



FAQ: Rule 806 – Emission Reduction Credits  
DATE: March 9, 2017  
REV: 2.1

[Discounting Emission Reduction Credits by Reasonably Available Control Technology](#)  
[Changes to Existing ERC Generating Devices](#)  
[Returning ERCs](#)  
[Miscellaneous](#)

#### **Discounting Emission Reduction Credits by Reasonably Available Control Technology**

Q: *How will the RACT discount of ERCs be applied?*

A: The District requires ERCs to be discounted by reasonably available control technology (RACT) at the time of use (ref: Rule 806.D.5). RACT discounting of ERCs accounts for any advances in emission control techniques and ensures that emission reductions are consistent with District prohibitory rules and control measures relied upon in the clean air plan. To comply with this requirement, the District will apply the RACT discount to ERCs as they are entered into the source register and, if RACT changes between the date the ERCs were deposited and the date used, again before the ERCs are used to reflect any change in the amount of the RACT discount. This allows the value of ERCs in the source register to reflect close to their actual value instead of an inflated value that has yet to be reduced by applicable RACT discounts.

The District will also adjust ERCs for changes in RACT requirements during the 5 year ERC renewal process and any time a company wishes to re-register ERCs that were “used” after August 25, 2016 in a manner consistent with [P&P 6100.057](#). In the event that an applicable RACT requirement is relaxed, the ERCs will be adjusted accordingly at the time of use.

#### **Changes to Existing ERC Generating Devices**

Q: *What should a company do if the existing equipment creating the ERCs is replaced or shuts down?*

A: A source with a device that has created ERCs and is still operating under an enforceable operating permit (e.g., add-on control device, repower with Tier 4 diesel engine) must still ensure that the original ERCs are effectively in place since there are NSR projects and/or ERC Certificates still on the open market that rely on these reductions being real. Unless approved by the District in writing, and typically via a permitting action, in no case can a company remove a control device (or change the type of control device), remove the equipment and shift load to another device or install a larger replacement device. The original ERCs may be considered valid if the device that created them permanently ceases operation and the facility shuts down.

## Returning ERCs

Q1: *I previously had to obtain offsets under the prior NSR rules. Can I release those ERCs?*

A1: No, not in this case. The amended NSR rules apply from the date of rule adoption. Prior offset obligations must be maintained as those reductions are relied upon in the approval of the amended NSR rules. The stationary source would be subject to the new offset thresholds and requirements for any new project at the source.

Q2: *If I provide offsets under the new (2016) rules, can I get the ERCs back if I cancel the permit (or remove the equipment that required the offsets)?*

A2: In general, yes, the ERCs may be returned to the Source Register. There are caveats, however. First, the ERCs must still pass the surplus test. Surplus is defined in Rule 801 and generally means the emission reductions must not be required by current regulations or are not already relied upon for Clean Air Plan planning purposes. Second, there cannot be a shift in load from the process/equipment that was offset to older existing equipment that was not offset under the amended rules. A new baseline is not required.

Q3: *If I provide offsets under the new (2016) rules for "equipment X" when my PTE was greater than 25 tpy, can I get the ERCs back if I remove other equipment that did not require offsets under the new rules and which results in a post-project PTE being less than 25 tpy?*

A3: No. In this case, the ATC that approved the project relied upon those ERCs for permit approval. ERCs, in this case, may only be considered for return to the Source Register if the equipment itself (including replacements) is removed and the permit for this equipment is cancelled.

Q4: *Can I use or sell my ERCs for short-term projects?*

A4: Yes, subject to the same criteria noted above in Question 2.

## Miscellaneous

Q1: *What equipment types are categorized as fugitive hydrocarbon sources at an oilfield?*

A1: This is important to know since ERC certificates issued to sources for fugitive hydrocarbons at oilfields have a special ERC restriction limiting their use as mitigation to devices that emit fugitive hydrocarbons. The following equipment types are considered fugitive emission sources for the purposes of the issuance of ERC certificates: component leak paths in hydrocarbon service (e.g., valves, flanges, connectors, PRVs, pump seals, compressor seals), sumps, pits, oil/water separators (including waste water tanks), oil and gas wells, well cellars, floating roof tanks and fixed roof tanks that are connected to a vapor recovery/control system. Any request to create ERCs from the above device types will have the fugitive hydrocarbon ERC restriction of use condition added to the certificate. In addition, the installation of any of the above device types may be offset with ERCs that include the fugitive hydrocarbon restriction of use condition.

Q2: *Can I get ERCs if I shut down or replace my diesel emergency standby generator?*

A2: No. This is because Rule 802.B exempts all reciprocating emergency standby generators from the requirement to offset their emission. See [P&P 6100.75](#) for more details.

Q3: *Does the Rule 806 shutdown discount of 20% apply if I replace my oil storage tank and request ERCs for the old tank?*

A3: No, not if the existing process continues to operate.