Public Workshop for 2024-2025 Annual Offset Equivalency Report

November 7, 2025

webcast@valleyair.org

District Air Quality Efforts

- Long history of implementing air quality strategies, with numerous plans achieving significant emissions reductions
  - Adopted over 670 of the most stringent rules in the nation for stationary sources under District jurisdiction
  - Innovative clean air incentive programs accelerating deployment of cleanest technologies ($7.5 billion public/private investment)
- Stationary source NOx emissions (primary precursor for both ozone and PM2.5) have been reduced by over 94%
- District also implements a permitting program designed under state law to ensure on a regional basis there is no net increase in emissions for new or modified sources

District's New Source Review Permitting Process

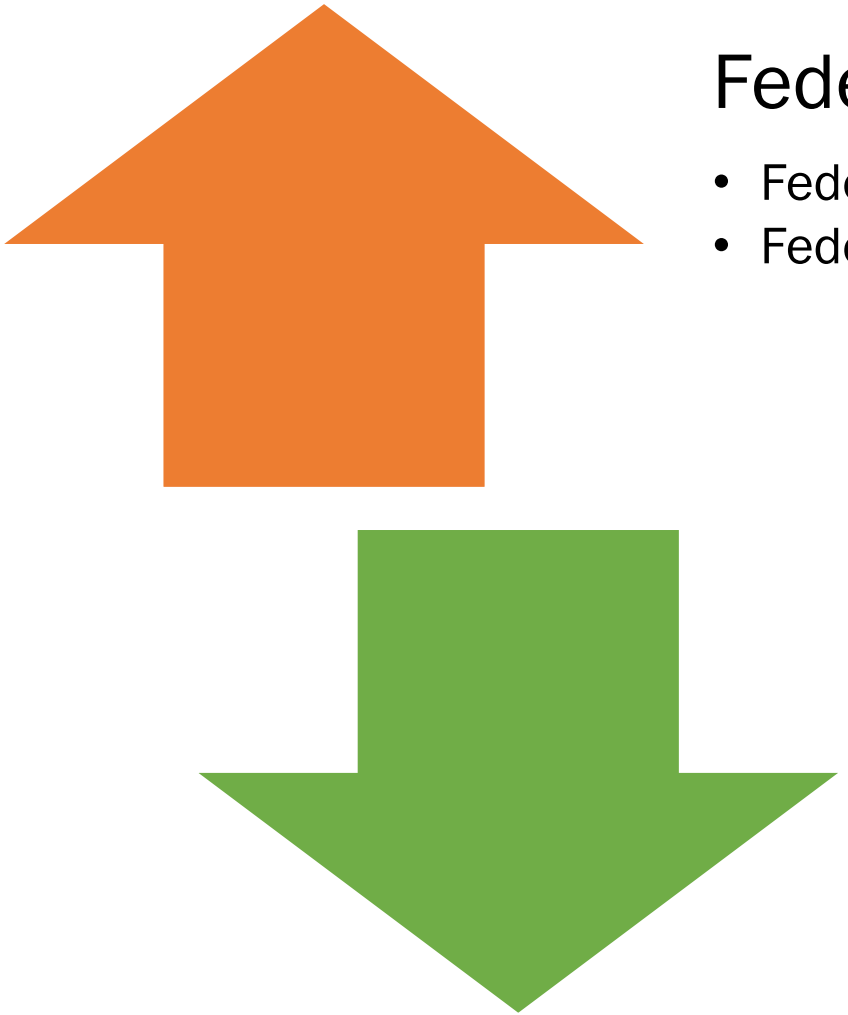
- Requirements of the District's NSR rule include:
  - New or modifying permitted sources must be equipped with the best available air pollution control technology (BACT)
  - Prohibition on new/modifying equipment that would generate a significant health risk to the surrounding population
  - Public notification with an opportunity to comment prior to permit issuance for significant projects
  - New or modifying permitted sources must provide offsets (ERCs) to further mitigate emission increases above specified thresholds
- ERCs cannot be used in lieu of meeting other air pollution control requirements
- As allowed by the federal Clean Air Act, the District operates an offset equivalency system for PM10, PM2.5, and SOx in place of a direct federal offset program
- For NOx and VOC, the District directly implements the federal offsetting requirements; therefore, an offset equivalency demonstration is not required

