Workshop

Rule 2301
Emission Reduction Credit Banking – amendments to allow registration of GHG emission reductions

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June 30, 2009
Agenda

- Background
- Overview of rule development process
- Current Rule 2301
- Draft rule amendments
- Open discussion
- Recap and adjourn

Email address:  webcast@valleyair.org  Subject line:  Rule 2301
District’s Climate Change Action Plan (CCAP) adopted by the Governing Board in August 2008

CCAP has directed the APCO to:

1. Provide guidance on addressing GHGs in CEQA
2. Investigate the development of a greenhouse gas emission reduction registration program
3. Investigate mandatory (AB32) reporting of GHG emissions as part of the existing emissions inventory process
4. Administer Voluntary GHG Emission Reduction Agreements
Background

- CCAP Scoping document and scoping meeting (Nov 2008), discussed the actions the District would take in implementing the CCAP

- For the GHG emission reduction registration program - four phase development process:
  1. Technical Workgroups: input from stakeholders,
  2. District staff prepares draft staff report/rule amendments
  3. Public Workshops
  4. Governing Board Approval
Rule development process

CCAP scoping plan
- Technical workgroups meetings

1st Workshop
- Comment period
- Draft rule revisions

2nd Workshop

Comment period
- Proposed rule revisions
- Proposed Rule
- Governing Board Public Hearing

Technical workgroup report to APCO
Draft staff report

Rule development process

Rule Development Schedule

- First workshop – May 7, 2009
- Second workshop – June 30, 2009 @ 1:30 pm
  - Comments due July 14, 2009 @ 5:00 pm
- Receive and file August 20, 2009
- Governing Board public hearing – September 17, 2009
Current Rule 2301

- Provides for the storage, transfer, or use of affected pollutant emission reductions
- Defines eligibility standards, quantitative procedures, and administrative practices for affected pollutant emission reductions
- 10% Air Quality Improvement Deduction for affected pollutant emission reductions prior to banking
- Affected pollutant emission reductions must be real, permanent, quantifiable, surplus, and enforceable
- Surplus – in excess of current or upcoming rules that require a reduction in emissions of a specific pollutant
Draft Rule 2301 amendments

- Provide a mechanism to preserve voluntary GHG emission reductions
- Structure to purchase/retire GHG emission reductions
- Provide a much needed method to provide GHG mitigation in the CEQA process (with lead agency concurrence)
- No restrictions on the uses of GHG emission reductions
Overview of Rule amendments

Provide two different mechanisms to register GHG emission reductions:

1. “Non-protocol” GHG emission reductions
   - not based on CARB approved protocols
   - same criteria as for affected pollutant emission reductions
   - likely uses include retirement for mitigation of GHG emissions in the CEQA process (if approved by lead agency)
Overview of Rule amendments

2. “Protocol” GHG emission reductions

• Based solely on CARB approved protocols, including requirement to be “additional”
• Likely uses include retirement for compliance with AB32 cap/trade, compatible with other GHG registries for international use, retirement for mitigation of GHG emissions in the CEQA process
• District to develop new protocols to meet needs of Valley stakeholders
Draft Rule 2301 amendments

The following are changes from the May 7, 2009 draft amendments

• New definition of affected pollutant in Section 3.2
  – Relies on the Rule 2201 definition but explicitly excludes greenhouse gases
  – This change will ensure, that for purposes of Rule 2301, that GHGs are not affected pollutants
Draft Rule 2301 amendments

• Revised Section 4.5.1 will allow GHG emission reductions that occurred after January 1, 2005, except as provided in specific CARB protocols, to be eligible for banking

  – Jan 1, 2005 chosen as it is after the 2002 – 2004 baseline period used in the AB32 scoping plan
  – ensures that the emissions reductions were not included in the baseline period used in the AB32 scoping plan
Draft Rule 2301 amendments

• Revised Section 5.5 will require that ERC applications for GHG emission reductions that occurred after Jan 1, 2005 and before rule amendment date to be submitted within 6 months of rule amendment date
  – ERC applications for GHG emission reductions that occur after the rule amendment date are required within 180 days after the emission reduction occurs

• No other changes to the draft rule
Affected pollutant vs. GHG banking

- Eligibility criteria for affected pollutant banking require that the emission reduction is real and permanent within the SJVAPCD air basin
- However, eligibility criteria for GHG banking require that the emission reduction is real and permanent globally — determined on a case by cases basis
Eligibility criteria in section 4.5.3

- GHG emission reductions must be real, surplus, permanent, quantifiable, and enforceable
- For affected pollutant emission reductions, this analysis is limited to the air basin
  - Reflects local nature of affected pollutant emission reductions
  - Affected pollutant emissions only affect those in air basin (and downwind air basin)
Eligibility criteria in section 4.5.3

- For GHG emission reductions, we considered limiting the analysis to the air basin
  - Does not adequately address the global nature of GHG emissions
  - Not appropriate as GHG emissions affect those outside of air basin
  - for GHG emission reductions, the analysis will extend globally
Eligibility criteria in section 4.5.3

- Eligibility of GHG emission reductions to be made on a case by case basis
- Use best information reasonably available to determine if emission reductions meet criteria in Section 4.5.3
GHG reductions that may be eligible

- Efficiency upgrades to an existing process
  - changes to a boiler to increase efficiency (lower fuel use)
- Replacement of equipment with more efficient equipment
  - replacement of a diesel IC engine with an electric motor (difference between IC engine GHGs and power plant GHGs)
GHG reductions that may not be eligible

• Equipment or stationary source shutdowns
  – If global demand for product/service does not decrease, product/service will be produced elsewhere (and result in GHG emissions)
  – No real global decrease in GHGs (unless replacement function has lower GHG emissions)
For those participating via webcast, please email questions to: webcast@valleyair.org
Subject line: Rule 2301
Recap

• Comments due July 14, 2009
• Receive and file August 2009
• Governing Board public hearing September 2009
Recap

Send Comments
Due July 14, 2009 by 5:00 pm

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