

BIDDER'S FINANCIAL FORM

ADDENDUM

Bidding Credit – Requirements and Restrictions

Bidding Credit Purpose and Goals

BOEM is using a multiple-factor auction format, with a multiple-factor bidding system, for this lease sale. Under this system, BOEM will consider a combination of factors, including a monetary factor (cash bid) and up to two non-monetary factors in the form of bidding credits, to determine the outcome of the auction.

The bidding credits are designed to support workforce training programs for the offshore wind industry; develop a U.S. domestic supply chain for offshore wind energy industry; and establish and provide funds for a fisheries compensatory mitigation fund to compensate for potential adverse impacts to commercial and for-hire recreational fisheries in the Gulf of Mexico (GOM) resulting from offshore wind development.

General Requirements

In order to qualify for one or both of these credits, BOEM requires the bidder to submit a conceptual strategy for fulfilling the requirements for the bidding credits the bidder selects in its Bidder's Financial Form (BFF). BOEM appoints a panel to review the non-monetary factors after BOEM has received the BFFs, BFF Addenda, and bid deposits, but prior to the lease auction. As described in the Final Sale Notice, this panel will judge each strategy on its own merits to determine the bidder's final bidding credit(s). Bidders will be notified of their final credit amounts prior to the Mock Auction.

Each individual conceptual strategy must enable BOEM to objectively verify that the Bidder has formulated a plan that will lead to the fulfillment of the bidding credit requirements. A Lessee must meet the commitments described in its conceptual strategy before the Lessee submits the lease's first Facility Design Report (FDR), as stated below. To allow bidders to adapt more successfully to unexpected future conditions in the implementation of their strategies, bidders may include multiple qualifying monetary contribution targets under consideration, as long as all the contribution targets are consistent with and of an amount not less than the bidding credit requirements described in Addendum "C" of the executed lease. Addendum "C" of the executed lease will include the exact amount of the financial commitment. The conceptual strategy for each bidding credit is expected to be forward-looking and is not expected to include specific investments or beneficiaries.

Before the lease auction, the panel will review the conceptual strategies pursuant to the guidelines in this document, but BOEM reserves the right to provide additional guidelines to the panel.

Section One: Workforce Training and/or Domestic Supply Chain Development

Bidding Credit Value: 20% of Cash Bid

Qualifications

- To qualify for the **workforce training and/or domestic supply chain development bidding credit**, the bidder must commit to making a qualifying monetary contribution (“Contribution”¹) to programs or initiatives, as described below, that support workforce training programs for the U.S. offshore wind industry, development of a U.S. domestic supply chain for the offshore wind industry, or both. The Contribution must be verifiable by BOEM. Specifically, BOEM must be able to verify both that the Contribution was made and that it was applied in the manner described in the Lessee’s conceptual strategy submitted with the BFF (explained below).
 - The Contribution to workforce training must result in a better trained and/or larger domestic offshore wind workforce in the United States that would provide for more efficient operations via an increase in the supply of fully trained personnel.
 - The Contribution to domestic supply chain development must result in (i) overall benefits to the U.S. offshore wind supply chain for all potential purchasers of offshore wind services, components, or subassemblies, not solely the Lessee’s project; (ii) either the demonstrable development of new domestic capacity (including vessels) or the demonstrable buildout of existing capacity; and (iii) a more robust offshore wind domestic supply chain by reducing the upfront capital or certification cost for manufacturing offshore wind components, including by the building of facilities, the purchasing of capital equipment, and the certifying of existing manufacturing or assembly facilities.
 - The Contribution for workforce training and/or domestic supply chain development can be made in support of existing programs, or for the establishment of new programs or incentives associated with the planning, design, construction, operation, maintenance, or decommissioning of U.S. offshore wind energy projects, or manufacturing or assembling of their components, in the United States.
 - No portion of the Contribution may also be used to meet the requirements of any other bidding credits for which the Lessee qualifies.

¹ As used herein, “Contribution” means: (i) the direct transfer or payment of monetary funds; and (ii) establishment of non-refundable monetary commitments or guarantees (such as, but not limited to, revolving funds, trusts and loan guarantees).

