

Offshore Renewable Energy Regulatory Process

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Offshore Alternative Energy Programs

Bureau of Ocean Energy Management,
Regulation, and Enforcement



Energy Policy Act 2005

Gave the Secretary of the Interior the authority to regulate a broad spectrum of activities:

- Production, transportation, or transmission of energy from sources other than oil and gas – “***Renewable Energy***”
- Use of currently or previously OCSLA-authorized facilities for energy-related purposes or for other authorized marine-related purposes – “***Alternate Use***”

Major Framework Elements

- Coordination (throughout rule)
 - *Federal/State/Local Task Forces*
- Leasing Process and Issuance (Subpart B)
 - *Commercial & Limited Leases*
 - *Competitive & Noncompetitive Leasing*
 - *Research Activities*
- Payments (Subpart E)
 - *Bonding, Payments, Revenue Sharing*
- Plans (Subpart F)
 - *Site Assessment and Construction & Operations*
 - *General Activities*
- Conduct of Approved Plan Activities (Subpart H)
 - *Environmental & Safety Monitoring & Inspections*
- Decommissioning (Subpart I)

Phases Under the Rule

- Lease & Grant Issuance
 - Competitive or Noncompetitive Process
 - Commercial or Limited Leases
 - Right-of-Way (ROW) Grants & Right-of-Use and Easement (RUE) Grants

- Plan Submission & Review
 - Site Assessment Plan (SAP)
 - Construction and Operations Plan (COP)
 - General Activities Plan (GAP)

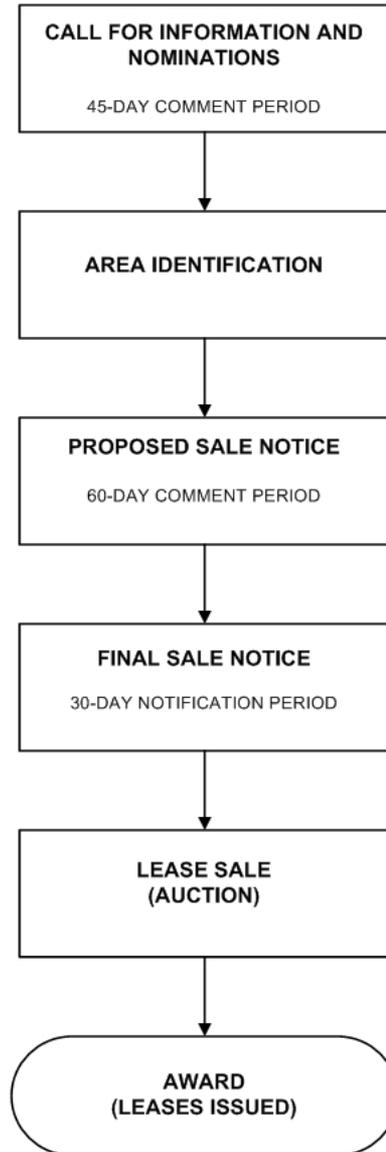
Section 388: Competition

Secretary shall issue a lease, easement, or right-of-way on a **competitive basis unless** the Secretary determines **after public notice** of a proposed lease, easement, or right-of-way that there **is no competitive interest**

Initiating the Leasing Process

- BOEM establishes an **intergovernmental task force** in response to a **requesting State** or the receipt of an **unsolicited application**
- BOEM, after consulting the task force, develops a **Request for Interest (RFI)** to gauge level of interest and determine competitive interest
 - **Competitive Leasing Process**
 - **Noncompetitive Leasing Process**

**PROCESS FOLLOWING MMS DETERMINATION OF COMPETITIVE INTEREST IN
COMMERCIAL WIND LEASING AND DECISION TO HOLD A SALE**



Competitive Lease Terms

Commercial Leases for full development and power generation

- 6-month preliminary term
- 5-year site assessment term
- 25-year operations term



Competitive Commercial Lease Plan Review

- Within 6 months, the lessee must submit a **Plan** (SAP, COP, or SAP/COP combination) describing proposed activities and including relevant site survey results
- BOEM conducts required environmental compliance (e.g., NEPA, MSA, ESA) and technical reviews
 - Applicant pays for NEPA compliance documents
- BOEM may approve, approve with conditions, or disapprove the Plan

Competitive Lease Terms



Limited Leases for resource assessment and technology testing

- 6-month preliminary term
- 5-year operations term

Plan review process is similar to that of the competitive commercial lease.

Noncompetitive Process

- Receive unsolicited request for lease or grant
- Issue public notice describing proposal and requesting information to determine whether competitive interest exists
- Continue with noncompetitive process if no competitive interest exists

Noncompetitive Lease Terms

Commercial Leases for full development and power generation

- 5-year site assessment term
- 25-year operations term

Limited Leases for resource assessment and technology testing

- 5-year operations term

Noncompetitive Lease Plan Review

- Applicant submits a **Plan** (SAP, COP, or SAP/COP for commercial lease, or GAP for limited lease) and pays for NEPA compliance
- BOEM conducts required environmental compliance (e.g., NEPA, MSA, ESA) and technical reviews
- BOEM determines the lease terms and conditions in consideration of environmental, socioeconomic, and market factors
- Lease issuance is deferred until the Plan is approved or approved with conditions

Financial Assurance

Commercial Leases

- Require a lease-specific \$100,000 bond before lease issuance
- May require additional bond before SAP approval
- Require COP bond based on project complexity, projected payments, etc. before COP approval
- Require Decommissioning Bond before installation of facilities described in approved COP

Limited Leases, ROWs, RUEs

- Require a \$300,000 lease or grant-specific bond
- May increase based on projected payments, and abandonment & cleanup costs

Payments

Bonus Bids

- Minimum bid established in Final Sale Notice for leases or Auction Notice for grants

Acquisition Fees

- \$0.25/acre for leases issued noncompetitively
- None for grants

Rentals

- \$3.00/acre/year for leases
- Greater of \$5.00/acre/year or \$450/year for project easements, ROWs and RUEs (ROWs also require \$70 per nautical mile)

Payments

Operating Fees: Formula for commercial leases:

P (local wholesale power price per MW-hour as set by EIA)

X

H (8,760 hours per year)

X

c (capacity factor – decimal)

X

r (fee rate)

X

M (installed capacity in units of production)

Example: 300 megawatt (MW) facility with an anticipated capacity factor of 0.35, operating in a region with an average wholesale power price of \$65 per MW-hr and a fee rate of 2%

$$(\$65/\text{MW-hr})(8760 \text{ hrs/yr})(0.35)(0.02)(300 \text{ MW}) = \$1.2 \text{ million/yr}$$

Questions?

Office of Offshore Alternative Energy Programs

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<http://www.boemre.gov/offshore/RenewableEnergy/>