

# Offsets Presentation

---

**Board of Directors  
Santa Barbara County  
Air Pollution Control District**

**Michael Goldman  
Engineering Division Manager  
February 20, 2014**



# Overview

---

- Background
- Implications - Recap
- Emission Reduction Credit (ERC) Data
- Offsets Workgroup Ideas - Analyses & Findings
- Next Steps
- Recommendations

# Background

---

- Potential Permit Program Offset Issues
  - Costs
  - Availability
- Offsets Workgroup – Options Developed
- Board Direction: Analyze Director-Selected Workgroup Options Further
- Detailed Community Advisory Council Presentations (October/December)

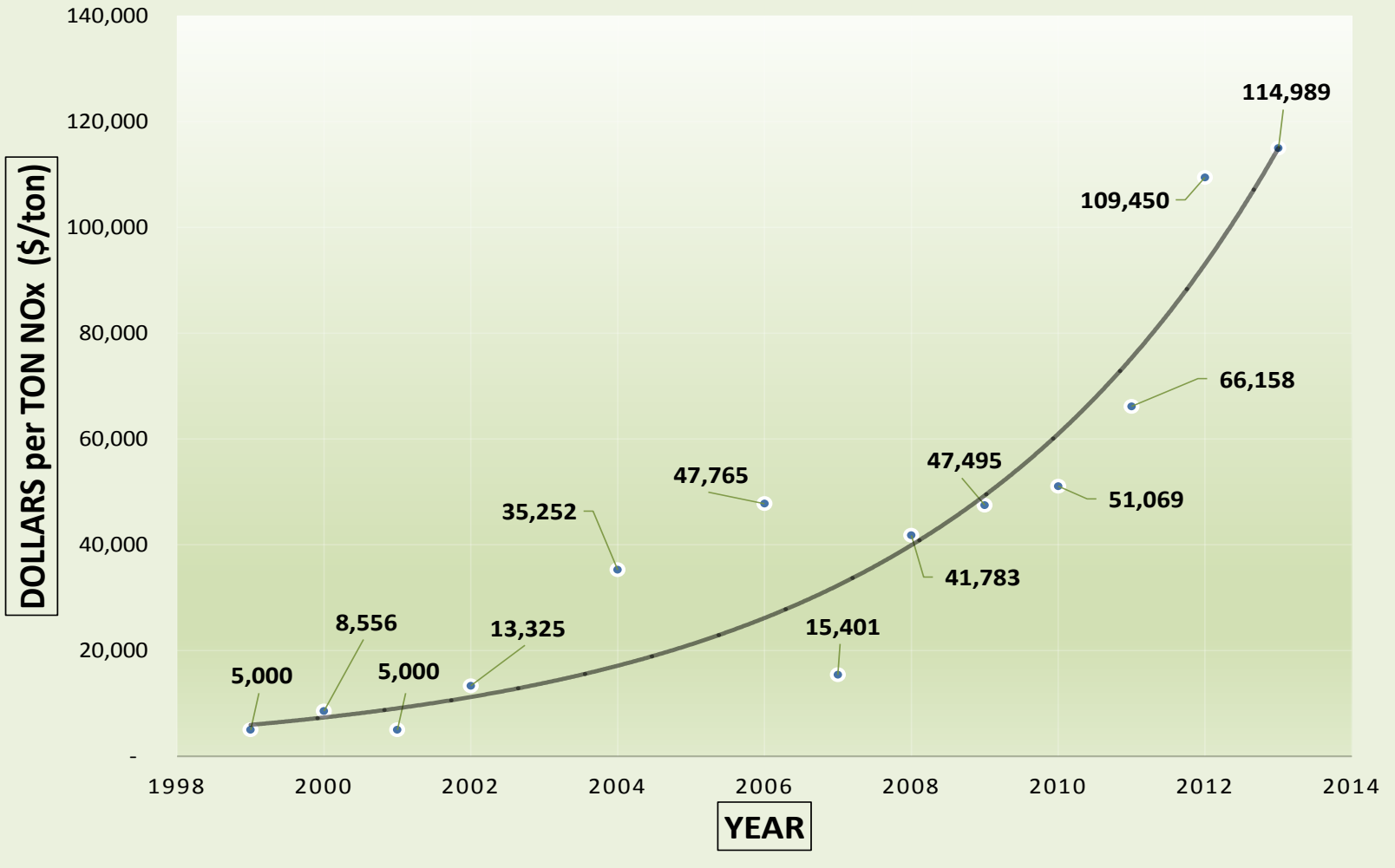
# Implications - Recap

---

- If ERCs cannot be obtained, the permit must be denied
- Facilities may have to scale back expansions or modernizations
- ERCs are effectively unavailable in the South Zone
- Essential public services impacts
- Electrical peaking plant obstacles