Forms of Contributions

To qualify for a bidding credit:

- Contributions to workforce training must be one or more of the following:
 - Contributions toward union apprenticeships, labor management training partnerships, stipends for workforce training, or other technical training programs or institutions focused on providing skills necessary for the planning, design, construction, operation, maintenance, or decommissioning of offshore wind energy projects in the United States.
 - Contributions toward maritime training necessary for the crewing of vessels to be used for the construction, servicing, and/or decommissioning of offshore wind energy projects on the United States OCS.
 - Contributions toward training workers in skills or techniques necessary to manufacture or assemble offshore wind components, subcomponents, or subassemblies. Examples of these skills and techniques include welding; offshore wind energy technology; hydraulic maintenance; braking systems; mechanical systems, including blade inspection and maintenance; or computers and programmable logic control systems.²
 - Contributions toward Tribal offshore wind workforce development programs or training for employees of wholly owned Tribal corporations in skills necessary in the offshore wind industry.
 - Contributions toward training in any other job skills that the Lessee can demonstrate are necessary for the planning, design, construction, operation, maintenance, or decommissioning of offshore wind energy projects on the United States OCS.

- Contributions to domestic supply chain development must be one or more of the following:
 - Contributions supporting the development of a domestic supply chain for the offshore wind industry, including manufacturing of components and sub-assemblies and the expansion of related services.

² <https://www.bls.gov/ooh/installation-maintenance-and-repair/wind-turbine-technicians.htm#tab-4>

- Contributions to domestic Tier 2³ and Tier 3⁴ offshore wind component suppliers such as mooring line manufacturers and domestic Tier 1⁵ supply chain efforts, including quay-side fabrication of foundations and assembly of towers.
- Contributions for technical assistance grants to help U.S. manufacturers re-tool or certify (e.g., ISO-9001) for offshore wind manufacturing.
- Contributions to the development of Jones Act-compliant vessels for the construction, servicing, and/or decommissioning of offshore wind energy projects in the United States.
- Contributions to the purchase and installation of self-propelled modular transporter systems (SPMTs), lift cranes capable of installing foundations, lift cranes on vessels, towers, and nacelles quayside, and domestic mooring manufacturing facilities.
- Contributions to port infrastructure related to offshore wind component manufacturing and preparation of quayside manufacturing and assembly areas for the construction and deployment of foundations or other components of offshore wind turbines.
- Contributions to establish a new or existing bonding support reserve or revolving fund available to all businesses providing goods and services to offshore wind energy companies, including disadvantaged businesses,⁶ and/or wholly owned Tribal corporations.
- Other Contributions to supply chain development efforts that the Lessee can further demonstrate advance the manufacturing of offshore wind components or subassemblies including those that could be used to generate hydrogen, which is often referred to as green hydrogen when it is generated using renewable energy sources, or the provision of offshore wind services, in the United States.

³ Tier 2: Subassemblies are the systems that have a specific function for a Tier 1 component. They may include subassemblies of a number of smaller parts, such as a pitch system for blades. Tier 2 manufacturers contract with Tier 1 suppliers as a subcontractor or vendor.

⁴ Tier 3: Subcomponents are commonly available items that are combined into Tier 2 subassemblies, such as motors, bolts, and gears. Tier 3 manufacturers are typically vendors that provide components to Tier 2 suppliers.

⁵ Tier 1 component examples include the primary offshore wind components, such as the blades, nacelles, towers, foundations, and cables. Tier 1 components are the major products that are purchased by an offshore wind project developer, such as the wind turbine, foundation, or cables. Tier 1 suppliers are primary suppliers that contract directly with the project developer. Contributions for Tier 1 supply chain development can include infrastructure necessary for quay-side manufacturing, fabrication, or assembly.

⁶ A disadvantaged business entity would be one at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals as defined by the Small Business Administration (<https://www.sba.gov/federal-contracting/contracting-assistance-programs/small-disadvantaged-business>).

Requirements and Restrictions

Workforce Training/Supply Chain Development

The Contribution must be made by the Lessee, its parent company, or an Affiliated Entity.⁷ To qualify for a bidding credit, Contributions must be made to one or more of the following:

- Private, public, or municipal corporations, companies, associations, or partnerships; counties, parishes, cities, towns, or other legal entities organized under the laws of any state of the United States, the District of Columbia, the law of any federally recognized Tribe or federal law applying to Tribes, or the law of any territory or insular possession subject to U.S. jurisdiction;
 - An executive agency of the United States as defined in section 105 of Title 5 of the U.S. Code with authority to accept the Contribution for the purposes for which the bidding credit is authorized; or
 - A state of the United States or a political subdivision thereof or a federally recognized Tribe.
- Contributions cannot be made to the parent or affiliated entities of the Lessee or for purposes of directly or indirectly satisfying a purchase or work order of the Lessee.
 - The Lessee, its parent company, or its affiliated entities are not permitted to retain an ownership/equity interest in the entity receiving the Contribution, receive a discount on the market price for goods or services provided by the recipient, or other preferential treatment resulting from the Contribution, but may purchase offshore wind goods or services from the recipient at market rates.
 - The Lessee and any future assignee(s) of the Lease are bound by the bidding credit commitments made to earn a bidding credit for the Lease.

