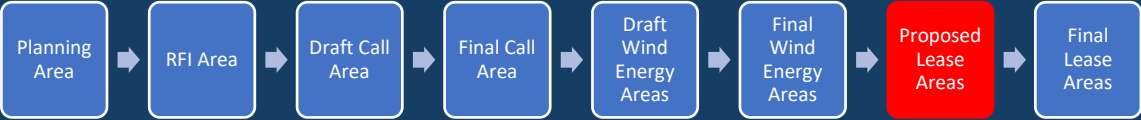
Draft Wind Energy Area



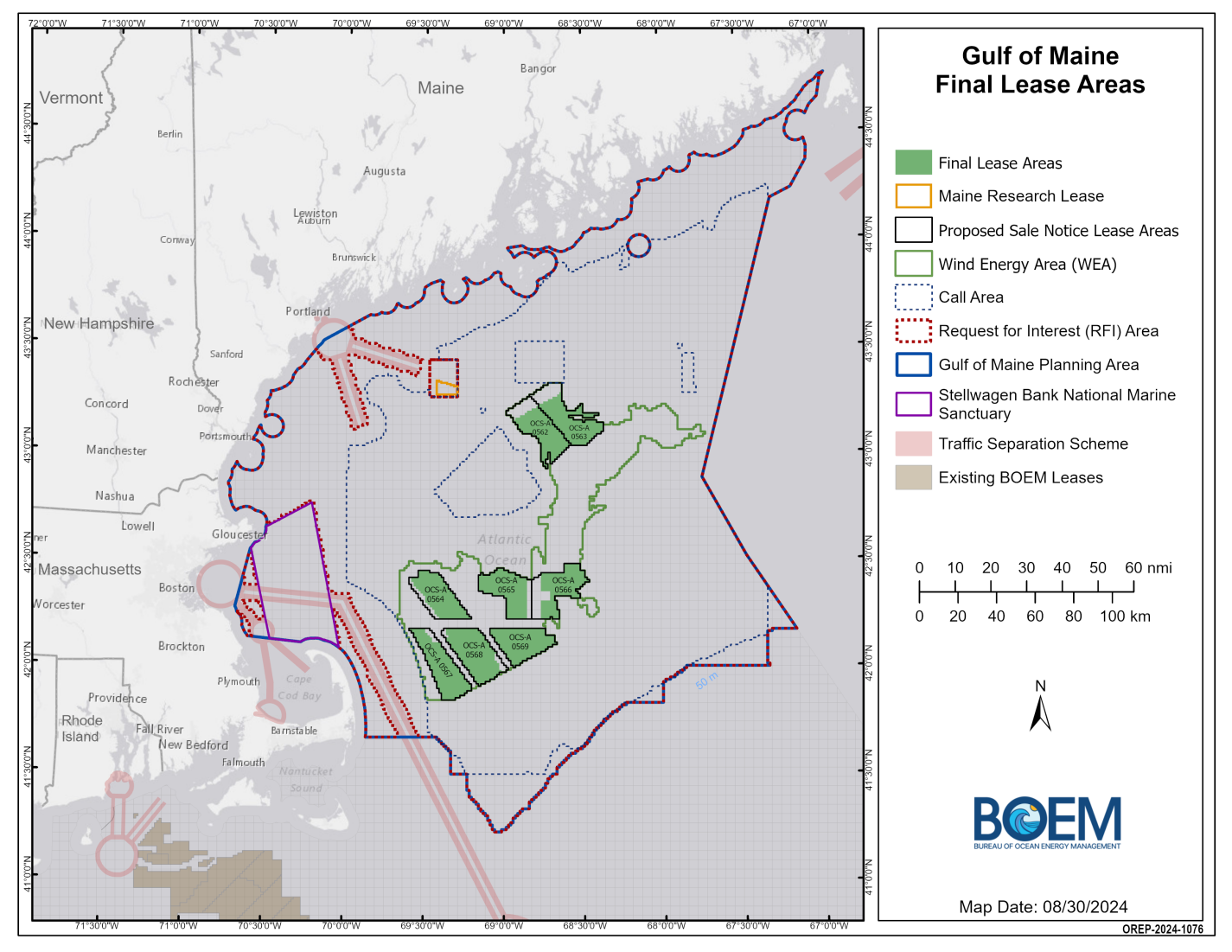
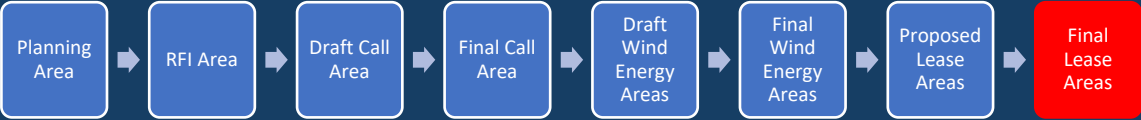
Final Wind Energy Area



