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Continued Item: No

Board Agenda Item

TO: Air Pollution Control District Board

FROM: Dave Van Mullem, Air Pollution Control Officer

CONTACT: Ben Ellenberger, AQ Engineering Supervisor (961-8879)

SUBJECT: Offsets Workgroup

RECOMMENDATION:

Receive report regarding the Offsets Workgroup.

DISCUSSION:

Staff has formed a workgroup with members that represent manufacturing, oil and gas production, agriculture, healthcare, education, and department of defense sources as well as consultants and representatives of the environmental community. The workgroup has met three times to evaluate the effectiveness of the current offsets and emission reduction credit system and to investigate ways to improve the system.

To date, the following items have been achieved:

- Acknowledgement of the problem that Emission Reduction Credits (ERCs) generated by the current system are difficult to obtain due to high cost and/or lack of availability.
- Conducted a group “brainstorming” session and generated a list of potential ways to revise the current offset system.
- Conducted preliminary reviews of some of the more promising potential solutions.

The potential solutions discussed include: revising District policies about generating ERCs, developing a new rule to register certain types of equipment instead of permitting them, revising the District’s new source review rules, replacing the District’s new source review rules with a

rule similar to the San Diego County APCD rule, developing an ERC “bank”, developing an alternative mitigation program to complement the Carl Moyer program, and generating emission reductions from boat traffic. Most of these options would require either developing new rules or revising existing rules. The effect of these options on the current ERC system and the ease or difficulty of implementing each option was discussed. Senate Bill 288, which prohibits Districts from relaxing new source review rules except in very specific circumstances, was reviewed.

At the last meeting, District policies, developing a registration rule, alternative mitigation, and reductions from boats were discussed in more detail.

- **Policies:** It may be possible to make District policies about generating ERCs more flexible without revising any rules. This would make it easier for some sources to generate ERCs.
- **Registration:** When SB 288 was passed many engines and small boilers were exempt from permit. This equipment is now subject to permit and contributes to the offset liability of sources. It may be possible to develop a registration rule for this equipment instead of requiring permits, so ERCs would not be required.
- **Alternative mitigation:** Instead of, or in addition to the purchasing of ERCs, sources that require offsets could pay into a mitigation fund. The money would be used to fund emission reduction projects that don’t qualify for Carl Moyer funding.
- **Reductions from marine shipping:** On a parallel track, the district is currently researching an incentive program to reduce ship speed in the channel, which would reduce emissions. Some of these reductions could be used as offsets for on-shore projects.

The workgroup will meet a few more times to establish review criteria and evaluate the options. The next meeting is planned for mid-January. Members of the workgroup will prepare a short evaluation of each option they choose to pursue. The evaluations will look at the effects on the current offset situation, consistency with the clean air plan, consistency with the District’s mission, and other evaluation criteria established by the group. Once the workgroup has established a short-list of possible solutions, district staff will review the short-list for feasibility of execution. Any recommendations made by the group would be taken to the APCD Community Advisory Council for further vetting and agreement before being brought to your Board for consideration.