

# Offsets Program

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# Overview

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

# Offsets and ERCs

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- 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

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- Two principal problems
  - Costs
  - Availability



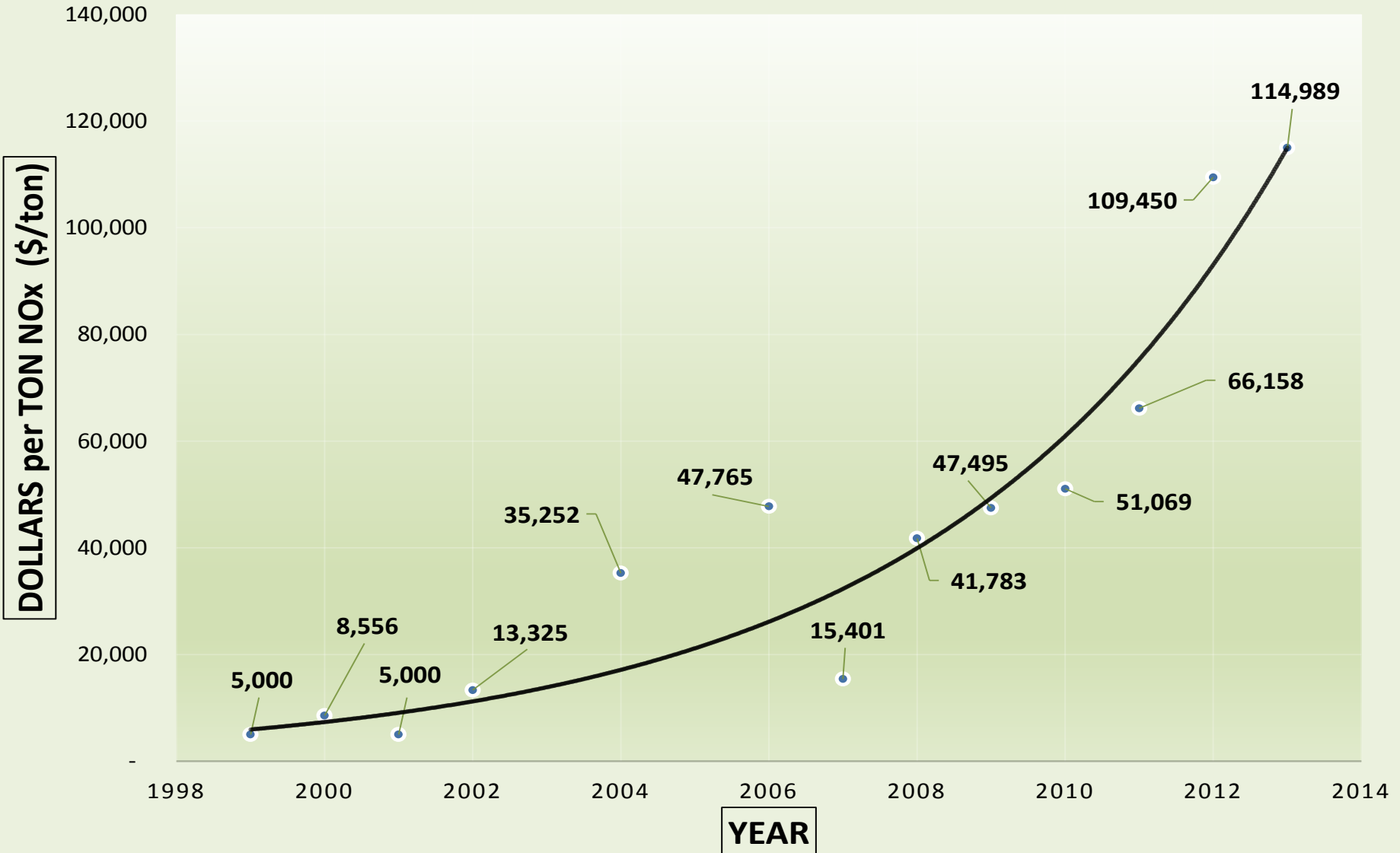
# ERC Costs

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- 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**



# ERC Availability

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- 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

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## Active ERCs

<u>Zone</u>	<u>NOx</u>	<u>ROC</u>	<u>PM</u>
North	189.4	106.2	76.4
South	38.4	2.0	0.1
<b>Total</b>	<b>217.8</b>	<b>108.2</b>	<b>76.5</b>

## Active ERCs *Available for Sale*

(District Estimate)

<u>Zone</u>	<u>NOx</u>	<u>ROC</u>	<u>PM</u>
North	3.3	13.8	42.7
South	0.0	0.0	0.0
<b>Total</b>	<b>3.3</b>	<b>13.8</b>	<b>42.7</b>



# Implications

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- 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

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- 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)

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- 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

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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?

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