Offsets Program

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www.OurAir.org
Overview

• Offsets and Emission Reduction Credits
• Issues that confront us
• Costs
• Availability
• Implications for those we regulate
• Solutions and next steps
• Recommendations
Offsets and ERCs

• What are Offsets?
  – Mitigation requirements
  – Required under our New Source Review (pre-construction) permit rules

• What are ERCs?
  – Emission Reduction Credits
  – “Mitigation” used when a company requires offsets
  – Actual “in-the-air” reductions in air pollution
  – Surplus to any other regulatory requirement
  – Companies create and use or sell ERCs to one another
  – District approves ERCs and then tracks their use
Current Issues

• Two principal problems
  – Costs
  – Availability
ERC Costs

• Sky-rocketed 2,200% since 1997
  – Has reached $115,000 per ton of NOx. Was $5,000 in 1997

• Costs for companies that trigger offset requirement “start” at $1.7 million.
  – Minimum number of ERCs starts at 15 tons
ERC Costs

NOx 1999 - 2013: AVG $/TON

YEAR  

DOLLARS per TON NOx ($/ton)

-  20,000  40,000  60,000  80,000  100,000  120,000  140,000

1999 - 2013: AVG $/TON

1998: 5,000
2000: 8,556
2002: 13,325
2004: 47,765
2006: 47,495
2008: 51,069
2010: 66,158
2012: 109,450
2014: 114,989
ERC Availability

• Difficult to obtain
  – Companies quickly secure any ERCs created
  – Those that own ERCs unwilling to sell at any price
  – Know they may need ERCs for their own projects
  – No guarantees that ERCs would be available in the future if they sold now

• Most current active ERCs are in North Zone
  – Virtually none available in South Zone
  – Projected very low availability into the future
# ERCs – as of May 2013

## Active ERCs

<table>
<thead>
<tr>
<th>Zone</th>
<th>NOx</th>
<th>ROC</th>
<th>PM</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>189.4</td>
<td>106.2</td>
<td>76.4</td>
</tr>
<tr>
<td>South</td>
<td>38.4</td>
<td>2.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>217.8</strong></td>
<td><strong>108.2</strong></td>
<td><strong>76.5</strong></td>
</tr>
</tbody>
</table>

## Active ERCs Available for Sale

(District Estimate)

<table>
<thead>
<tr>
<th>Zone</th>
<th>NOx</th>
<th>ROC</th>
<th>PM</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>3.3</td>
<td>13.8</td>
<td>42.7</td>
</tr>
<tr>
<td>South</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.3</strong></td>
<td><strong>13.8</strong></td>
<td><strong>42.7</strong></td>
</tr>
</tbody>
</table>
Implications

- Very difficult to find a seller of ERCs
- Costs are very high, especially for first time into the program
- If ERCs cannot be obtained, the permit must be denied
- May result in scaling back of proposed facility expansion, modernization or moving the project out of the County
- New companies looking to locate in the County may go elsewhere
Solutions and Next Steps

• Create alternative to ERC mitigation

• Potential new rule – “Clean Technology Fund”
  – Similar to existing Carl Moyer Program
  – Set $/ton costs above Moyer limits to go after emission reductions that were previously considered non-cost effective
  – Track actual reductions in the aggregate as opposed to project specific

• Potential new rule – “Community Offsets Bank”
  – Used for qualified essential public services
  – Low or no cost
Solutions and Next Steps (cont’d)

• Many Challenges
  – SB 288 restricts changes we can make
  – Consistency with Clean Air Plan
  – New and untried. No guarantee of success.
  – EPA Nonattainment New Source Review rule
Recommendations

That the Board:

• Receive the staff report regarding the District Offsets Workgroup

• Direct staff to further analyze the Clean Technology Fund and Community Bank options; and

• Direct staff to return with final recommendations for next steps, including potential rulemaking.
Questions?