Emission Reduction Credit Program
Public Advisory Workgroup

January 25, 2021

Overview

- GENERATION OF NEW ERCs
- ERC SUPPLY AND DEMAND
- OFFSET QUANTITY CONCEPTS
- ADDITIONAL CREDITABLE REDUCTIONS CONCEPTS
- NEXT STEPS

Generation of New ERCs

- Limited opportunities for the generation of new ERCs
  - Challenging to generate new ERCs through the control of emissions that go beyond the District's stringent rules and regulations
- Most new ERCs are generated from facility and equipment shutdowns
  - In the past 5 years, 100% of NOx and VOC ERCs generated from shutdowns and over 90% in the past 10 years
  - Undesirable to primarily rely on shutdowns to generate the new ERCs necessary to support growth and facility modernizations
  - Average 0.005 tpd VOC and 0.14 tpd NOx generated each year over the past 5 years

ERC Supply and Demand

- Without offset equivalency program, there will be an increase in the demand for ERCs to satisfy federal offset requirements and a decrease in the availability of ERCs to satisfy the demand
- Preliminary analysis projects possible future shortage of NOx and VOC ERCs
  - Given current estimates on surplus value, there are approximately 1.68 tpd of VOC and 5.18 tpd of NOx in the external ERC bank
  - Approximately 0.48 tpd of federal VOC offsets and 0.29 tpd for NOx have been required annually (5 year average)

Offset Quantity Concepts

- Options to reduce the quantity of federal offsets required or increase the quantity of offsets required under Rule 2201
  - Require all existing major sources to be equipped with federal BACT
  - Modification or removal of offset exemptions in Rule 2201
  - Modification to definition of Baseline Emissions for major sources
  - Modification to the offset quantity calculations (local/federal)
  - Decrease the Offset Threshold levels
  - Increase the Distance Offset Ratios

Federal BACT on Existing Major Sources

- Federal offset ratio for NOx and VOC can potentially be lowered from 1.5:1 to 1.2:1
- §51.165 states offset ratios must be:
  - In any extreme nonattainment area for ozone - at least 1.5:1 (except that the ratio may be 1.2:1 if all existing major sources are required to use federal BACT)
- EPA has suggested that BACT on existing sources may be BARCT level of control on all existing major sources
  - BARCT already required under CH&SC for all permitted stationary sources in serious or severe non-attainment areas
  - AB 617 adds additional layer to BARCT requirement
- Further discussions with EPA/ARB necessary

Additional Creditable Reductions Concepts

- Options to generate additional surplus creditable emission reductions
  - Orphan Shutdowns
  - Funding of voluntary emission reductions

Orphan Shutdown (OSD) Emission Reductions

- Emission reductions associated with OSD:
  - Required to meet ERC criteria (Quantifiable, Permanent, Real, Enforceable, Surplus)
  - Actual emissions vs. percent of potential to emit
  - Level of documentation/records needed
- District exploring mechanisms to identify additional methods to obtain OSD reductions
  - Apply to unit shutdowns rather than just full facility shutdowns
- Reintroduction of some percentage of value of historic OSD
- Will require CARB/EPA approval

Fund and Generate Surplus Credits for Demonstrating Equivalency

- Reductions would need to be meet ERC criteria
  - Enforceability and permanence criteria may be challenging for certain types of projects
- Amount of surplus reductions generated dependent on funding available and number of projects to generate reductions
- Identify source of funding or develop new funding source for equivalency demonstration
- Stationary source reductions vs mobile source reductions
- Will require CARB/EPA approval

Next Steps

- Looking for feedback on the concepts shared today
- Continue to assess the pros/cons of various concepts
- Continue to work with EPA/CARB in their review of the District's offset equivalency report

Comments/Questions