

Workshop

Rule 2301

Emission Reduction Credit Banking – amendments to allow registration of GHG emission reductions

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June 30, 2009



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT



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Agenda

- Background
- Overview of rule development process
- Current Rule 2301
- Draft rule amendments
- Open discussion
- Recap and adjourn

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Subject line: Rule 2301

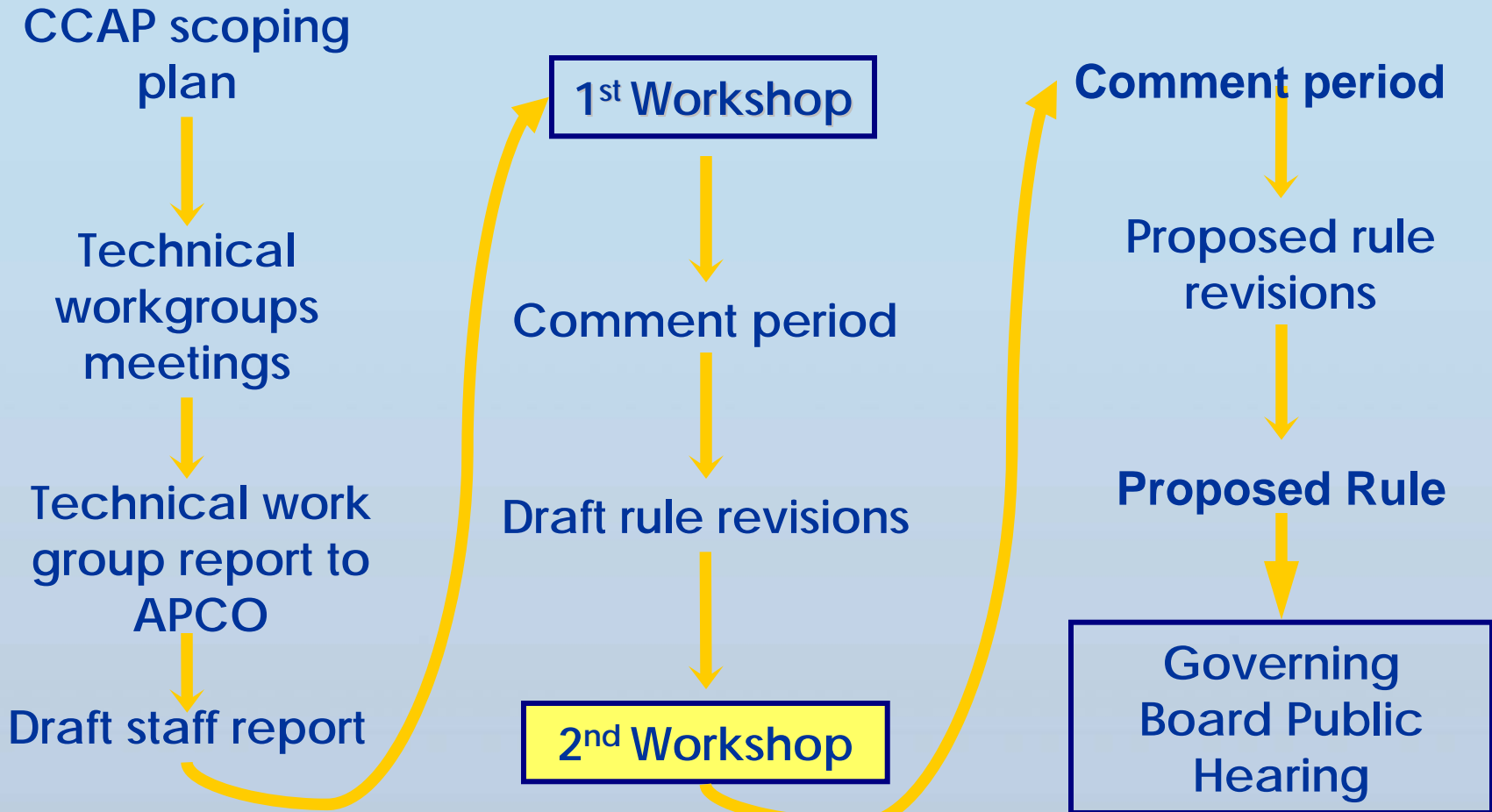
Background

- District's Climate Change Action Plan (CCAP) adopted by the Governing Board in August 2008
- CCAP has directed the APCO to:
 1. Provide guidance on addressing GHGs in CEQA
 2. **Investigate the development of a greenhouse gas emission reduction registration program**
 3. Investigate mandatory (AB32) reporting of GHG emissions as part of the existing emissions inventory process
 4. Administer Voluntary GHG Emission Reduction Agreements

Background

- CCAP Scoping document and scoping meeting (Nov 2008), discussed the actions the District would take in implementing the CCAP
- For the GHG emission reduction registration program - four phase development process:
 1. Technical Workgroups: input from stakeholders,
 2. District staff prepares draft staff report/rule amendments
 - 3. Public Workshops**
 4. Governing Board Approval

