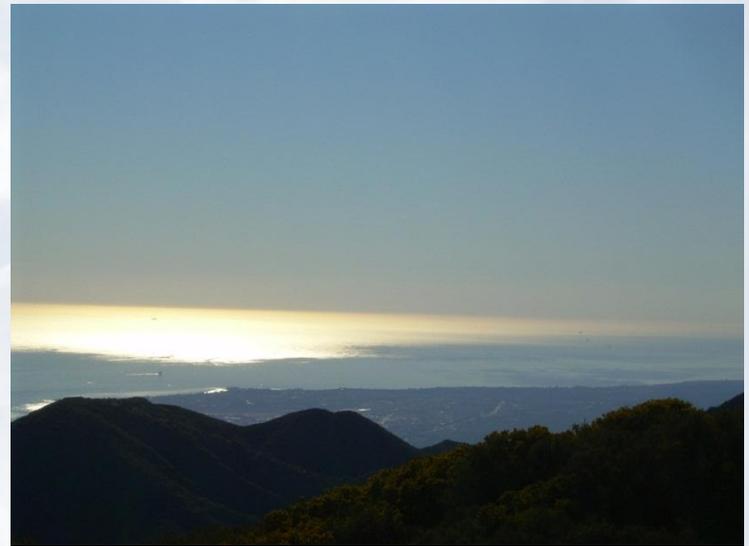


Emission Reduction Credits

**Board of Directors
Santa Barbara County
Air Pollution Control District**

**Dave Van Mullem
Director / APCO
October 18, 2012**



www.OurAir.org

Purpose & Overview

- Purpose: to provide awareness of Emission Reduction Credit (ERC) situation and gain the District Board's input, insight, and direction
- Presentation agenda:
 - What are ERCs
 - What are Offsets
 - Regulatory Background
 - History since 1997
 - From Issue to Moving Forward

A vexing statewide problem that can't wait for a statewide solution

What are ERCs

- An ERC is earned by a company when it reduces air emissions beyond what is required by District Rules and Permits
- ERCs are actual emission reductions that meet stringent requirements:
 - Real
 - Surplus
 - Quantifiable
 - Enforceable
 - Permanent

ERCs Are Created By...

- Actions over and above current regulations to reduce emissions, for example:
 - Converting AG water-pump engines to electrification
 - Shutting down industrial facilities
 - Adding on technology-forcing emission controls

***Historically Successful;
Today, Ever-Decreasing
Opportunities Exist
to Create ERCs***



What are Offsets

- Emission Offset Liability (or offsets) are the quantity of emissions increases that a company must mitigate under New Source Review
- When a company's expansion involves an emissions increase exceeding a threshold, offsets are triggered
- Then the company may use ERCs to mitigate the increase
- Offsets are applied through permit applications for new or modified sources at a ratio that further benefits air quality

Offsets are Triggered...

- When a company's Net Emission Increase (NEI) exceeds the offset threshold of 55 lbs/day or 10 tons/yr actual emissions
 - Note: different but “equivalent” to H&SC § 40918 requirements
- NEI: is the sum of all increases and decreases since the 1990 Clean Air Act Amendments

ERC Certificates

- The District issues ERC Certificates that are “marketable” and they have true monetary value
- A certificate is an asset that can be used by its owner or sold to companies that need emission offsets
- Surrendered ERCs go towards the benefit of Clean Air (example: offset ratio of 1.2 : 1.0)
- Note: ERC Certificates do not establish property rights (H&SC § 40710)

ERC Background

- *1978 to 1990:* New Source Review (NSR) rules had MOU type ERC banking provisions
- *1990 to 1997:* All ERCs were Contemporaneous (no bank, no register)
- *1997 to Today:* Regulation VIII, NSR
 - Added a Source Register for tracking and accountability
 - Set up North/South County trading zones
 - Preserved pre-existing DoD emissions MOU Bank
 - No provisions for a Community or EPS Bank

ERC Source Register

- ERCs Registered Since 1997
 - Total: **333 tpy NOx** **202 tpy ROC**
- ERCs Available Today
 - Total: **213 tpy NOx** **109 tpy ROC**
- Estimate of Marketable ERCs
 - Total: **3 tpy NOx** **14 tpy ROC**
- Cost per ton
 - 1999 Low: **\$ 5,000**
 - 2012 High: **\$ 115,000 (2,200%)**



Issues

- Market is too small to work effectively
- Stockpiling ERCs for future projects
- Refusal to sell at any price
- DoD pre-1990 ERCs are non-transferable
- Market based (supply/demand) pricing: >\$100k/ton
- Lack of credits in Southern Zone
- SB 288 Protect CA Act of 2003
(aka, no back-sliding)

Issues (continued)

- Many businesses are near the threshold
 - Education, Healthcare, Oil & Gas, Manufacturing, the Space Industry, etc.
- Existing businesses over the threshold (finding small quantities is difficult)
- New businesses must restrict emissions, take business elsewhere, or stop their project
- Final solution compatible with APCD Mission

Moving Forward – Completed

- Issue brought to the District's Community Advisory Council for discussion – possible future new/revised rule
- Offsets workgroup formed:
 - 16 members representing community's broad spectrum
 - 1st meeting – members concluded this is an issue needing resolution
 - Goal: reach consensus on viable solutions – move forward with best proposal

Workgroup Stakeholders

- Audubon Society
- CEC
- Raytheon
- UCSB
- PXP
- VAFB
- Santa Maria Energy
- MF Strange & Associates
- Betteravia Farms
- Cottage Healthcare Sys
- ExxonMobil
- EDC
- Imerys Minerals
- Lockheed Martin FP
- Zodiac/C&D Aerospace
- WSPA

Moving Forward – To Do

- Discussion point for CAPCOA fall meeting
- Continue workgroup meetings – final proposals
- Initiate rulemaking changes (as needed)
- Conduct public workshop/s
- Take solution/s to Community Advisory Council
- Hold APCD Board public hearing/s and adopt resolution

Directions & Approval



Santa Barbara County Air Pollution Control District

| | |
|---------------------------|---|
| Air Quality | Permitting and New Source Review Emission Reduction Credits General Guidance <ul style="list-style-type: none">• A Guide to the Emission Reduction Credit System• ERC Application Process Flowchart (detailed)• ERC PowerPoint Presentation (.pdf)• Source Register Application Forms• APCD Agricultural ERC SB-700 Board Resolution ERC Tracking <ul style="list-style-type: none">• Source Register Database: Ledger Report (lists all active ERCs). PDF copy here.• Source Register Database: Transaction Report (lists all ERC transactions). PDF copy here. Decision of Issuance Documents <ul style="list-style-type: none">• Source Register Preliminary Decisions of Issuance (DOI). PDF copy here.• Source Register Final Decisions of Issuance (DOI). PDF copy here.• Recent Applications to Register ERCs. PDF copy here. ERC Cost Data <ul style="list-style-type: none">• ERC Cost Data - ERC Costs for Santa Barbara County. PDF copy here.• ERC Cost Data - Statewide Data from the ARB Application Forms <ul style="list-style-type: none">• APCD-05A Emission Reduction Credits - Creating New ERCs• APCD-05E Emission Reduction Credits - Creating New ERCs for Agricultural Facilities• APCD-05R Emission Reduction Credits - Renewal• APCD-05T Emission Reduction Credits - Transfer• APCD-05U Emission Reduction Credits - Authorization of ERC Use <p>For more information or assistance, contact Michael Goldman at (805) 961-8821.</p> |
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