⁷ An “affiliated entity” is a bidding entity who controls, is controlled by, or is under common control with another bidding entity. For the purpose of identifying affiliated entities, a bidding entity may be any individual, firm, corporation, association, partnership, consortium, or joint venture (when established as a separate entity) that is participating in the same auction. BOEM considers bidding entities to be affiliated if: (1) They own or have common ownership of more than 50 percent of the voting securities, or instruments of ownership or other forms of ownership, of another bidding entity. Ownership of less than 10 percent of a bidding entity constitutes a presumption of non-control that BOEM may rebut. (2) They own or have common ownership of 10 through 50 percent of the voting securities or instruments of ownership, or other forms of ownership, of another bidding entity, and BOEM determines that there is control upon consideration of factors including the following: (i) The extent to which there are common officers or directors. (ii) With respect to the voting securities, or instruments of ownership or other forms of ownership: The percentage of ownership or common ownership, the relative percentage of ownership or common ownership compared to the percentage(s) of ownership by other bidding entities, if a bidding entity is the greatest single owner, or if there is an opposing voting bloc of greater ownership. (iii) Shared ownership, operation, or day-to-day management of a lease, grant, or facility, as those terms are defined in BOEM’s regulations at 30 CFR 585.112. (3) They are both direct, or indirect, subsidiaries of the same parent company. (4) If, with respect to any lease(s) offered in this auction, they have entered into an agreement prior to the auction regarding the shared ownership, operation, or day-to-day management of such lease. (5) Other evidence indicates the existence of power to exercise control, such as evidence that one bidding entity has power to exercise control over the other, or that multiple bidders collectively have the power to exercise control over another bidding entity or entities.

- If BOEM determines that a Lessee or assignee has failed to satisfy the commitment before the Lessee submits the first Facility Design Report (FDR) for the lease, or if a Lessee or assignee relinquishes or otherwise fails to develop the Lease by the tenth anniversary date of Lease issuance, the amount corresponding to the value of the bidding credit awarded will be immediately due and payable to the Office of Natural Resources Revenue (ONRR) with interest from the Lease Effective Date. The interest rate will be the underpayment interest rate identified by ONRR. BOEM may, at its sole discretion, extend the documentation deadline beyond the lease’s first FDR or the 10-year timeframe stated in this paragraph.

Workforce Training Credit – Specific Requirements and Restrictions

- All offshore wind Lessees must have the opportunity to hire individuals trained in programs that benefited from the Contribution. Trainees cannot be contractually required to enter into employment agreements with either the Lessee making the Contribution or the entity providing the training.
- The workforce training must be provided in the United States and to citizens of the United States, nationals of the United States, or aliens lawfully admitted for permanent residence in the United States as defined in 8 U.S.C. 1101(a)(20).
- The training must be provided by any of the following:
 - private, public, or municipal corporations, companies, associations, partnerships; parishes, counties, cities, or other legal entities organized under the laws of any state of the United States, the District of Columbia, the law of any federally recognized Tribe or federal law applying to Tribes, or the law of any territory or insular possession subject to U.S. jurisdiction
 - an executive agency of the United States as defined in section 105 of Title 5 of the U.S. Code that has the authority to accept the Contribution for the purposes for which the bidding credit is authorized; or
 - a state of the United States or a political subdivision thereof or a federally recognized Tribe.
- Training of existing Lessee employees, Lessee contractors, or employees of affiliated entities will not qualify under this Contribution.

Domestic Supply Chain Credit – Specific Requirements and Restrictions

- Contributions must be made to programs supporting the development of the U.S. offshore wind supply chain or as direct Contributions for re-tooling or certification of component manufacture/assembly or other services supporting the offshore wind industry.
- Contributions cannot be made to the parent or affiliated entities of the Lessee for purposes of directly or indirectly satisfying a purchase or work order of the Lessee. This

credit must further the overall buildout of the offshore wind domestic supply chain without a direct quantifiable benefit to the Lessee.