Equivalency Demonstrations

District Offset Equivalency Program

- Offset equivalency demonstrations are based on the requirements of Rule 2201 (4/20/23)
- For NMS and FMM projects, District performs a demonstration that the District's ERC program is at least as stringent as federal offsetting requirements for PM10, PM2.5, and SOx
  - Approach originally approved by EPA and CARB in 2001
  - Equivalency is demonstrated in the ATC project and submitted to EPA, CARB, and public review prior to issuance of the ATC(s)
  - A summary of the NMS and FMM projects are presented at a public workshop and to Governing Board at a public hearing
  - Each NMS and FMM project must demonstrate that the surplus quantity of offsets required by Rule 2201, plus the surplus value of additional creditable actual emission reductions (CAERs), equals or exceeds the quantity of federal offsets that would have been required
  - Should a project fail to demonstrate offset equivalency, then the ATC project will not have met federal offset equivalency requirements, and the project will be denied

Components of Equivalency



Federal NSR (increases)

- Federal Offset Quantity for New Major Sources, or
- Federal Offset Quantity for Major Modifications

District NSR (decreases)

- Creditable Actual Emission Reductions (CAERs) provided by applicant
- CAERs from ERCs Withdrawn for Implemented ATCs (District Offset Quantity)
- CAERs from ERCs Surrendered
- CAERs from Newly Issued ERCs (AQID)
- *CAERs from Other Actual Emission Reductions (i.e. Unbanked Shutdown Emission Reductions (USER), etc.)*
- *CAERs from Actual Emission Reductions from BACT on Existing Equipment at Minor Sources*

Federal Offset Quantity

- Each project resulting in a New Major Source or Federal Major Modification is tracked based on the date the ATC is issued
- The quantity of surplus at time of use offsets required under federal NSR (federal offset quantity) is determined during the evaluation of the project prior to issuance of the ATCs
- New Major Sources or Federal Major Modifications projects are subject to public notification and review prior to ATC issuance and are concurrently submitted to EPA and ARB for review

Creditable Actual Emission Reductions (CAER) Provided by Applicant

- For NMS and FMM projects, the applicants may be required to provide ERCs to satisfy District offsetting requirements of Rule 2201
- The ERCs reserved/withdrawn to satisfy these District offsetting requirements are tracked
- The surplus quantity of the ERCs reserved/withdrawn for a project is considered “CAERs provided by the applicant” and are used to demonstrate Offset Equivalency for that project
- If the CAERs provided by the applicant do not fully demonstrate Offset Equivalency for the project, CAERs from the Carryover Balance (COB) may be provided by the District

CAERs from ERCs Withdrawn for Implemented ATCs

- The ERCs withdrawn to satisfy the offsetting obligation of ATC(s) for each non-NMS and non-FMM are tracked
  - Surplus value of ERCs at time of use & ongoing surplus value of ERCs
- Unused surplus balance of ERCs withdrawn for ATCs implemented are added to the COB
- The surplus value of ERCs withdrawn for ATCs implemented can also be used as necessary to satisfy Offset Equivalency shortfalls in NMS and FMM projects

CAERs from ERCs Surrendered

- Each ERC that is surrendered to the District is tracked based on the date the ERC surrender project is final
  - Surplus value of ERCs at time of use & ongoing surplus value of ERCs
- The surplus value of ERCs surrendered are added to the COB
- The surplus value of ERCs surrendered can also be used as necessary to satisfy Offset Equivalency shortfalls in NMS and FMM projects