Proposed Lease Areas

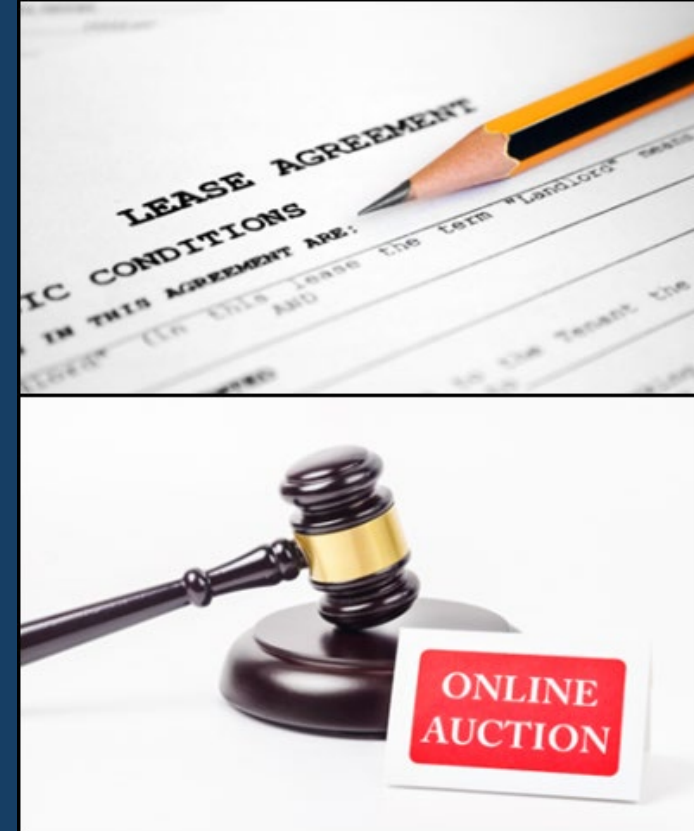


Final Lease Areas

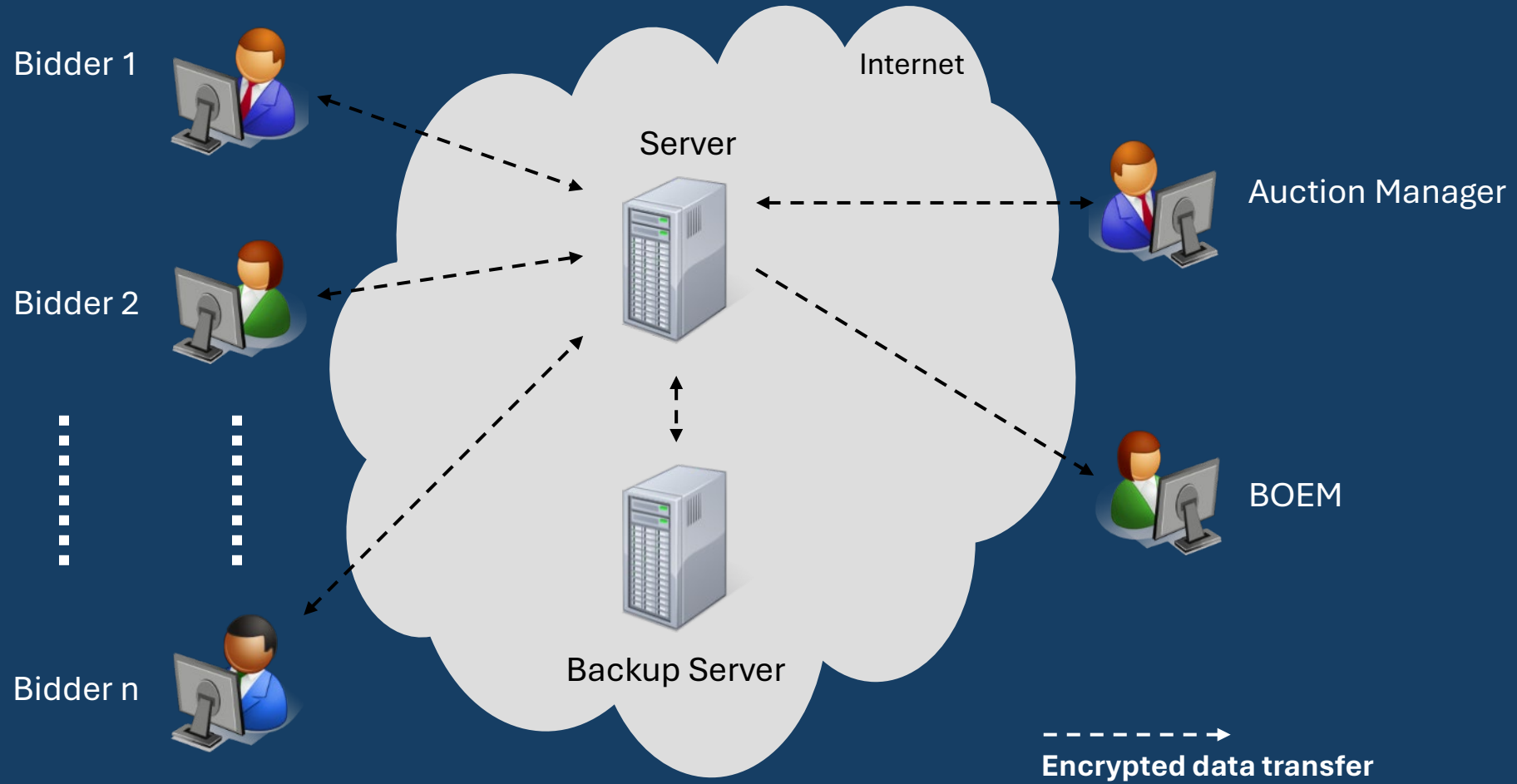


Pre-Lease Sale Process

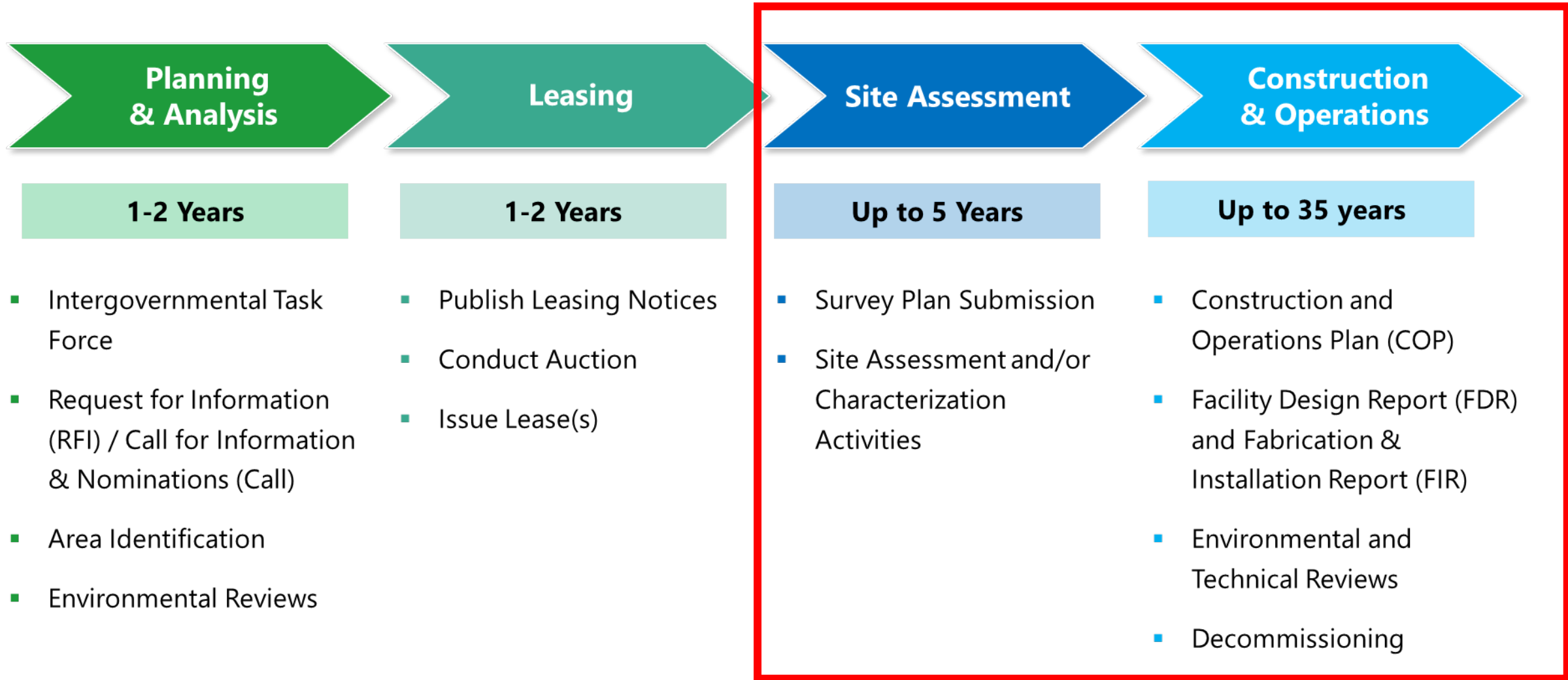
- Proposed Sale Notice
 - Area for leasing
 - Fiscal terms
 - Auction details and format
 - Proposed lease terms
 - Last opportunity to submit company qualification materials
- Auction Seminar for potential bidders
- Company Qualifications
 - Legal
 - Technical
 - Financial
- Final Sale Notice
 - Bid deposit required to participate in auction
- Auction



