

## BOEM Conducts First-Ever California Offshore Wind Lease Sale

On December 6–7, 2022, the Bureau of Ocean Energy Management (BOEM) held its third offshore wind lease sale this year—and the first of its kind for floating wind—[bringing in \\$757.1 million from five lease areas](#) off the central and north coasts of California. The lease sale builds upon the multifactor auction format BOEM utilized for its [Carolina Long Bay](#) auction, with bidding credits to incentivize deconfliction with other ocean users and local communities and investment in offshore wind job training and infrastructure. The California lease areas could support at least 4.6 gigawatts of new wind energy capacity—enough to power more than 1.5 million homes.

The sale represents a significant step for California in meeting the offshore wind preliminary planning goals that the California Energy Commission (CEC) adopted in August 2022, which target two to five gigawatts of offshore wind by 2030 and 25 gigawatts by 2045. It also advances the Biden administration's [goal](#) of deploying 15 gigawatts of floating offshore wind capacity by 2035 and continues the trajectory set forth in BOEM's [Leasing Path Forward](#) for 2021–2025. Additional key federal initiatives to advance floating offshore wind technologies—including the U.S. Department of Energy's (DOE) recently announced [Floating Offshore Wind Shot](#)—will also bolster offshore wind development in California, the Central Atlantic, Oregon, and the Gulf of Maine in the coming years.

### California Offshore Wind Leases Sell for \$757.1 Million

BOEM's California lease sale covered 373,268 total acres across five different leases: three within the Morro Bay Wind Energy Area (WEA) off the central California coast and two within the Humboldt WEA to the north. The provisional winners and high bids are as follows:

| Provisional Winner                     | Lease Area  | Acres  | High Bid       |
|--|-------------|--------|----------------|
| RWE Offshore Wind Holdings, LLC?       | OCS-P 0561? | 63,338 | \$157,700,000  |
| California North Floating, LLC?        | OCS-P?0562  | 69,031 | \$173,800,000  |
| Equinor Wind US, LLC                   | OCS-P 0563  | 80,062 | \$130,000,000? |
| Central California Offshore Wind, LLC? | OCS-P 0564  | 80,418 | \$150,300,000  |
| Invenergy California Offshore LLC?     | OCS-P 0565  | 80,418 | \$145,300,000  |

The lessees must agree to lease stipulations that were developed following public comments on the proposed sale notice, including conditions from the U.S. Department of Defense to protect national defense capabilities and military operations, as well as requirements following the California Coastal Commission's Coastal Zone Management Act consistency determinations for the Morro Bay and Humboldt WEAs. Lessees must also submit semiannual progress reports and regularly engage with tribes and other parties that may be affected by activities in the lease areas. With respect to tribal engagement, lessees must "minimize linguistic, technological, cultural, capacity, or other obstacles" and, to the maximum extent practicable, coordinate with one another on engagement activities to reduce the burden placed on tribes and other affected parties.

Further, as established in its [Final Sale Notice](#), BOEM is requiring lessees to (1) identify dock space and transit routes that minimize space use conflicts and impacts to protect species, (2) minimize congestion and the creation of obstacles that increase the risk of entanglement, (3) prioritize federal and state climate change adaptation strategies for fisheries, and (4) discuss with commercial fishing communities potential conflicts between seasonal fishing operations and survey and development activities prior to submitting a Construction and Operations Plan.

Before the provisional lease can be awarded and winners can proceed with lease area exploration and development, the U.S. Department of Justice and the Federal Trade Commission will conduct a 30-day anti-competitive review of the auction.

### **Multi-Factor Auction With Additive Credits for Nonmonetary Factors**

BOEM's sale format was a single auction in which all the lease areas were offered to 43 qualified bidders. Seven bidders ultimately participated in the lease sale. In each round of the auction, a bidder could bid for at most one of the offered leases at a time. Each bidder could switch between different lease areas from round to round but was required to bid in each round, and ultimately could acquire only one of the leases in the auction.

Similar to the [Carolina Long Bay](#) lease sale, the California lease sale used a multifactor auction format, including nonmonetary factors as bidding credits in the sale. Bidders could qualify for one or more bidding credits, including investment in workforce training or domestic supply chain development for the floating wind industry and commitments to Community Benefit Agreements (CBA) for impacts associated with use of the lease area and/or more general use. A CBA is intended to mitigate potential impacts to communities, tribes, or other stakeholder groups and may assist fishing and related industries by supporting their resilience and ability to adapt to impacts that could arise from the development of the lease area.

If a bidder qualified for all the bidding credits, the credits were additive for a potential maximum credit of 30% of the cash bid. Credits were earned by committing to workforce training, supply chain development, or a combination of the two for a maximum of 20% credit. Other credits included the first-ever Lease Area Use CBA bidding credit, worth 5% of the cash bid, and a General CBA bidding credit, also worth 5% of the cash bid. To qualify for the Lease Area Use CBA, a bidder must establish 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 affected by the lessee's potential offshore wind development. The General CBA must be made with one or more of the communities, tribes, or stakeholder groups that were expected to be affected by the potential impacts on the marine, coastal, and/or human environment from activities resulting from lease development that were not otherwise addressed by the Lease Area Use CBA.

In its [press release](#) announcing the sale, BOEM noted that the bidding credit mechanism produced an additional \$117 million in investments for workforce training programs and the development of a U.S. domestic supply

chain for the floating offshore wind energy industry. More details regarding bidders' pursuit of qualifying CBAs will become available as the leases are finalized.

