

Offsets Presentation

Community Advisory Council

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Overview

- Current Issues - Recap
- Implications - Recap
- Questions from the October Meeting
- Air District ERC Data
- Offsets Workgroup Ideas - Analyses & Findings
- CAC Discussion on Workgroup Options and Next Steps
- Other Potential Approaches

Current Issues - Recap

- Principal Issues Identified by Offsets Workgroup
 - Costs
 - Availability
 - Report back to the Board
- Additional Issues Identified by the District
 - North/South Zone Disparity
 - Impacts on Essential Public Services
 - Impacts Electrical Peaking Plants

Implications - Recap

- If ERCs cannot be obtained, the permit must be denied
- May have to scale back facility expansions, modernizations or move out of the County
- New companies looking to locate in the County may go elsewhere
- ERCs are effectively unavailable in the South Zone
- Essential public services impacts
- Electrical peaking plant obstacles

Questions from October Meeting

- Q&A document created, distributed and on the web
- We elaborated on some answers to better clarify the issue and to access to more background documents
- Type of Companies Impacted
- The 6:1 Offset Ratio
- The policy revisions suggested by the Workgroup
- What's the scale of the problem (1 ton NO_x = ? Cars)
- Making information available in advance
- How about a GHG Source Registry?
- Created a table of other District ERC program information for comparison (next slide)

Air District ERC Data

SURVEY of LARGE/MEDIUM AIR DISTRICTS					
EMISSION REDUCTION CREDITS					
District	Size	NOx ERCs (tpy)	VOC ERCs (tpy)	NOx (\$/ton)	VOC (\$/ton)
Bay Area AQMD	Large	--	--	--	--
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
Santa Barbara APCD	Medium	218	108	115,000	48,000
South Coast AQMD	Large	--	--	--	--
Ventura APCD	Medium	295	606	42,000	47,000
Yolo-Solano AQMD	Medium	191	202	40,000	10,000



Click [here](#) for the entire table

Offsets Workgroup Ideas

- Potential new rule – “Clean Technology Fund”
- Potential new rule – “Community Offsets Bank”
- Evaluate potential revisions to program implementation guidelines (e.g., policies)

