



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT
WASHINGTON, DC 20240-0001

Mr. Peter Allen
South Fork Wind, LLC
399 Boylston Street, 12th Floor
Boston, Massachusetts 02116

Dear Mr. Allen:

I am writing on behalf of the Bureau of Ocean Energy Management (BOEM), Office of Renewable Energy Programs, regarding South Fork Wind, LLC's (South Fork) regulatory departure request submitted pursuant to 30 C.F.R. § 585.103 on March 22, 2022. South Fork requested a departure from 30 C.F.R. § 585.516(a)(4), which requires lessees to provide financial assurance for decommissioning costs before the installation of facilities on their lease. Specifically, South Fork requests to defer providing the full amount of its decommissioning financial assurance until year 15 of its commercial operations period as defined in the amended power purchase agreement (PPA) for the South Fork Wind Farm Project (Project) on Lease OCS-A 0517. Through this letter, BOEM approves this departure request, subject to the conditions set forth below.

In support of this departure request, South Fork asserts that being required to provide the full amount of its decommissioning financial assurance prior to installing facilities and therefore prior to receiving any revenue under its PPA would place an unnecessary and unreasonable financial burden on the company. In addition, South Fork identifies several risk-reduction factors associated with the Project, including:

1. the certified design life of the wind turbines used on the Project is expected to be 25 years;
2. the Project has insurance during the construction and operations phases to protect against the possibility that the assets would need to be prematurely decommissioned; and
3. South Fork's revenue stream from production is secured through a long-term PPA for at least 20 years.

BOEM agrees that these risk-reduction factors, along with our review of the Project's projected revenue and costs, demonstrate that deferring the decommissioning financial assurance requirement until 15 years after beginning the commercial operations period does not expose the U.S. Government to undue risk.

Pursuant to 30 C.F.R. § 585.103(a), BOEM finds that this departure is necessary to facilitate appropriate activities on lease OCS-A 0517 because it would reduce South Fork's upfront financial assurance burden, thereby facilitating the Project's financing process and enabling South Fork to invest the available capital in planning and construction, which could, in turn,

enable South Fork to commence operations more quickly than if the departure were not granted. Additionally, pursuant to 30 C.F.R. § 585.103(b), this departure: 1) is consistent with subsection 8(p) of the Outer Continental Shelf (OCS) Lands Act because it allows for the establishment of financial assurance in a way that protects the interests of the United States, but also allows for the expeditious development of renewable energy projects on the OCS; 2) does not impair third parties' rights because it only involves the timing of decommissioning financial assurance obligations required per 30 C.F.R. part 585; and 3) is documented in writing. Finally, BOEM finds that granting this departure protects the environment, and public health and safety, to the same degree as if there were no approved departure.

BOEM therefore approves the departure from 30 C.F.R. § 585.516(a)(4), subject to the following conditions:

1. Before operations begin, South Fork must annually provide BOEM with projections of its revenue and operational expenses for the remaining years of its PPA. Once the Project is operational, South Fork must annually provide these projections based on actual operating conditions. South Fork will provide BOEM with this information annually until the decommissioning financial assurance is provided in full.
2. Notwithstanding the grant of the departure, based on BOEM's annual evaluation of South Fork's projected or actual revenue and operational expenses, BOEM reserves the right to demand that South Fork provide financial assurance at any time during the first 15 years of commercial operations, or at any other time. Therefore, the granting of the departure is made conditional on a favorable annual evaluation of the financial information provided by South Fork.

This regulatory departure will start on the date South Fork begins installing facilities on the lease, given that the financial assurance would otherwise be due by then. Please note that this approval applies only to the South Fork Wind Farm Project on commercial lease OCS-A 0517.

If you have any questions, please contact John M. Stokely at John.Stokely@boem.gov or 571-585-1933.

Sincerely,

Karen J. Baker
Chief
Office of Renewable Energy Programs