

Agenda Date: March 21, 2013
Agenda Placement: Administrative
Estimated Time: N/A
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Dave Van Mullem, Air Pollution Control Officer

CONTACT: Michael Goldman, Engineering Manager (961-8821)

SUBJECT: Offsets Workgroup

RECOMMENDATION:

Receive report regarding the Offsets Workgroup.

DISCUSSION:

Your Board has previously been briefed on the agency's formation of an Offsets Workgroup to address potential issues related to our emissions offsets program. In simple terms, emission offsets are required when a stationary source exceeds a specified threshold of emissions at their facility. At the point when the threshold is exceeded, the facility must be offset the emissions leading up to the threshold and all those that are forthcoming. Therefore, future projects causing emission increases must also be offset. Normally, offsetting is accomplished when a source relinquishes Emission Reduction Credits (ERC) to the District. ERCs are a type of mitigation provided to meet an offset obligation.

The members of the Workgroup were specifically selected to represent a broad spectrum of those we regulate and the environmental community. The Workgroup has now met five times to evaluate the effectiveness of the current offsets and emission reduction credit system, has brainstormed potential solutions and has narrowed down these ideas to three possible options. These three options were discussed in detail at our February meeting. We will be meeting in late March to discuss a fourth potential solution that a Workgroup member wished to develop.

The following three options were forwarded to the District as having merit:

- **Option 1 - Policies:** A number of suggestions were presented to change the way the District implements its current process of approving ERCs by changing or implementing new policies to make it easier to get an ERC approved.
- **Option 2 - Registration Process:** This proposal would take many permitted diesel engines and boilers and exempt them from permit. In place of a permit, a registration would be required. This essentially exempts this equipment from requiring emission offsets, so ERCs would not be required.
- **Option 3 - Alternative Mitigation Rule – Clean Technology Fund:** Instead of, or in addition to the purchasing of ERCs, sources that require offsets could pay into a Clean Technology Fund as mitigation. The money would be used to fund emission reduction projects that don't qualify for Carl Moyer funding, a highly successful program helping businesses to modernize their equipment, thus reducing emissions.

Options 2 and 3 would require either developing new rules and/or revising existing rules. District staff has noted to the Workgroup our preference to immediately address the need for a solution that focuses on the lack of available and cost-effective ERCs and not weigh down the process with other New Source Review (NSR) related issues. We suggested addressing this in a two-Phase approach. The first Phase would tackle the immediate ERC issue alone and get it through the rulemaking process as expeditiously as possible. Once Phase 1 is completed, the District would open the Phase 2 process where numerous issues brought up about the NSR process by both the Workgroup members and staff can be addressed via Workshops, the Community Advisory Council (CAC) and potential rulemaking.

The Workgroup will meet at the end of March to discuss a fourth potential solution. This may be the last meeting for the Workgroup. If so, District staff will take the options, evaluate them in detail and make recommendations to the Control Officer. Next possible steps would include bringing the preferred solution to the CAC and opening of the rulemaking process, including public workshops and consulting with both ARB and USEPA. Once vetted through the public workshop and CAC processes, a potential rule(s) will be brought to the Board for your consideration.