

Locke Lord QuickStudy: Wind in Our Sales: Decoding the ?Central Atlantic Offshore Wind Auction Results

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On August 14, the Bureau of Ocean Energy Management (BOEM) held its long-awaited Central Atlantic lease sale, auctioning leases off Delaware and Virginia to Norwegian energy giant Equinor and utility Dominion Energy respectively. This was the first of a burst of lease sales scheduled in the waning months of the Biden Administration that will open new areas to offshore wind development before the expiration of the one-year window set by the Inflation Reduction Act.^[1] The sale has rightly been hailed as a success: two leases in shallow waters are now in the hands of sophisticated developers with a strong track record in the industry. But it's worth scratching the surface to assess what the sale says about how the U.S. offshore wind industry has evolved and how it views the future.

Let's start by looking back. It was a mere two and a half years ago that jaws dropped over the \$4.3 billion that six developers spent on leases in the New York Bight. That auction featured 14 bidders, lasted for three days, and resulted in per acre prices eight times that of the next highest auction to that point.^[2] At the time, the high prices for the Bight leases were attributed to pent up demand from developers, excellent wind speeds, shallow waters, and anticipated access to offtake from the two states with the highest offshore wind mandates in the country.

The Central Atlantic sale was BOEM's first in shallow waters adjacent to states with offtake opportunities since the 2022 Bight sale. And yet only six bidders participated this time, and the final cost per acre was a fraction of the Bight sale. So what gives?

As a threshold matter, let's stipulate that the low prices are great news for project economics and ratepayers. Lower lease acquisition costs mean a lower levelized cost of energy. Yet at the same time, the leases will be developed by companies with a history of successfully permitting and building offshore wind farms.

Additionally, let's acknowledge that the bargain basement sale price for lease OCS-A 0557 off Virginia is largely a function of the fact that Virginia is a regulated electricity market and Dominion is both an offshore wind developer and the incumbent utility. No other developer wanted to tangle with Dominion, so they won the lease for the minimum bid. Wednesday was a good day for both Dominion and Virginia ratepayers.

But that doesn't explain the lower level of competition and lower prices for OCS-A 0558. After all, a project on that lease could sell its electricity to as many as *four* states with offshore wind procurement mandates: Maryland,

Delaware, New Jersey, and New York. And that number could grow if and when a regional grid gets built out along the East Coast in the coming decades, as the U.S. Department of Energy anticipates.^[3] Moreover, BOEM did not identify significant environmental concerns or other conflicts that would have the potential to limit full buildout of this lease.^[4] On top of that, these are the first new lease areas to benefit from helpful provisions in BOEM's recent Modernization Rule that, among other things, extend the time period for a developer to generate operational revenue off the lease from less than 25 years to 35 years.^[5]

And yet, the last two years have seen the industry buffeted by macroeconomic forces such as inflation and rising interest rates that have forced many more advanced offshore wind projects to terminate their power purchase agreements and rebid in revised procurement processes that allow for higher prices to cover increased capital costs. To be clear, state support for offshore wind has remained steadfast—and indeed continues to grow, with Maryland increasing its target from 2 to 8.5 gigawatts (GW), California taking steps toward a 7.6 GW near-term procurement, and Delaware entering the ring for the first time with a mandate to procure up to 1.2 GW of offshore wind. But with many developers still struggling to get their first projects launched, it is understandable that they might take a pass on acquiring additional leases at the present time.

Perhaps an even more salient uncertainty, however, is the looming 2024 election, which presents a true fork in the road for the U.S. offshore wind industry. Although Vice President Harris has far less of a track record on offshore wind than President Biden, a Harris/Walz victory would very likely result in a continuation of the supportive federal policies of the last four years. Conversely, Donald Trump has been outspoken in his disdain for offshore wind (and renewable energy more generally). In a May 12 rally on the Jersey Shore former President Trump repeated falsehoods about offshore wind's alleged impacts on whales and boasted that he would issue an executive order [stopping the industry "on day one."](#) Although it is still unknown exactly how a second Trump Administration might try to hinder offshore wind, it's reasonable to presume that the very real prospect of a Trump victory weighed heavily on offshore wind executives deciding whether to bid in the Central Atlantic—and if so, how much to money to put at risk in the face of such an explicit threat.

All of this leads us to the next two months, during which BOEM plans to hold floating wind lease sales off Oregon and the Gulf of Maine. As we have noted before, the Gulf of Maine sale is shaping up to be more robust than Oregon because of firmer political and market support and BOEM's more strategic approach to ocean deconfliction. The question is whether anxieties over costs and national politics will dampen enthusiasm, or whether the longer lead time for floating wind energy (which is not yet as commercially mature as fixed bottom technology) will cause developers to take a longer view of project risk. If the last few months have taught us anything, it's that circumstances can change dramatically in a short period of time. But it's worth remembering that while lower lease sale prices might be seen as a signal of the continued challenges facing the offshore wind industry, they actually help alleviate some of those very challenges by lowering the cost of development and ultimately the cost of energy. And that's a good thing for both the offshore wind industry and ratepayers.

For questions about BOEM's upcoming offshore wind lease sales and development issues generally, please contact the authors.

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[1]⁴³ U.S.C. § 3006(b)(2).

[2] [Compare BOEM Lease Sale ATW-8: New York Bight \(February 2022\) to BOEM Lease Sale ATW-4A Offshore Massachusetts \(December 2018\)](#)

[3] [See Atlantic Offshore Wind Transmission Study, U.S. Department of Energy, Office of Energy Efficiency & Renewable Energy \(March 2024\)](#)

[4] [Atlantic Wind Lease Sale 10 for Commercial Leasing for Wind Power Development on the U.S. Central Atlantic Outer Continental Shelf – Final Sale Notice, 89 FR 54509 \(July 2024\)](#)

[5] [See, e.g., Renewable Energy Modernization Rule, 89 FR 42602, 42644-5 \(May 2024\).](#)

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