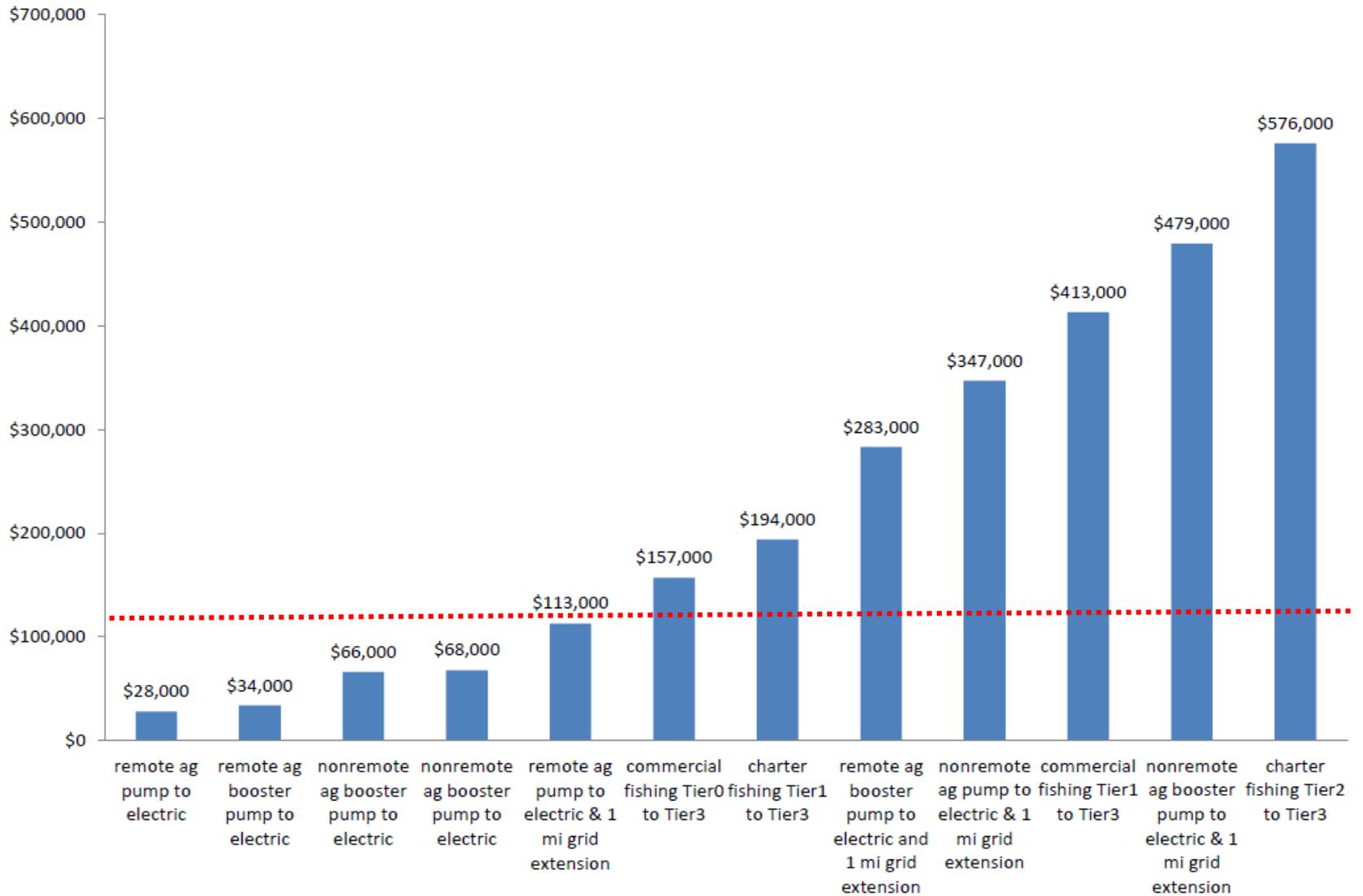
Analysis and Findings

Potential new rule – “Clean Technology Fund”

- Detailed analysis of many control strategies (see graphs)
- Cost effectiveness numbers are very high
- Funding for 30 year project life ERC use a major factor
- Detailed analyses posted on our webpage
- ARB does not support CTF Rule approach for use in New Source Review rules that require offsets
- Data shows that some projects still have potential to create ERCs (e.g., Ag pump engines)

