

Emission Reduction Credit Program Public Advisory Workgroup

April 7, 2022

Overview



NEW ERC PAW WEBPAGE

RECENT BOARD ACTION REGARDING NO_x OFFSETTING REQUIREMENTS

PROGRESS IN FULFILLING DISTRICT COMMITMENTS IN RESPONSE TO CARB ERC REVIEW

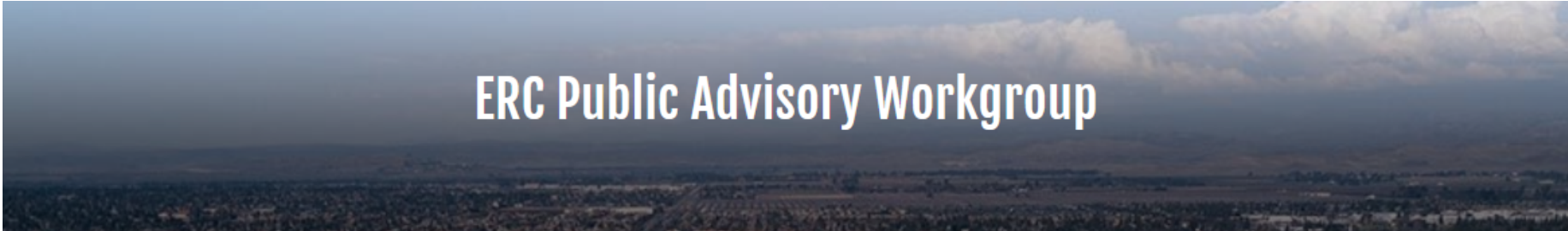
AMENDMENTS TO DISTRICT NSR RULES

New ERC PAW Webpage

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- District launched new ERC PAW webpage
 - <https://ww2.valleyair.org/permitting/emission-reduction-credits-erc/erc-public-advisory-workgroup/>
- Webpage will serve as landing page which will include the ERC PAW schedule, agendas, presentations, and links to other related board actions, workshops, and relevant material/information
- Per request from ERC PAW members, this and future meetings will also be recorded and posted on the ERC PAW webpage

New ERC PAW Webpage



ERC Public Advisory Workgroup

- Emission Reduction Credits (ERC)
- Emission Reduction Credits Registry
- Cost of Emission Reduction Credits
- Related Workshops and Board Meetings
- ERC Public Advisory Workgroup**
- ERC PAW Roster
- ERC PAW Meeting Schedule, Agenda, Presentations

What is the ERC Public Agency Workgroup

In August 2020, the [District's Governing Board](#) approved the framework for the Public Advisory Workgroup that assists in developing solutions to enhance the District's Emission Reduction Credit (ERC) program.

The public advisory workgroup was designed in adherence with the following 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.

To ensure board participation, the workgroup is formed by appointees by the Executive Director/APCO with three representatives from Valley community-based organizations, three representatives from Valley regulated entities, and three members from the Citizens Advisory Committee (one each from Environmental, Industry/Agriculture, City interest groups) and representatives from the federal EPA and CARB.

- [What is the ERC PAW](#)
- [ERC PAW Roster](#)
- [ERC PAW Meeting Schedule, Agendas, Presentations](#)

Other Links

- [Offset Equivalency Reports](#)
- [CARB ERC Findings and Documents](#)

Recent Board Action Regarding NOx Offsetting Requirements

Ensuring Compliance with Federal Offset Obligations

- The 2020-2021 offset equivalency report identified a NO_x shortfall in the offset quantity test
- Offset quantity equivalency for NO_x was maintained using the NO_x carry-over balance
 - Annual shortfall in the quantity of NO_x offsets required highlights the possibility that the current surplus value remedy in District Rule 2201 will not ensure the District will be able to remain equivalent with federal offsetting requirements
- On February 17, 2022, the District Governing Board took action to effectively end programmatic federal offset equivalency system for NO_x
 - All new major sources or federal major modifications triggering NO_x offsets now required to provide ERCs to satisfy federal offset obligations at the project-level
- District is no longer operating an offset equivalency system for NO_x or VOC

Progress in Fulfilling District Commitments in Response to CARB ERC Review

District Response to CARB Review

- CARB's review pointed to the need to revisit and potentially enhance aspects of the ERC and offset equivalency program moving forward
- District committed to enhancing transparency and taking specific actions to enhance aspects of the ERC and offset equivalency program
- Significant action has been taken since the release of the report to fulfill the District's commitments

District Commitments

- Conduct a public workshop each year, beginning with the 2019-2020 equivalency demonstration, to present the results of the annual equivalency demonstration prior to taking the report to the District's Governing Board
 - District held public workshops on November 5, 2020, and October 26, 2021, to present the draft results of the 2019-20 and 2020-21 annual equivalency demonstration, respectively
 - Public workshops allowed for review and comment on the draft demonstrations prior to finalizing the reports, submitting the final reports to EPA/CARB and taking the final reports to the Governing Board

District Commitments (cont'd)

- Enhance the annual demonstration report to make the report more understandable beginning with the 2019-2020 equivalency demonstration, 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.
 - District significantly enhanced the 2019-20 and 2020-21 annual offset equivalency demonstration reports
 - Incorporated stakeholder suggestions for making the report easier to understand
 - Provided detailed explanations of the methodology used to assess equivalency