CAERs from Newly Issued ERCs

- Each newly issued ERC is tracked based on the date that the banking project is final
- At time of banking, the actual emission reduction associated with the ERC is discounted by 10% and the District takes ownership in the form of the Air Quality Improvement Deduction (AQID)
- The surplus value of AQIDs are added to the COB
- The surplus value of AQIDs can also be used as necessary to satisfy Offset Equivalency shortfalls in NMS and FMM projects

2024-2025 Offset Equivalency Report

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- District finalizing 2024-2025 Offset Equivalency Report
- End of current tracking period was August 20, 2025
- Tracked federal projects for this tracking period
  - No Federal Major Modifications for SOx, PM10, or PM2.5
  - No New Major Sources for SOx, PM10, or PM2.5
- No Federal offsets for SOx, PM10, or PM2.5 required during current tracking period
- COB adjusted to account for cancelled/unimplemented ATC(s) and new CAERs (AQID)

San Joaquin Valley APCD

Annual Offset Equivalency Report

Draft Offset Equivalency Summary

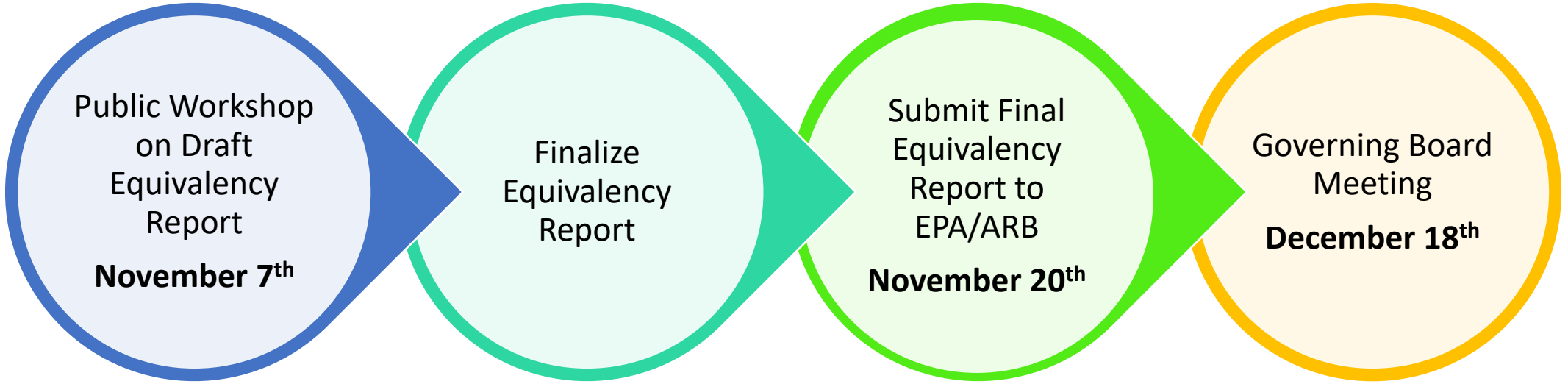
Summary for 08/20/2024 through 08/19/2025

Pollutant	Number of New Major Sources	Number of Federal Major Mods	Offsets Required under Federal NSR (a)	CAERs provided by applicants in ATC projects for NMS and FMM (b)	CAERS used from Carryover Balance for NMS and FMM ATC projects (c)=(a)-(b)	Previous Year-End Total Carryover Balance (d)	Year-to-Year Adjustment to Carryover Balance (e)	Current Year New CAERs (f)	Year-End Total Carryover Balance (g)=(d)-(c)+(e)+(f)
PM10	0	0	0.0	0.0	0.0	326.3	-3.3	1.1	324.1
PM2.5	0	0	0.0	0.0	0.0	186.0	-3.3	1.1	183.8
SOx	0	0	0.0	0.0	0.0	337.9	0.0	1.1	339.0

Notes:

- All values are in tons per year

2024-2025 Offset Equivalency Next Steps



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Comments/Questions

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