

SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT
POLICIES AND PROCEDURES

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Topic:	<u>Re-Use and Re-Registration of Existing Emission Reduction Credits</u>		
Distribution:	<u>Engineering Division Staff</u>		

Applicability:

This policy and procedure applies to the applications where a source wishes to re-use existing emission reduction credits for new offset liabilities. The policy also addresses the criteria when an existing "used" ERC may be re-registered in the Source Register for future use as well as for the short-term use of ERCs for projects that occur after August 25, 2016.

Policy:

This policy clarifies how the APCD handles requests to re-use existing ERCs. Under our current New Source Review rule (Regulation VIII), sources that exceed the offset threshold must secure Emission Reduction Credits ("ERCs") via the Source Register. This can include ERCs that are created contemporaneous with the proposed project or ERCs that have been previously registered. Questions have arisen as to what limits are placed on these "existing" ERCs secured to the original ATC permit. The following policy addresses these questions:

- (1) ERCs are not Transferable: ERCs are dedicated to the original project (i.e., emission units) that is approved in the ATC permit. Once a permit is issued, the ERCs stay with the equipment/emissions that triggered the need for the offsets. Any excess ERCs also stay with the original equipment/emissions.

If new equipment is added or the original equipment is modified, and offsets are needed, then new ERCs are required. The source can use the old ERCs or excess ERCs can be used for the new emissions liability providing the ERCs can be re-qualified according to the rules-in-effect at the time of application completeness and consistent with the requirements of Rule 806. There is a practical limit to re-qualifications as the baseline period of 3-years

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diminishes starting with the issuance of the original ERC. As such, ERCs older than 3 years will not be able to be re-qualified as the baseline emissions will be zero. The "transfer" of existing ERCs from permitted equipment/emissions to new equipment/emissions without re-qualification is not allowed.

Another similar scenario may arise when there is a request for an increase in emissions for new or modified equipment, which requires offsets, that is coupled with a simultaneous request to reduce potential to emit emissions liability from the original equipment to provide the required "offsets". Again, this is considered a "transfer". The existing ERCs may be used for the new equipment/emissions only if they are re-qualified as discussed above.

The simple rule to follow is that ERCs are dedicated to the equipment that triggered their need. These ERCs can be transferred to new or modified equipment only if the re-qualification criteria of Rule 806 can be met.

- (2) Re-Registration of ERCs after August 25, 2016: ERCs that are dedicated to projects (ATCs) approved after August 25, 2016 may be re-registered to the Source Register under the following conditions:
- (a) The ERCs were dedicated to specific equipment/emissions that triggered the need for offsets via an ATC permit that was issued after August 25, 2016 and the ATC permit clearly documents these ERCs as being used post August 25, 2016, and
 - (b) The original equipment/emissions that required the ERCs is subsequently de-permitted and an analysis shows that there is no shift-in-load from the de-permitted equipment/emissions to other equipment at the source, and
 - (c) ERCs dedicated to other equipment/emissions at the source (pre and post August 25, 2016) are not transferred to the equipment/emissions that the returned ERCs originally offset (i.e., ERCs are not transferable), and
 - (d) The ERCs being returned to the Source Register are still surplus at the time the re-registration request is made.

Under this Section, companies are now provided a path to lease out their ERCs on a short-term basis (note that there is a risk to the ERC value of the returned ERCs due to the surplus criteria).

- (3) Flexibility during the ATC's SCDP: The typical source that triggers the requirement for offsets usually has complex processes that need to go through an extensive shake-down period with emissions testing. During the SCDP, a source is allowed to modify their original ATC to allow for increases and decreases in emissions from the *original permitted equipment* without requiring new ERCs as long as the net effect is no increase in the potential to emit. This only applies to the original permitted equipment and only addresses reasonable uncertainties in estimating the emissions from this equipment. Modifications to the equipment that are outside the original scope of the permit would not be considered part of the shake-down period or emissions testing criteria.

Procedure:

All requests to transfer existing ERCs should be brought to the attention of the Engineering Supervisor for analysis and review to ensure consistency with this policy and procedure. Companies wishing to re-register their ERCs are required to submit a completed APCD form and an application to modify the underlying permit(s) for the equipment/emissions that were originally offset.