

Emission Reduction Credit Program

Public Advisory Workgroup

Kick-off Meeting

September 18, 2020

Purpose of the Public Advisory Workgroup

- Provide a forum for discussion/suggestions to assist the District in developing solutions/enhancements related to the District's ERC and offset equivalency system, as needed to maintain an effective permitting system that allows for the protection of public health and strong economic growth in the Valley
- Hear perspectives and receive input on the District's ERC and offset equivalency system from stakeholders
- Provide workgroup members and interested members of the public the knowledge and tools necessary to meaningfully participate

Guiding Principles

1. Work collaboratively to assist the District in developing enhancements related to the District's offset equivalency system moving forward in a manner that ensures an effective permitting program that protects public health and supports economic growth and development in the Valley
2. Provide for meaningful public engagement in support of enhancements to the District's offset equivalency system
3. Ensure process does not impede the District's ability to meet legally mandated deadlines and timeliness

2020 Annual Offset Equivalency Demonstration

District Offset Equivalency Program

- As allowed by the federal Clean Air Act, District's ERC program differs from a direct implementation of the federal offsetting requirements
 - EPA and ARB initially approved the District's approach in 2001
- District performs an annual demonstration that the District's ERC program is at least as stringent as federal offsetting requirements
 - Submitted to EPA, CARB, and presented to Governing Board at public hearing
- Annual report must demonstrate both of the following:
 - The quantity of offsets required by Rule 2201 equals or exceeds the quantity of federal offsets that would have been required
 - The surplus value of offsets required by Rule 2201, plus the surplus value of additional creditable emission reductions, equals or exceeds the quantity of federal offsets that would have been required
- Should the system fail to demonstrate equivalency, Rule 2201 contains remedies that are required to be enacted immediately

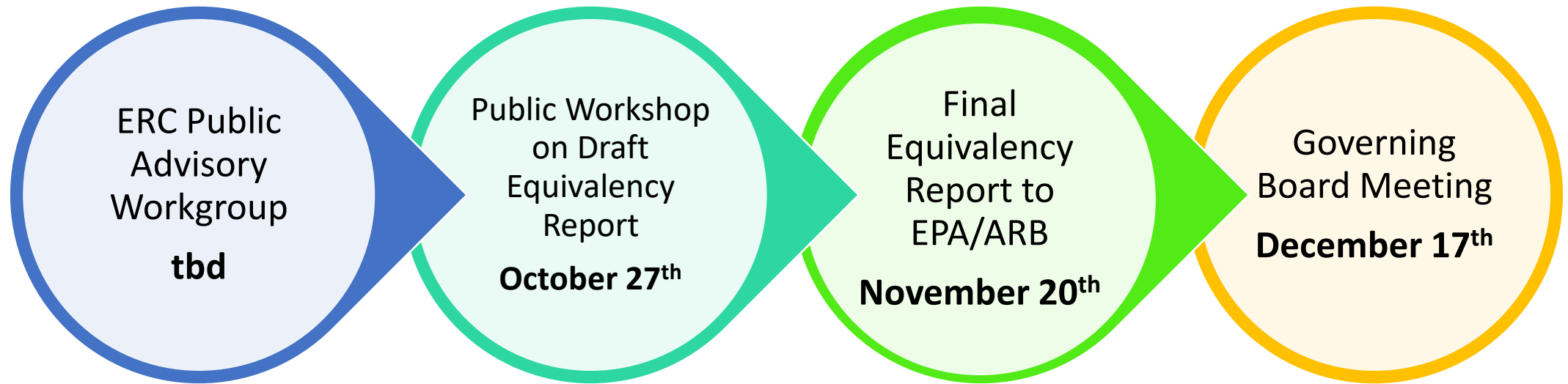
Current Status of Equivalency

- On September 17, 2020, District Governing Board took action to:
 - Provisionally remove all emission reductions from Ag-ICE and orphan shutdown projects from the equivalency system effective September 17, 2020
 - Reintroduce the appropriate portion of the emission reductions from the provisionally withdrawn projects once EPA and ARB accepted mechanisms and methodologies are developed
- Action allows the public process to inform the development of mechanisms and methodologies for the use of these and other types of creditable emission reductions in demonstrating equivalency
- With removal, system cannot demonstrate equivalency with the surplus value test for NOx and VOC
 - Rule 2201 remedy enacted
 - Any new major source or federal major modification triggering NOx or VOC offsets under the District NSR rule would require “surplus at time of use” ERCs

2020 Offset Equivalency Demonstration

- Enhance the annual demonstration report to make the report more understandable, including more fully characterizing adjustments made to year-to-year carry-overs to ensure the public can better understand all adjustments effective in a tracking year
- Incorporate Board's action regarding removal of AG-ICE and orphan shutdown credits
- Finalize the equivalency demonstrations for the surplus value test for PM10, PM2.5, and SOx
- Finalize the offset quantity test for all pollutants

2020 Offset Equivalency Report Timeline



Future Public Advisory Workgroup Meetings

Potential Public Advisory Workgroup Topics

Orphan Shutdowns

Incentive Projects

Other Creditable Reductions

Opportunities & Challenges to Generate New ERCs

Equivalency

Short-term Credits

GHG ERCs

ERC Application Timeliness

Others?