Rule development process



Rule development process

Rule Development Schedule

- First workshop – May 7, 2009
- Second workshop – June 30, 2009 @ 1:30 pm
– Comments due July 14, 2009 @ 5:00 pm
- Receive and file August 20, 2009
- Governing Board public hearing – September 17, 2009



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Current Rule 2301

- Provides for the storage, transfer, or use of affected pollutant emission reductions
- Defines eligibility standards, quantitative procedures, and administrative practices for affected pollutant emission reductions
- 10% Air Quality Improvement Deduction for affected pollutant emission reductions prior to banking
- Affected pollutant emission reductions must be real, permanent, quantifiable, surplus, and enforceable
- Surplus – in excess of current or upcoming rules that require a reduction in emissions of a specific pollutant



Draft Rule 2301 amendments

- Provide a mechanism to preserve voluntary GHG emission reductions
- Structure to purchase/retire GHG emission reductions
- Provide a much needed method to provide GHG mitigation in the CEQA process (with lead agency concurrence)
- No restrictions on the uses of GHG emission reductions

Draft Rule 2301 amendments

Overview of Rule amendments

Provide two different mechanisms to register GHG emission reductions:

1. “Non-protocol” GHG emission reductions

- not based on CARB approved protocols
- same criteria as for affected pollutant emission reductions
- likely uses include retirement for mitigation of GHG emissions in the CEQA process (if approved by lead agency)



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Draft Rule 2301 amendments

Overview of Rule amendments

2. “Protocol” GHG emission reductions

- Based solely on CARB approved protocols, including requirement to be “additional”
- Likely uses include retirement for compliance with AB32 cap/trade, compatible with other GHG registries for international use, retirement for mitigation of GHG emissions in the CEQA process
- District to develop new protocols to meet needs of Valley stakeholders



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Draft Rule 2301 amendments

The following are changes from the May 7, 2009 draft amendments

- New definition of affected pollutant in Section 3.2
 - Relies on the Rule 2201 definition but explicitly excludes greenhouse gasses
 - This change will ensure, that for purposes of Rule 2301, that GHGs are not affected pollutants



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Draft Rule 2301 amendments

- Revised Section 4.5.1 will allow GHG emission reductions that occurred after January 1, 2005, except as provided in specific CARB protocols, to be eligible for banking
 - Jan 1, 2005 chosen as it is after the 2002 – 2004 baseline period used in the AB32 scoping plan
 - ensures that the emissions reductions were not included in the baseline period used in the AB32 scoping plan



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Draft Rule 2301 amendments

- Revised Section 5.5 will require that ERC applications for GHG emission reductions that occurred after Jan 1, 2005 and before rule amendment date to be submitted within 6 months of rule amendment date
 - ERC applications for GHG emission reductions that occur after the rule amendment date are required within 180 days after the emission reduction occurs
- No other changes to the draft rule

Affected pollutant vs. GHG banking

- Eligibility criteria for affected pollutant banking require that the emission reduction is real and permanent within the SJVAPCD air basin
- However, eligibility criteria for GHG banking require that the emission reduction is real and permanent globally
 - determined on a case by cases basis



Eligibility criteria in section 4.5.3

- GHG emission reductions must be real, surplus, permanent, quantifiable, and enforceable
- For affected pollutant emission reductions, this analysis is limited to the air basin
 - Reflects local nature of affected pollutant emission reductions
 - Affected pollutant emissions only affect those in air basin (and downwind air basin)



Eligibility criteria in section 4.5.3

- For GHG emission reductions, we considered limiting the analysis to the air basin
 - Does not adequately address the global nature of GHG emissions
 - Not appropriate as GHG emissions affect those outside of air basin
 - for GHG emission reductions, the analysis will extend globally



Eligibility criteria in section 4.5.3

- Eligibility of GHG emission reductions to be made on a case by case basis
- Use best information reasonably available to determine if emission reductions meet criteria in Section 4.5.3



GHG reductions that may be eligible

- Efficiency upgrades to an existing process
 - changes to a boiler to increase efficiency (lower fuel use)
- Replacement of equipment with more efficient equipment
 - replacement of a diesel IC engine with an electric motor (difference between IC engine GHGs and power plant GHGs)



GHG reductions that may not be eligible

- Equipment or stationary source shutdowns
 - If global demand for product/service does not decrease, product/service will be produced elsewhere (and result in GHG emissions)
 - No real global decrease in GHGs (unless replacement function has lower GHG emissions)



Open Discussion

For those participating via webcast, please email questions to: webcast@valleyair.org
Subject line: Rule 2301



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Recap

- **Comments due July 14, 2009**
- **Receive and file August 2009**
- **Governing Board public hearing
September 2009**



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Recap

Send Comments

Due July 14, 2009 by 5:00 pm

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