# ERC Costs

**NO<sub>x</sub> 1999 - 2013: AVG \$/TON**



# Air District ERC Data

District	Size	NOx ERCs (tpy)	VOC ERCs (tpy)	NOx (\$/ton)	VOC (\$/ton)
Bay Area AQMD	Large	2,906	3,338	12,500	7,000
Mojave Desert AQMD	Medium	2,180	100	10,000	6,300
Monterey Bay AQMD	Medium	1,023	95	n/a	n/a
Placer County APCD	Medium	154	223	15,200	10,600
SacMetro AQMD	Large	420	321	50,309	15,050
San Diego APCD	Large	275	339	108,738	50,865
San Joaquin Valley APCD	Large	5,385	5,853	50,000	4,800
San Luis Obispo APCD	Medium	139	52	n/a	n/a
<b>Santa Barbara APCD</b>	<b>Medium</b>	<b>218</b>	<b>108</b>	<b>115,000</b>	<b>48,000</b>
South Coast AQMD	Large	118	2,066	46,000	23,000
Ventura APCD	Medium	295	606	42,000	47,000
Yolo-Solano AQMD	Medium	191	202	40,000	10,000



# Offsets Workgroup Ideas

---

- Potential new rule – “Clean Technology Fund”
- Potential new rule – “Community Offsets Bank”
- Evaluate potential revisions to program implementation guidelines