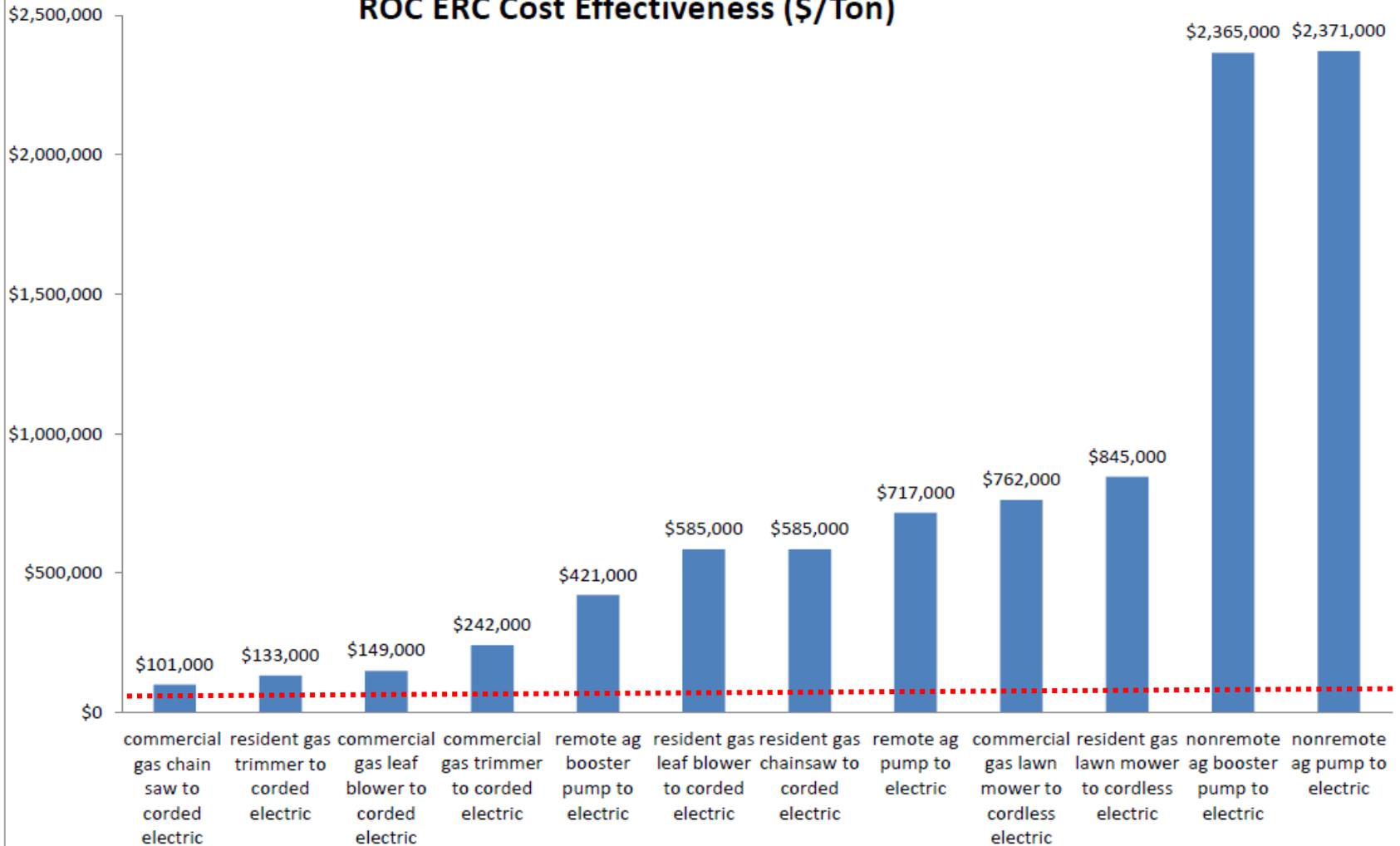
Conclusion: Does not appear feasible

NOx ERC Cost Effectiveness (\$/Ton)



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

ROC ERC Cost Effectiveness (\$/Ton)



Dashed line equates to current ERC cost data of \$48,000 per ton

Analysis and Findings

Potential new rule – “Community Offsets Bank”

- Approach lacks source of “funding” for the Bank. This opportunity was lost in 1997.
- Unlike other Districts, we do not have excess shut down credits available or other means to fund a Community Bank
- ARB does not support use of CAP Growth Allowance approach for use in New Source Review rules that require offsets

Conclusion: Does not appear feasible

Analysis and Findings

Revise implementation guidelines

Workgroup identified these potential policy revisions:

1. Baseline Determinations:
 - a) Revise policy to allow for the “maximum” emissions in the 5 year period prior to application completeness by using “highest” 3 year rolling average in last 5 years.
 - b) Revise policy to allow for the use of the “highest” daily averages or “peak” daily data out of a 5 year period.
2. Revise policy to allow for the transfer of ERCs that have been applied to existing equipment that is taken out of service.

Analysis and Findings

Revise implementation guidelines (continued)

3. Revise policy to require the District to automatically initiate the 5 year ERC renewal process so that ERCs are not automatically lost. Or extend the life of the ERCs indefinitely and use the NSR process to determine whether the ERCs are still valid based on existing rules.
4. Revise P&P 6100.073 to allow for replacement of existing equipment with lower emitting equipment within the timeframe of the useful life of the original equipment. This would eliminate the need to permit this new equipment and thus require offsets.

***Conclusion:** Items 1 – 4 not feasible as these run counter to existing rules/ EPA guidance. New policy that addresses replacements may be feasible.*

CAC Discussion on Workgroup Options and Next Steps

1. Potential new rule – “Clean Technology Fund”
2. Potential new rule – “Community Offsets Bank”
3. Evaluate potential revisions to program implementation guidelines (e.g., policies)
4. Next Steps
 - a) Report results of analyses to the Board
 - b) Evaluate other potential (*rule-based*) approaches
 - c) Revise or eliminate the growth allowance section draft CAP as appropriate and bring to the Board for adoption
 - d) Other Ideas?
 - e) Move forward with GHG ERC Registry rulemaking

Other Potential Approaches

1. Do nothing. Issues resolves itself once we comply with the State Ozone Standard
2. Add an offsets exemption for Essential Public Services. Fund with targeted CAP growth allowance
3. Add an electrical peaking plant provision. Require mitigation funds for an offset exemption. Fund with targeted CAP growth allowance
4. Revisit the offset zones
5. Expand trading zones to include Ventura and SLO

Other Potential Approaches

(continued)

6. Change rule offset threshold to the 25 tpy State Mandated threshold
7. Set a cap on ERC transaction costs by rule
8. Depreciate unused ERCs by a set % every 5 years during the renewal process

Questions?

