

**Public Scoping Meeting for Amendments to
District Rule 2201
(New and Modified Stationary Source Review Rule)
District Rule 2301
(Emission Reduction Credit Banking)**

April 15, 2022

webcast@valleyair.org

District's New Source Review Permitting Process

- District Rule 2201 (New and Modified Stationary Source Review Rule)
 - Designed to meet both federal and state NSR requirements
- Key elements include:
 - Best Available Control Technology (BACT) – mandates emission controls to minimize emission increases from new or modifying permitted sources
 - Emission Offsets – requires emissions above specified offset threshold levels to be mitigated with either concurrent reductions or past reductions which have been banked as emission reduction credits (ERC)
 - Federal Offset Equivalency – system to ensure local NSR offset requirements are at least as stringent as federal requirements and remedies to be enacted in the case of equivalency failure
 - Public notification – a notice period prior to issuance of an Authority to Construct (ATC) to receive public comments on projects that result in emissions above specified levels

District Offset Equivalency Program

- As allowed by the federal Clean Air Act, the District's offsetting program has historically differed from a direct implementation of the federal offsetting/ERC requirements
- Federal requirements are a project level system; whereas District implemented a programmatic level equivalency system
- EPA approved the District's approach in 2001 as being at least as stringent as the federal program
- District performs an annual demonstration that the District's ERC program is at least as stringent as federal offsetting requirements
 - Submitted to EPA, CARB, and presented to Governing Board at public hearing
- Rule 2201 contains remedies in event equivalency not demonstrated

CARB Review of ERC Program

- In 2019 CARB directed their staff to review the District's ERC program
- CARB finalized their report and held board hearing in June 2020
- Overall CARB Findings:
 - Improved transparency and rigor of ERC program
 - Upgrade implementation procedures and policies
 - Equivalency demonstration assumptions should be revised as needed
- In response to the review, District committed to:
 - Enhancing transparency in offset equivalency process and taking specific actions to revisit emission reduction categories used in the equivalency demonstration
 - Holding a public workshop each year on the draft annual equivalency demonstration prior to submitting the report to the District Governing Board
 - Convening a public advisory workgroup consisting of affected stakeholders to assist in developing solutions related to the offset equivalency program

Governing Board Actions

- August 2020: ERC Public Agency Workgroup (PAW) created
- September 2020: Removed certain emission reduction categories from offset equivalency demonstration and proactively enacted surplus value remedy for NOx and VOC
- November 2020: Governing Board took action to end programmatic federal offset equivalency system for VOC
 - District made significant adjustments to offset equivalency demonstration program (removal of credits, addressed cancel/non-implemented projects, Federal Offset Ratio correction)
- February 2022: Governing Board took action to end programmatic federal offset equivalency system for NOx and directed staff to begin the Rule 2201 and Rule 2301 amendment process
 - Annual shortfall in the quantity of NOx offsets required highlights the possibility that the current surplus value remedy in District Rule 2201 will not ensure the District will be able to remain equivalent with federal offsetting requirements

Current Status

- In accordance with the remedies contained in Rule 2201,
 - District is no longer operating an offset equivalency program for NOx or VOC
 - District must now amend Rule 2201 requirements associated with federal offsetting of NOx and VOC
- The District currently requires all new major sources and federal major modifications triggering NOx or VOC offsets to provide ERCs to satisfy federal offset obligations at project-level
- Equivalency demonstrated for PM10, PM2.5, SOx, and CO
 - The District's offset requirements are more stringent than federal requirements
 - Example: District PM10 offset threshold is 29,200 lb/year while the federal threshold is 140,000 lb/year