# Analysis and Findings

## Potential new rule – “Clean Technology Fund”

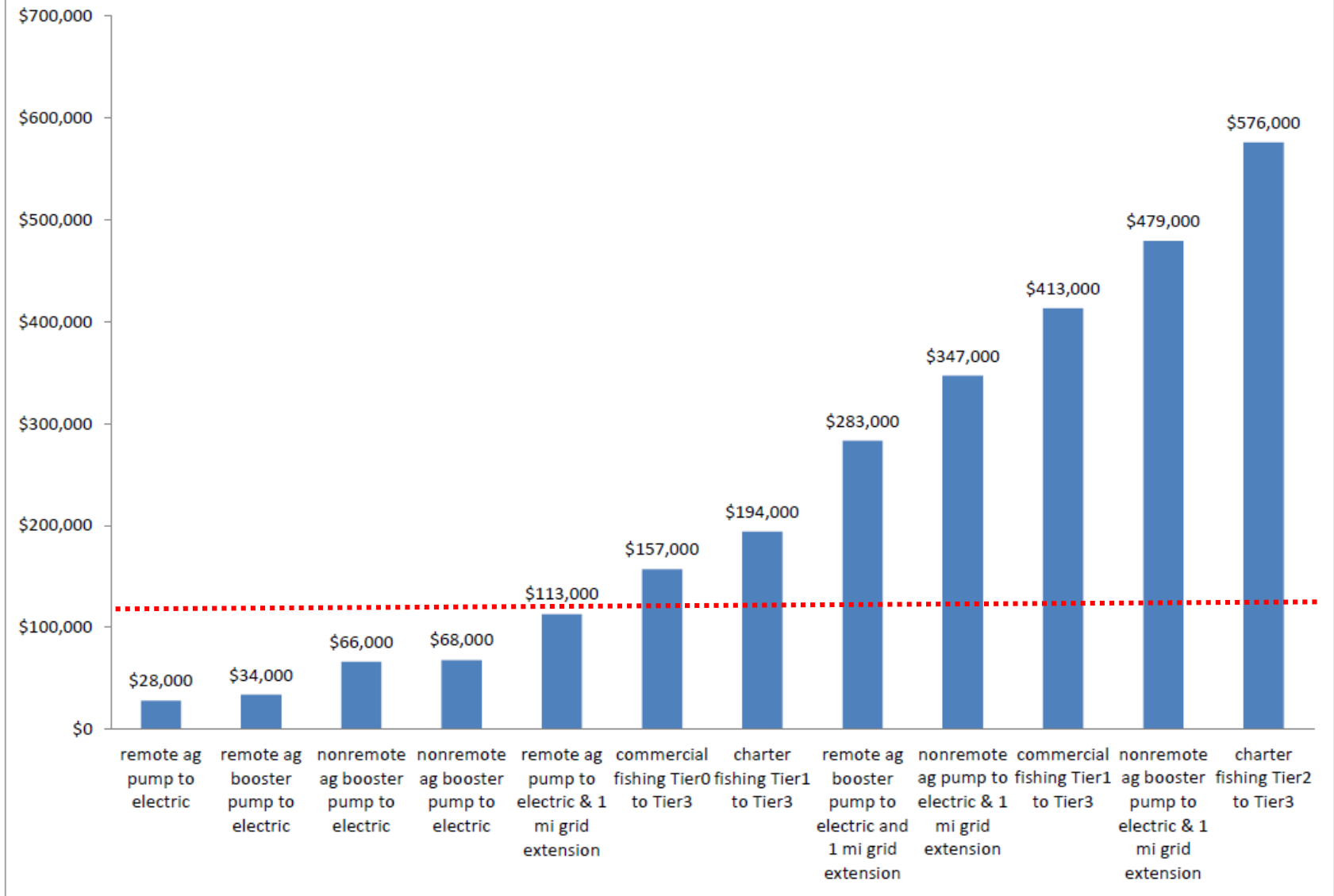
---

- Detailed analysis of many control strategies
- Cost effectiveness numbers are very high
- Funding for 30 year ERC projects a major factor
- State does not support
- Data shows that *existing* ERC program projects still have potential to create ERCs (e.g., Ag pump engines)

Conclusion: Not feasible



## NOx ERC Cost Effectiveness (\$/Ton)



Dashed line equates to current ERC cost data of \$115,000 per ton

# Analysis and Findings

## Potential new rule – “Community Offsets Bank”

---

- Approach lacks source of funding for the Bank
- Unlike other Districts, we do not have excess shut down credits available or other means to fund a Community Bank
- State does not support use of Clean Air Plan Growth Allowance approach for use in New Source Review rules that require offsets

*Conclusion:* Not feasible

# Analysis and Findings

## Revise implementation guidelines

---

Workgroup identified these potential policy revisions:

1. Adopt a policy to allow for the “maximum” or “highest” emissions for determining baseline
2. Adopt a policy to allow for the transfer of ERCs that have been applied to existing equipment that is taken out of service.
3. Adopt a policy to require the District to automatically initiate the ERC renewal process
4. Revise policies to allow for replacement of existing equipment with lower emitting equipment without permits

**Conclusion:** Items 1 – 4 not feasible as these run counter to existing rule language/ EPA guidance. Rule revision that addresses replacements may be feasible.

# Next Steps – Rules

---

1. Expand trading zones to include Ventura and San Luis Obispo Counties
2. Add an offsets exemption for Essential Public Services
3. Add an electrical Peaking Power Plant offsets exemption provision
4. Add an Equipment Replacement offsets exemption if Best Available Control Technology is applied
5. Create a Local Source Registry Rule for Banking GHG Credits

# Next Steps – Further Study

---

1. Revise the Offset Zones/Trading Ratios
2. Revise the Offset Threshold to the State Mandated Value

# Recommendations

---

- A. Receive staff's analysis on the Offsets Workgroup options
- B. Direct the Control Officer to proceed with public workshops and CAC meetings in order to develop rule revisions to address the offsets issue



# Questions?

---