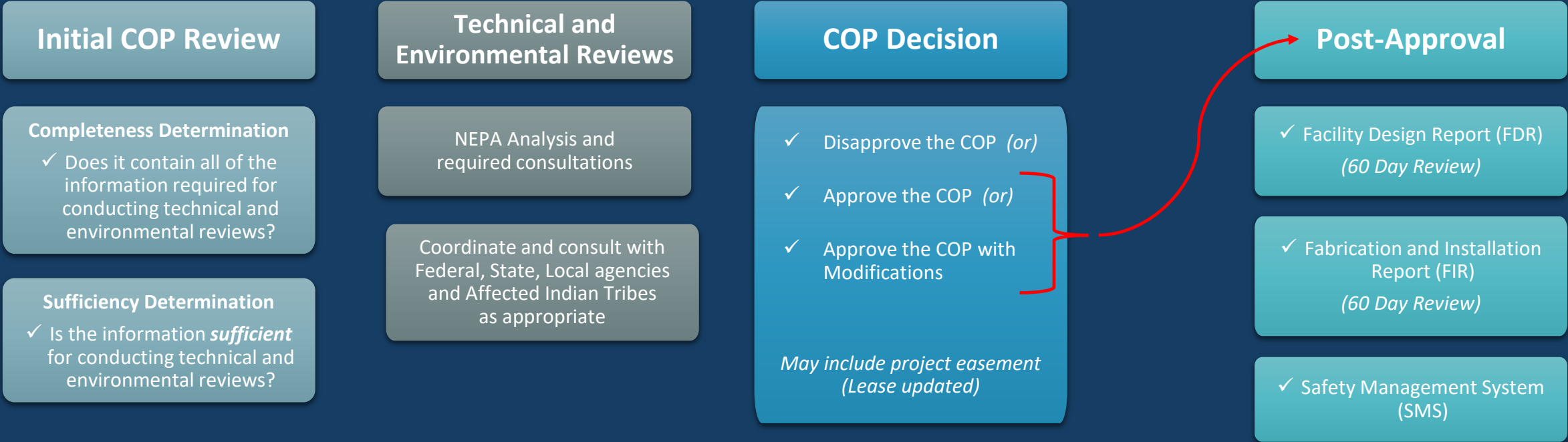
Auction Format: Online and Anonymous



Renewable Energy Leasing Process



Renewable Energy Process: Post-Leasing Activities



Fiscal Terms Overview

Bonus Bid

- Lease are awarded to the highest bidder
- High bid is a cash bonus, or a cash bonus combined with a bidding credit



Bidding Credits

- Bidding credits are used as a non-monetary factor in auctions
- Recent sales have included bidding credits for:
 - Contributions to workforce or supply chain development
 - Contributions to fisheries compensatory mitigation fund
 - Commitment to enter into a community benefits agreements



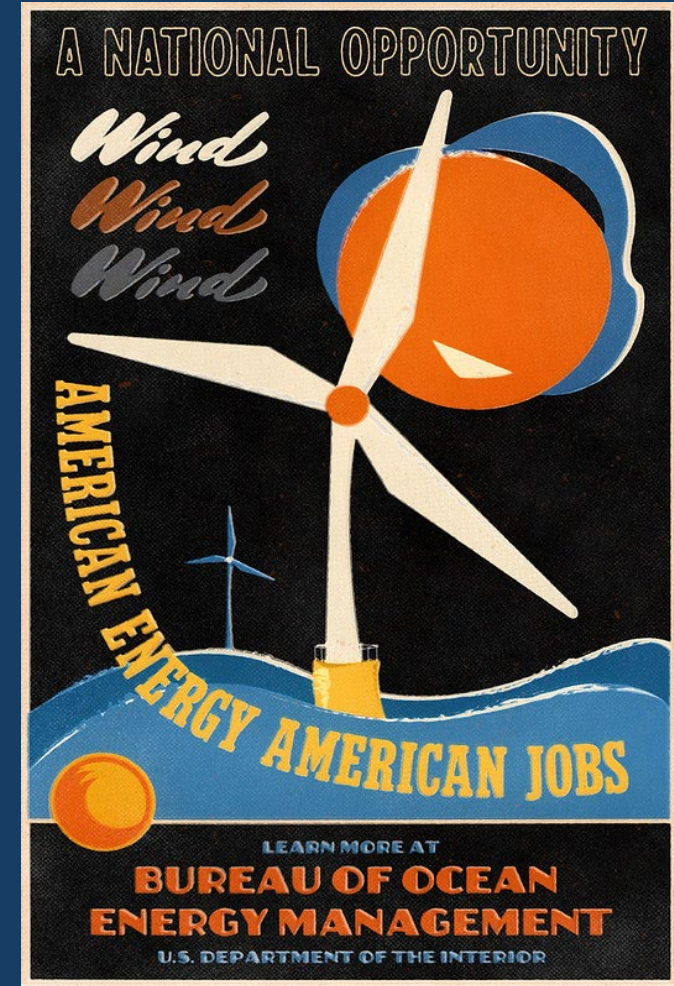
Annual Rent Payment

Annual Rental Payment =

Leased Acreage x \$3.00/acre

- First year's payment due within 45 days of lease effective date
- Subsequent payment due on lease anniversary

Project easement for transmission cable to shore =
\$5/acre or \$450 minimum



Annual Operating Fee

- Initial operating fee due within 45 days of commercial operations
- Replaces rent fee on portion of lease in operation
- Operating fee is paid in advance
 - Subsequent payments due annually, on or before each lease anniversary

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]
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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.



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