

RECHARGE

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'America has arrived' | Bids hit \$3.35bn dollars as records smashed in US Atlantic auction

An American flag flies on the back of a boat in front of the Statue of Liberty in New York City. Photo: Gary Hershorn/Getty Images



US offshore wind lease auction in the New York Bight exceeds all expectations, with prices climbing to stratospheric heights on even the smallest lease areas

By **Tim Ferry**

At the close of the second day (24 February) of the US lease auction for the New York Bight, a single lease area had reached nearly a billion dollars while three others breached \$500m as prices skyrocketed to a total \$3.35bn – and the action continues into tomorrow.

Nearly all lease areas remain highly competitive as the US' giant New York Bight lease auction enters its second day, including the darling of the lot, No. 0539. Largest of the six lease areas at over 125,000 acres, this area has already smashed all previous records to reach a bid of \$900m by 1800EST, with number of players in the scrum declining from a high of five earlier in the day to the current two. The previous record for offshore wind lease auction, set in 2018 off of Massachusetts, saw three lease areas – all larger than the largest lease area currently on auction – top out at \$135m each.

“The auction demonstrates a greater commitment to the offshore wind industry than we ever expected,” said Mike Matthews, US representative for World Forum Offshore Wind. “America has arrived in offshore wind.”

Six lease areas are up for sale by the Bureau of Ocean Energy Management (BOEM), the government agency charged with managing development on the Outer Continental Shelf (OCS), totalling 488,201 acres, 461,326 of them developable due to navigation and fisheries related restrictions. BOEM estimates the lease areas offer between 5.6GW-7GW of potential offshore wind capacity.

Day two of the auction offered numerous surprises. Lease area 0542 went from having no suitors as of midday yesterday (23 February) to shooting up late in the afternoon, seemingly closing out this morning at 0950 at \$205m with zero bidders, only to revive again in the next round with three bidders. The area closed day two at \$390m with two bidders. The smallest lease area, 0544, also a laggard at the midday mark yesterday likewise skyrocketed to close out last night at \$100m, where it sat with zero bidders for multiple rounds today before once more gaining suitors who drove up its price to \$140m by day's end, with two bidders in the running.

The remaining lease areas are all very much in play with two bidders each as the industry awaits to see which firms have pockets deep enough to afford what is essentially a speculative bid. Lease winners do not obtain the right to develop the lease, only the right to submit a plan to develop the lease, and BOEM will need to approve the construction and operations plan for each. In theory, environmental and other concerns could derail any development. Timelines run to around eight years from lease award to development, and companies will need to pay rent and other fees long before the projects begin earning.

Twenty-five bidders qualified but only 14 showed up for this record-setting tender, set to greatly further the Biden administration's goal of having **30GW of turbines turning by 2030**, as well as the New York and New Jersey state mandates of 7.5GW and 9GW, respectively, by 2035. The 23 February auction has attracted the greatest number of participants yet for such a tender, a big step up from the 11 which were chasing acreage in the **last leasing held off GW Massachusetts in 2018**.

“This really signifies just how hot the offshore wind market is and much how much interest there is in acquiring leases,” said Josh Kaplowitz, vice president for offshore wind at industry advocacy body the American Clean Power Association.

Qualified bidders include numerous familiar faces in the global offshore wind industry fraternity, including Shell-EDF joint venture **Atlantic Shores**, Norwegian oil giant **Equinor**, and Iberdrola-owned developer **Avangrid**, as well as players in the domestic energy sector but new to offshore wind, such as natural gas outfit CPV and solar power developer Arevia. Multiple qualified bidders have no discernible presence in the sector and appear to be formed for the purposes of entering the auction.

The **long-anticipated leasing** in the New York Bight sets off what the federal government hopes will be a dynamic year in the US offshore wind sector and anticipates further auctions of up to **1.6GW in the Wilmington East wind energy area (WEA)** off of the Carolinas, as well as tenders in the **Humboldt and Morro Bay WEA** off California totalling as much as 4GW, and possibly even in the Gulf of Mexico.