Offsets Presentation

Board of Directors
Santa Barbara County
Air Pollution Control District

Michael Goldman
Engineering Division Manager
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Overview

• Background
• Implications - Recap
• Emission Reduction Credit (ERC) Data
• Offsets Workgroup Ideas - Analyses & Findings
• Next Steps
• Recommendations
Background

bullet Potential Permit Program Offset Issues
  - Costs
  - Availability

bullet Offsets Workgroup – Options Developed

bullet Board Direction: Analyze Director-Selected Workgroup Options Further

bullet Detailed Community Advisory Council Presentations (October/December)
Implications - Recap

- If ERCs cannot be obtained, the permit must be denied
- Facilities may have to scale back expansions or modernizations
- ERCs are effectively unavailable in the South Zone
- Essential public services impacts
- Electrical peaking plant obstacles
 ERC Costs

NOx 1999 - 2013: AVG $/TON

YEAR
DOLLARS per TON NOx ($/ton)


5,000 8,556 13,325 47,765 47,495 51,069 66,158 109,450 114,989

Santa Barbara County
Air Pollution Control District
## Air District ERC Data

**SURVEY of LARGE/MEDIUM AIR DISTRICTS EMISSION REDUCTION CREDITS**

<table>
<thead>
<tr>
<th>District</th>
<th>Size</th>
<th>NOx ERCs (tpy)</th>
<th>VOC ERCs (tpy)</th>
<th>NOx ($/ton)</th>
<th>VOC ($/ton)</th>
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<tbody>
<tr>
<td>Bay Area AQMD</td>
<td>Large</td>
<td>2,906</td>
<td>3,338</td>
<td>12,500</td>
<td>7,000</td>
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<td>Mojave Desert AQMD</td>
<td>Medium</td>
<td>2,180</td>
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<td>10,000</td>
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<td>Monterey Bay AQMD</td>
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<td>Placer County APCD</td>
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<td>223</td>
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<td>SacMetro AQMD</td>
<td>Large</td>
<td>420</td>
<td>321</td>
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<td>275</td>
<td>339</td>
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<tr>
<td><strong>Santa Barbara APCD</strong></td>
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<td><strong>82</strong></td>
<td><strong>115,000</strong></td>
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<td>46,000</td>
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<td>Ventura APCD</td>
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<td>Yolo-Solano AQMD</td>
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<td>202</td>
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Offsets Workgroup Ideas

• Potential new rule – “Clean Technology Fund”
• Potential new rule – “Community Offsets Bank”
• Evaluate potential revisions to program implementation guidelines
Analysis and Findings
Potential new rule – “Clean Technology Fund”

- Detailed analysis of many control strategies
- Cost effectiveness numbers are very high
- Funding for 30 year ERC projects a major factor
- State does not support
- Data shows that existing ERC program projects still have potential to create ERCs (e.g., Ag pump engines)

**Conclusion:** Not feasible
Dashed line equates to current ERC cost data of $115,000 per ton
Analysis and Findings
Potential new rule – “Community Offsets Bank”

• Approach lacks source of funding for the Bank
• Unlike other Districts, we do not have excess shut down credits available or other means to fund a Community Bank
• State does not support use of Clean Air Plan Growth Allowance approach for use in New Source Review rules that require offsets

Conclusion: Not feasible
Analysis and Findings
Revise implementation guidelines

Workgroup identified these potential policy revisions:

1. Adopt a policy to allow for the “maximum” or “highest” emissions for determining baseline
2. Adopt a policy to allow for the transfer of ERCs that have been applied to existing equipment that is taken out of service.
3. Adopt a policy to require the District to automatically initiate the ERC renewal process
4. Revise policies to allow for replacement of existing equipment with lower emitting equipment without permits

Conclusion: Items 1 – 4 not feasible as these run counter to existing rule language/ EPA guidance. Rule revision that addresses replacements may be feasible.
Next Steps – Rules

1. Expand trading zones to include Ventura and San Luis Obispo Counties
2. Add an offsets exemption for Essential Public Services
3. Add an electrical Peaking Power Plant offsets exemption provision
4. Add an Equipment Replacement offsets exemption if Best Available Control Technology is applied
5. Create a Local Source Registry Rule for Banking GHG Credits
Next Steps – Further Study

1. Revise the Offset Zones/Trading Ratios
2. Revise the Offset Threshold to the State Mandated Value
Recommendations

A. Receive staff’s analysis on the Offsets Workgroup options
B. Direct the Control Officer to proceed with public workshops and CAC meetings in order to develop rule revisions to address the offsets issue
Questions?

THANK YOU