Conceptual Strategy

Bidders who elect to pursue this bidding credit must submit the following with their BFF:

- A strategy describing how the bidder intends to meet the **workforce training and/or domestic supply chain development** bidding credit requirements. The conceptual strategy must:
 - Describe the Bidder's commitment, including the form of Contributions, subject to the requirements and restrictions described above.
 - Describe how the Bidder's commitment will support workforce training programs for the offshore wind industry, development of a U.S. domestic supply chain for the offshore wind energy industry, or both.
 - Explain how the Lessee will select Contribution recipients. The bidder can identify different workforce training or supply chain programs the Lessee will consider. The conceptual strategy can prioritize different programs under consideration while maintaining flexibility to select recipients that provide the greatest value and benefit for training workers or supporting development of the offshore wind supply chain closer to the time when the Contribution is made.
 - Describe the process for documentation and verification once the Contribution has been made, consistent with the requirements below.

Documentation to demonstrate compliance with Conceptual Strategy

The Lessee will commit to making its Contribution consistent with the conceptual strategy submitted with the BFF.

- The Lessee must provide documentation showing that it has met its commitment and complied with the applicable bidding credit requirements as provided in applicable sections of Lease Addendum "C" sections 8 and 9 no later than the date on which the Lessee submits the first FDR for the lease.
- The documentation must enable BOEM to objectively verify the amount of the Contribution and the beneficiary(ies) of the Contribution. At a minimum, this documentation must include:
 - All written agreements between the Lessee and beneficiary(ies) of the Contribution(s), which must detail the amount of the Contribution and how it will be used by the beneficiaries of the Contribution to satisfy the goals of the bidding credit for which the Contribution was made;

- All receipts documenting the amount, date, financial institution, and the account and owner of the account to which the Contribution was made; and
- Sworn statements by the entity that made the Contribution and the beneficiary(ies) of the Contribution, attesting that all information provided in the above documentation is true and accurate.
- The documentation must also describe how the funded initiative or program has advanced, or is expected to advance, the U.S. offshore wind workforce training and/or supply chain development. The documentation must provide qualitative and/or quantitative information that includes the estimated number of trainees or jobs supported, and/or the estimated leveraged supply chain investment resulting or expected to result from the Contribution.
- The documentation provided by the Lessee must contain and elaborate on the information specified in the conceptual strategy submitted with the BFF and must allow BOEM to objectively verify (i) the amount of the Contribution and the beneficiary(ies) of the Contribution; and (ii) compliance with the bidding credit criteria provided in Addendum “C” of the Lease.
- If the Lessee’s implementation strategy has changed from that in the conceptual strategy due to market needs or other factors, the Lessee must explain this change. BOEM reserves all rights to determine whether the conditions of the bidding credit have been satisfied.

Section Two: Fisheries Compensatory Mitigation Fund Bidding Credit Value: 10% of Cash Bid

Qualifications

- To qualify for the **fisheries compensatory mitigation fund** bidding credit, bidders must commit to establishing and contributing to a fisheries compensatory mitigation fund, or contributing to an existing fund before the submission of the first FDR for the lease. The fisheries compensatory mitigation fund Bidding Credit is intended to address the impacts identified in BOEM’s environmental and project reviews.
- Lessees are encouraged to establish or contribute to a regional fisheries compensatory mitigation fund. The fisheries compensatory mitigation fund must compensate commercial and for-hire recreational fisheries impacted by pre-construction, construction, operation, maintenance, and decommissioning offshore wind activities on GOM wind energy leases or easements. Examples of commercial fishing impacts could include gear loss or damage resulting from survey activities by the lessees, as well as loss of fishing income from the inability to access a fishery, curtailment of the use of the geographic space of lease areas, or other similar impacts that may arise from the development of offshore wind lease areas in the GOM. “Commercial fisheries” refers to commercial and

processor businesses engaged in the action of catching and marketing fish and shellfish for sale from the U.S. exclusive economic zone of the GOM. “For-hire recreational fisheries” refers to charter and headboat fishing operations that use vessels-for-hire engaged in recreational fishing in the GOM that are hired for a charter fee by an individual or group of individuals (for the exclusive use of that individual or group of individuals). The compensation must include the following:

- Compensation for Gear Loss or Damage; or
- Compensation for Lost Fishing Income in GOM wind energy Lease Areas.
- The fisheries compensatory mitigation fund must cover impacts that result from the preconstruction, construction, operations, maintenance and decommissioning of an offshore wind project being developed on OCS wind energy leases in the GOM. The fisheries compensatory mitigation fund must be established before the Lessee submits the first FDR for the lease. To qualify for the credit, the bidder would be required to commit to the bidding credit requirements on the BFF and to submit a conceptual strategy.