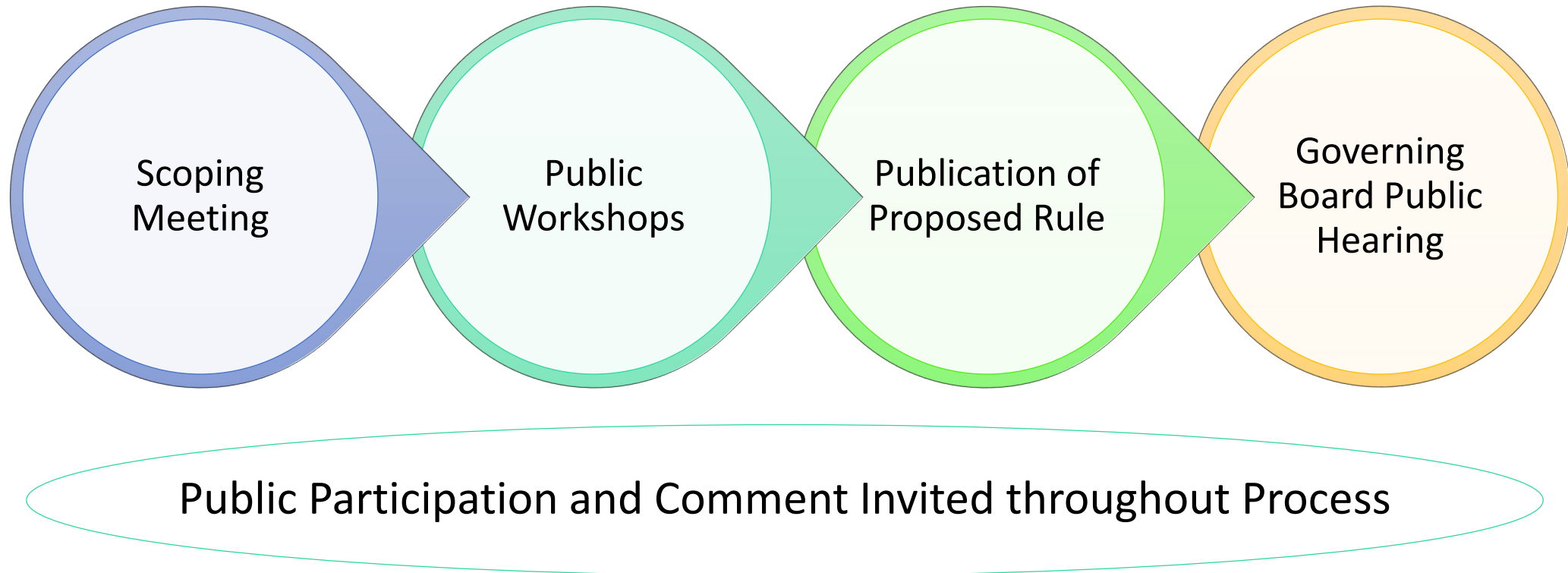
Potential Amendments to District NSR Rule

- District is pursuing a multipath approach for offsetting requirements
- Path for NO_x and VOC emissions:
 - Integrate federal offsetting program into Rule 2201 (consistent with current requirements in place)
 - Will require amendments to calculation methodologies (i.e., how an increase is calculated) and amendments/removal of certain offset exemptions
- Path for PM₁₀, PM_{2.5}, SO_x, and CO:
 - Maintain federal equivalency system
 - Amend existing offset equivalency remedies to ensure federal offsetting requirements are met in the event equivalency cannot be demonstrated in future years
- District is also taking this opportunity to conduct a comprehensive review of the rule to ensure ongoing conformance with state and federal NSR requirements

Potential Amendments to Rule 2301

- The District will also be considering amendments to the requirements of Rule 2301, Emission Reduction Credit Banking
- Potential amendments to District Rule 2301 may include:
 - Administrative mechanisms, definitions, and procedures for the filing of applications and banking of ERCs including the requirement for a timely application submittal
 - Administrative mechanisms, definitions, and procedures for the banking of other creditable emission reductions (future orphan shutdowns, mobile source credits, etc.)
 - Appropriateness of future banking of greenhouse gas emission reduction credits

Next Steps: Public Engagement Process for Rule 2201 and Rule 2301 Amendments



Contact

Contact: Jesse Garcia, Senior Air Quality Engineer

Mail: San Joaquin Valley APCD
1990 E. Gettysburg Ave
Fresno, CA 93726

Phone: (559) 230-5918

Email: jesse.garcia@valleyair.org

Comments/Questions

webcast@valleyair.org