Emission Reduction Credit Program
Public Advisory Workgroup

January 25, 2021
Overview

1. GENERATION OF NEW ERCs
2. ERC SUPPLY AND DEMAND
3. OFFSET QUANTITY CONCEPTS
4. ADDITIONAL CREDITABLE REDUCTIONS CONCEPTS
5. 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