## **Regulatory Milestones for California Offshore Wind Development**

The lease sale brings California closer to achieving its offshore wind goals. As previously mentioned, the CEC [adopted preliminary planning goals](#) for the state ranging from two to five gigawatts of offshore wind by 2030 and 25 gigawatts by 2045. CEC adopted the goals pursuant to [Assembly Bill \(AB\) 525](#), which directed the agency to develop workplans to bolster offshore wind generation in California. By December 31, 2022, CEC must submit a preliminary assessment of the economic benefits of offshore wind as they relate to seaport investments and workforce development needs and standards. Also by year-end, CEC must submit a permitting roadmap that describes the time frames and milestones for a coordinated, comprehensive, and efficient permitting process for offshore wind energy facilities and associated electricity and transmission infrastructure off the coast of California. By June 30, 2023, CEC must finalize a strategic plan for offshore wind energy development in federal waters.

Supporting these efforts, on December 5, 2022, California Assembly Member Rick Chavez Zbur, with principal coauthors Assembly Members Dawn Addis and Gregg Hart, introduced [AB 3](#), the California Offshore Wind and Jobs Act. The bill is intended to accelerate the approval, implementation, and operation of offshore wind energy projects necessary to meet California's climate action goals by clarifying the authority of California governmental agencies related to the analysis and selection of feasible alternatives for seawater ports and transmission infrastructure improvements required to construct wind energy projects along the California coast. It also specifies criteria for the analysis and selection of port and transmission alternatives related to offshore wind energy projects to protect against environmental impacts.

## **DOE Investments Bolster Floating Offshore Wind**

At the federal level, in addition to DOE's Floating Offshore Wind Shot initiative, the Biden administration announced [research and development initiatives](#) to support offshore wind development in California, including investments in [West Coast ports](#) and [West Coast transmission](#) analyses, [technological advances](#), and [research, deployment](#), and [demonstration](#). On December 6, 2022, DOE's Wind Energy Technologies Office [announced](#) \$9.7 million in funding for high-voltage direct current for offshore wind transmission and \$6.9 million in offshore wind energy social science research.

## **BOEM Moves Forward With Other Regional Offshore Wind Efforts**

### **Gulf of Mexico**

BOEM is also advancing with leasing in the [Gulf of Mexico](#). On October 31, 2022, BOEM announced that it [finalized](#) two WEAs in the Gulf of Mexico. The first final WEA is located approximately 24 nautical miles (nm) off the coast of Galveston, Texas, and totals 508,265 acres. The second final WEA is located approximately 56 nm off the coast of Lake Charles, Louisiana, and totals 174,275 acres. To designate these areas, BOEM used a new [process](#) for releasing draft WEAs for public review and comment prior to designating final WEAs. The analysis and rationale used to develop [recommendations](#) for the draft WEAs in the Gulf of Mexico appears on BOEM's webpage, a practice it will continue for other areas. This planning tool will help inform BOEM's future draft WEAs, which will be available for public review and comment prior to final WEA designations. The next steps in BOEM's renewable energy competitive leasing process for the Gulf of Mexico include issuing a

Proposed Sale Notice for a 60-day public comment period later this year or early next year.

## **Central Atlantic**

On November 16, 2022, BOEM followed the Gulf of Mexico announcement with the [publication](#) of draft WEAs off the coast of the [Central Atlantic](#) states. The WEAs span approximately 1.7 million acres of federal waters off the coasts of North Carolina, Virginia, Maryland, and Delaware. Two of the draft WEAs are located within deep waters, as far as 74 nm offshore and 2,650 feet in depth, where floating wind technology must be deployed. As in the Gulf of Mexico, BOEM will follow its new [process](#) for designating final WEAs, and is seeking public comments on the draft WEAs, which are due December 16, 2022. BOEM is currently holding virtual meetings for interested stakeholders, including environmental groups, fishermen, and industry.

## **Oregon**

For Oregon, BOEM is [considering](#) two Call Areas, one near Coos Bay off the coast of Charleston, and the other off the coast of Brookings and Gold Beach. The total area is approximately 1.2 million acres, is located between 13.8 to 64 miles offshore, and is up to 1,115 feet deep. BOEM published the Call for Information and Nominations on April 27, 2022, which initiated a 60-day public comment period that concluded on June 28, 2022. After considering comments on the Call, BOEM is expected to follow the process it used in the Gulf of Mexico and the Central Atlantic to revise the areas considered for leasing, prepare draft WEAs for comment, publish final WEAs, and prepare draft Environmental Assessments for leasing activities.

## **Gulf of Maine**

BOEM indicated in its [Leasing Path Forward](#) that it intends to hold a [lease sale](#) in the Gulf of Maine in 2024. In support of that goal, on August 19, 2022, BOEM published a [Request for Interest](#) (RFI) in Commercial Leasing, which covers 13,713,825 acres. The RFI area was determined after engagement with Maine, Massachusetts, New Hampshire, and the Gulf of Maine Intergovernmental Task Force. On the same day, BOEM published a [Request for Competitive Interest](#) (RFCI) for a Research Lease in response to the State of Maine's research application. The RFCI will determine whether there is a competitive interest in acquiring a commercial wind energy lease in the RFCI area or whether BOEM should instead consider continuing the research leasing process under 30 CFR 585.238(d).

## **Conclusion**

The December 6-7 BOEM lease sale culminates a years-long effort to solicit competitive interest and identify lease areas suitable for developing wind projects off the coast of California. Developers of these first five lease areas will navigate uncharted waters with respect to transmission solutions, port capacity, new floating wind technologies, and a difficult permitting pathway, among other challenges. The auction results, however, reflect optimism in California as a new market with considerable potential for floating offshore wind power.

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