Requirements and Restrictions

- The fisheries compensatory mitigation fund should be designed to provide compensation to commercial fisheries impacted by activity in offshore wind Lease Areas consistent with BOEM Fisheries Mitigation Guidance, including the provisions for eligibility, application and appeals.
- Any fisheries compensatory mitigation fund selected or established by the Lessee to meet this sale’s bidding credit requirement must include a process for evaluating the actuarial status of funds every five years, and publicly reporting information on the fisheries compensatory mitigation fund disbursement.
- The fisheries compensatory mitigation fund must be independently managed by a third party and be designed with fiduciary governance and strong internal controls while minimizing administrative expenses.
- The fisheries compensatory mitigation fund must prioritize gear loss or damage and income loss claims within each phase of offshore wind project development, including during pre-construction surveys conducted before establishment of a fund. BOEM encourages lessees to coordinate with other lessees to establish or contribute to a regional fund. A regional fund should be flexible enough to incorporate future contributions from future lease auctions and actuarially sound to recognize the multi-decade life of offshore wind projects in the GOM. While the fund’s first priority is to compensate for gear loss or damage and income loss, funds that have been determined to be excess based on an actuarial accounting may be used to:
 - Promote participation of fishers and fishing communities in the offshore wind project development process;
 - Promote research into the coexistence of multiple ocean industries; and

- Offset the cost of gear upgrades and transitions for operating within a wind farm.
- If BOEM determines that a Lessee or assignee has failed to satisfy the bidding credit commitment and make the Contribution before the Lessee submits the first FDR for the lease, or if a Lessee or assignee relinquishes or otherwise fails to start lease surveys by the fifth anniversary date of lease issuance, the amount corresponding to the value of the bidding credit awarded will be immediately due and payable to ONRR with interest from the lease effective date. The interest rate will be the underpayment interest rate identified by ONRR. BOEM may, at its sole discretion, extend the documentation deadline beyond the first FDR submission or the 5-year timeframe stated in this paragraph.

Conceptual Strategy

Bidders committing to use the fisheries compensatory mitigation fund bidding credit will need to submit their conceptual strategy along with their BFF. The conceptual strategy needs to describe the verifiable actions that the Lessee intends to take that would allow BOEM to confirm compliance when the Lessee submits its documentation showing how it is satisfying the requirements for its Contribution to the Fisheries Compensatory Mitigation Fund.

Bidders' conceptual strategies must:

- Describe the primary provisions it proposes to include in the fisheries compensatory mitigation fund charter and how the compensatory provisions mitigate impacts to fishers from the offshore wind development in offshore wind Lease Areas in the GOM.
- Describe a process or mechanism for compensating gear loss or damage before the lessee begins in-water activities.
- Describe the process for documentation and verification that the fisheries compensatory mitigation fund has been established and funded according to the requirements above.

Documentation to demonstrate compliance with Conceptual Strategy

The Lessee would be required to provide documentation showing that the Lessee has met the commitment and complied with the applicable bidding credit requirements before the Lessee submits the first FDR for the lease. The documentation must enable BOEM to objectively verify that the Contribution and the fisheries compensatory mitigation fund to which it has been made meet all applicable requirements. At a minimum, this documentation must include:

- the mechanism established to compensate for gear loss or damage resulting from all phases of the project development on the Lease (pre-construction, construction, operation, and decommissioning);

- any receipts proving monetary Contributions documenting the amount, date, financial institution, and the account and owner of the account to which the Contribution was made; and
- sworn statements by the signatories or their assignees attesting to:
 - the amount and date(s) of the Contribution;
 - that the Contribution is being (or will be) used in accordance with the bidding credit requirements in the lease; and
 - that all information provided is true and accurate.

The documentation must contain any information specified in the conceptual strategy that was submitted with the BFF. If the Lessee's implementation strategy has changed from that in the conceptual strategy due to market needs or other factors, the Lessee must explain this change when the Lessee submits the documentation showing it has met its commitment and complied with the bidding credit requirements. BOEM reserves all rights to determine whether the conditions of the bidding credit have been satisfied.
