

## THREE NEW WIND ENERGY LEASES OFFSHORE MASSACHUSETTS: REVIEW OF BOEM AUCTION RESULTS AND COMPETITIVE IMPLICATIONS

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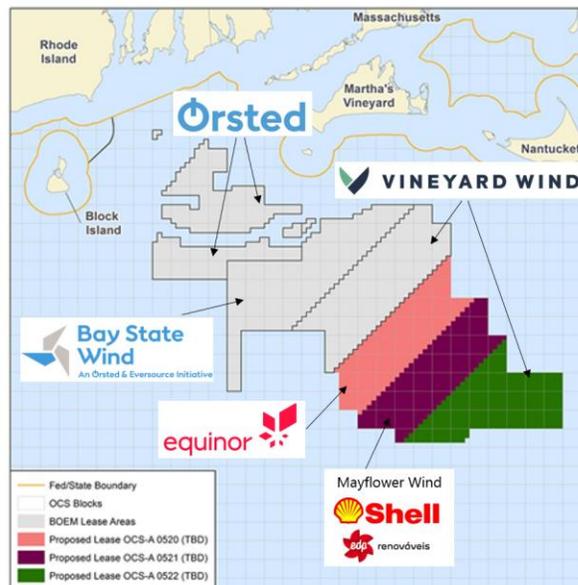
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To: Clients and Colleagues

From: John Dalton, President, Carson Robers, Consultant, Power Advisory LLC

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Over the last two days BOEM auctioned three leases offshore Massachusetts to Vineyard Wind, Mayflower Wind, and Equinor Wind. Vineyard Wind is a joint venture of Avangrid Renewables and Copenhagen Infrastructure Partners, with an existing Massachusetts lease and a contract for an 800 MW project with the Massachusetts electric distribution companies (EDCs). Mayflower Wind Energy LLC is an affiliate of Royal Dutch Shell Plc. and EDP Renewables; it is the first position in the US OSW market for both companies.<sup>1</sup> Equinor is a Norwegian energy developer that holds the rights to the only existing BOEM lease offshore New York. This sale attracted historic attention from 19 qualified parties and 11 bidders. At the end of 32 rounds the total acquisition fee was \$405.1 million (\$135.1 million Vineyard Wind and \$135 million for the other two winning parties).



### COMPETITIVE IMPLICATIONS OF ATLW-4A

Overall this should be a positive development for the competitiveness of the New England and broader Northeast OSW market. It introduces two new competitors to the region and strengthens Vineyard

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<sup>1</sup> Shell did qualify for the North Carolina lease sale (ATLW-7) in 2017 but did participate in the auction.

Wind's position as an incumbent developer. Equinor represents a new competitor to the Southern New England OSW market. Equinor wouldn't have been able to compete effectively in the Southern New England OSW market from its New York lease given the distance of this lease from New England and the associated incremental cost of transmission and the marginally worse wind resource in its New York WEA. While the primary opportunity will be for long-term contracts with the Southern New England EDCs, the projects from these lease areas should be able to compete in future New York procurements (which has a target of 2,400 MW by 2030) and possibly New Jersey (3,500 MW by 2030).

The interest of Equinor and Shell indicates the similarities of offshore wind and oil/gas development, both require significant engineering capability and careful management of project logistics, with significant capital requirements over an extended period of time before production begins.

The pricing relative to previous lease sales is a strong indication of market interest and the promise offered by the Northeastern OSW market. Adding two new competitors to the Southern New England market will enhance the competitiveness of solicitations. However, with one element of the evaluation criteria in the various OSW RFPs the project's underlying maturity it may take a while for consumers to see the benefits of this increased competition.

#### **COMPARISON TO ATLANTIC WIND LEASE SALES**

Prior to ATLW-4A there have been 7 lease sales for 11 areas from North Carolina to Massachusetts. The average acquisition fee was \$6.7 million. One of the first Massachusetts lease areas was acquired by OffshoreMW LLC (now Vineyard Wind) for as little as \$150,197. The next highest sale after today's results is the New York lease sale of OCS-A 0512 to Equinor in 2016 for a total acquisition fee of \$42.5 million from 33 rounds of bidding by 6 total participants. Even in comparison to the New York sale the result of ATLW-4A is more than seven times greater.