

Agenda Date: October 18, 2012
Agenda Placement: Regular
Estimated Time: 15 minutes
Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Dave Van Mullem, Air Pollution Control Officer

SUBJECT: Emission Reduction Credits

RECOMMENDATION:

Receive report and give direction regarding Emission Reduction Credits.

SUMMARY:

Staff has formed an Offsets Workgroup that represents a broad spectrum of the community. The workgroup is evaluating the effectiveness of the current offsets and emission reduction credit system. Historically this system was a very successful approach to reducing air emissions from sources outside the mandates of District Regulations. However, there is now a general consensus that the current emission reduction credit system needs improvement. The workgroup will investigate and recommend ways to improve the system that would support responsible economic growth throughout Santa Barbara County without detriment to the environment or the Mission of the District. Any recommendations made by the group would be taken to the APCD Community Advisory Council (CAC) before being brought to your Board for consideration.

DISCUSSION:

District New Source Review regulations require new and modified sources with emission increases above certain thresholds to mitigate those emission increases. The original intent was to allow a facility to expand in a nonattainment area while promoting emission controls on uncontrolled pollution sources. Emission Reduction Credits (ERCs) are generated by controlling actual emissions beyond what is required by current rules and permits. If facilities are unable to obtain ERCs, they are unable to expand their operations.

Most facilities that currently have ERCs are unwilling to sell their credits, because they may need to use their credits for future projects. As District rules have become more stringent over time,

there are fewer opportunities to generate new credits from uncontrolled sources. The result of this scarcity is that the most recent purchases of NO_x ERCs have cost over \$100,000 per ton. At this price, a new facility that triggers offsets may have to purchase credits worth over \$1,000,000, assuming any are for sale, in order to receive an Authority to Construct through the District. Even at that price it does not appear that a new facility would be able to secure enough ERCs to satisfy their offset requirements.

The Offsets Workgroup is composed of representatives from industry, public services, agriculture, the APCD CAC, and environmental stakeholders, and is tasked to develop ideas for revising the offset program, establish criteria for evaluating those ideas, and prepare a list of recommended options. The goal of the workgroup is to identify potential solutions that can be implemented while still resulting in a net benefit to air quality in the county and continuing our progress toward attainment and maintenance of all state and federal air quality standards.