District Commitments (cont'd)

- Convene a public advisory working group consisting of affected stakeholders, including community-based organizations, regulated Valley businesses, Citizens Advisory Committee members, EPA, and CARB, to assist in developing solutions related to the District's offset equivalency system.
 - Created by Board in late Aug 2020 / Kick-off in Sep 2020
 - Provides a forum for discussion/suggestions to assist the District is developing solutions/enhancements related to the ERC and offset equivalency system
 - Hear perspectives and receive input on the ERC and offset equivalency systems from stakeholders
 - To date, 11 meetings have been held

District Commitments (cont'd)

- Adjust calculated emission reductions from all affected Agricultural Internal Combustion Engine Conversion Incentive Program (AG-ICE) projects to reflect the appropriate load-factor. Analyze the orphan shutdown projects identified by CARB, and make adjustments, as appropriate.
 - On September 17, 2020, the District Governing Board proactively withdrew the emission reductions from AG-ICE and orphan shutdowns from the District's offset equivalency system
 - Board action enacted Rule 2201 remedy as no longer able to demonstrate equivalency with surplus value test for NOx and VOC

District Commitments (cont'd)

- Update the District's policies that pertain to the quantification of emissions reductions from orphan shutdowns, and ensure procedures and associated staff training to maintain consistency with District NSR criteria for creditability of emissions reductions.
 - District has not included any new orphan shutdown reductions in the equivalency system and has removed all existing reductions
 - District is currently evaluating the development of mechanisms and methodologies for the use of these and other types of creditable emission reductions (e.g., orphan shutdowns, mobile source reductions)
 - To enhance consistency, District has assigned and trained a group of staff that are now exclusively responsible for overseeing efforts associated with ERC issuance and use, and offset equivalency

District Commitments (cont'd)

- Develop a new equivalency tracking database, including associated documentation.
 - District will begin the development of a new database and associated tracking infrastructure once an approvable path forward is developed with CARB and EPA and the District's NSR and ERC banking rules are amended accordingly

Amendments to District's NSR Rules

District's New and Modified Source Review Rule

- District Rule 2201 (New and Modified Stationary Source Review)
 - Designed to meet both federal and state NSR requirements
- Key elements of Rule 2201 include:
 - Best Available Control Technology (BACT) – mandates emission controls to minimize emission increases
 - Emission Offsets - requires emissions above specified offset threshold levels to be mitigated with either concurrent reductions or past reductions which have been banked as emission reduction credits (ERC)
 - Federal Offset Equivalency – system to ensure local NSR offset requirements are at least as stringent as federal requirements and remedies to be enacted in the case of equivalency failure
 - Public notification - a notice period prior to issuance of an Authority to Construct (ATC) to garner comments on projects that result in emissions above specified levels

Amendments to District NSR Rule

- In accordance with the offset equivalency remedies contained within Rule 2201, the District must now amend Rule 2201 requirements associated with federal offsetting of NO_x and VOC
- On February 17, 2022, the District Governing Board directed staff to begin the rule amendment process
- District will also be conducting a comprehensive review of the rule to ensure ongoing conformance with state and federal NSR requirements
- Proposed amendments to District Rule 2201 will include but not be limited to:
 - Adopting full federal offsetting program for any pollutant that fails to demonstrate equivalency with the federal offsetting requirements (currently NO_x and VOC)
 - Amendments to offset methodologies, exemptions and requirements
 - Amendments to existing offset equivalency remedies (PM₁₀, PM_{2.5}, SO_x, & CO)

Amendments to Rule 2301

- The District will also be considering amendments to the requirements of Rule 2301, Emission Reduction Credit Banking
- Amendments to Rule 2301 will ensure consistency in certifying that ERCs are real, permanent, quantifiable, surplus, and enforceable
- Potential amendments to District Rule 2301 may include:
 - Administrative mechanisms, definitions, and procedures for the filing of applications and banking of ERCs
 - Administrative mechanisms, definitions, and procedures for the banking of other creditable emission reductions (future orphan shutdowns, mobile source credits, etc.)

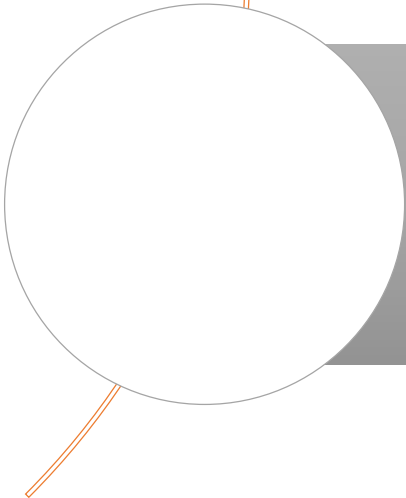
Rule Development Process

- Public scoping meeting Public Scoping Meeting for Rule 2201 (*New and Modified Stationary Source Review Rule*) and Rule 2301 (*Emission Reduction Credit Banking*)
 - Scheduled for Friday, April 15th at 2:00 PM
 - https://www.valleyair.org/Workshops/public_workshops_idx.htm#04-15-22
- Public Advisory Workgroup will be engaged throughout the rule development process

Next Steps



Collaboratively work with the public, stakeholders, EPA, and CARB through the rule amendment process for District Rules 2201 and 2301



Continue to identify and evaluate new methods to create surplus creditable emission reductions

Comments/Questions