SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

Draft 2025-2026 Annual Offset Equivalency Report

San Joaquin Valley APCD

Annual Offset Equivalency Report

Draft Offset Equivalency Summary

Summary for 08/20/2025 through 08/19/2026

Pollutant	Number of New Major Sources	Number of Federal Major Mods	Offsets Required under Federal NSR (a)	CAERs provided by applicants in ATC projects for NMS and FMM (b)	CAERS used from Carryover Balance for NMS and FMM ATC projects (c)=(a)-(b)	Previous Year-End Total Carryover Balance (d)	Year-to-Year Adjustment to Carryover Balance (e)	Current Year New CAERs (f)	Year-End Total Carryover Balance (g)=(d)-(c)+(e)+(f)
PM10	0	0	0.0	0.0	0.0	324.1	0.0	2.2	326.3
PM2.5	0	0	0.0	0.0	0.0	183.8	0.0	0.7	184.5
SOx	0	0	0.0	0.0	0.0	339.0	-5.7	0.3	333.6

Notes:

- All values are in tons per year

Table of Contents

I. Summary 1
II. Background 1
A. District Offset Equivalency Program 2
B. Public Workshop 3
III. Authority to Construct Projects with Offset Equivalency Demonstrations 3
A. New Major Source 3
B. Federal Major Modification 4
IV. Creditable Actual Emissions Reductions Generated During 2025-2026 Tracking Period 4
A. Emission Reduction Credits Withdrawn for Implemented ATCs 5
B. Emission Reduction Credits Surrendered 5
C. Air Quality Improvement Deduction 5
D. Other AERs 5
E. Implementing BACT on Existing Equipment at Minor Sources 6
V. Adjustments to Prior Year End Carryover Balances 6
A. Re-surplusing of Surplus Reductions in the COB 7
B. Return of CAERs Reserved in Offset Equivalency Demonstrations for NMS/FMM Projects 7
C. Other Adjustments 7
VI. Annual Equivalency Report Summary 8

List of Acronyms

AER:	Actual Emissions Reduction
AQID:	Air Quality Improvement Deduction
ATC:	Authority to Construct
BACT:	Best Available Control Technology
CAA:	Clean Air Act
CAER:	Creditable Actual Emissions Reduction
CARB:	California Air Resources Board
CFR:	Code of Federal Regulations
COB:	Carryover Balance
DOQ:	District Offsets Quantity
EPA:	Environmental Protection Agency
ERC:	Emission reduction credits
FMM:	Federal Major Modification
FOQ:	Federal Offsets Quantity
NMS:	New Major Source
NSR:	New Source Review
NOx:	Nitrogen Oxides
PM10:	Particulate Matter (10 micron or less)
PM2.5:	Particulate Matter (2.5 micron or less)
PTO:	Permit to Operate
SOx:	Sulfur Oxides
VOC:	Volatile Organic Compound

I. Summary

Pursuant to Rule 2201 (*New and Modified Stationary Source Review (NSR) Rule*), amended April 20, 2023, the San Joaquin Valley Air Pollution Control District (District) has completed its annual offset equivalency report for the twelve-month tracking period from August 20, 2025, to August 19, 2026.

During this reporting period, the District did not issue any Authority to Construct (ATC) projects that constituted New Major Sources (NMS) or Federal Major Modifications (FMM) requiring an offset equivalency demonstration for PM10, PM2.5, or SOx. The District generated 2.2 tons per year (tpy) of new PM10 creditable actual emissions reductions (CAERs), 0.7 tpy of PM2.5 CAERs, and 0.3 tpy of SOx CAERs through Air Quality Improvement Deductions (AQID) associated with finalized emission reduction credit (ERC) banking actions.

The District also identified and removed 5.7 tpy of previously credited SOx reductions associated with cancelled or unimplemented ATCs.

After incorporating these additions and adjustments, the year-end carryover balances are 326.3 tpy for PM10, 184.5 tpy for PM2.5, and 333.6 tpy for SOx. The individual elements that contributed to this year's offset equivalency determination are presented in this annual offset equivalency report.

II. Background

To achieve the District's mission of improving air quality and public health for all Valley residents, the District has developed and implemented numerous air quality plans to reduce emissions from stationary sources through the adoption of over 670 of the most stringent rules in the nation and strong voluntary incentive programs that have invested more than $7.6 billion of combined funds in clean-air projects. Over the past several decades, these air quality improvement efforts have reduced NOx emissions (primary precursor for both ozone and PM2.5) from stationary and mobile sources by over 75%, including a greater than 94% reduction from stationary sources under the District's jurisdiction, resulting in significant air quality progress towards meeting the health-based federal ozone and PM2.5 standards.

In addition to the District rules aimed at directly reducing emissions from stationary sources, the District also has a set of rules establishing a permitting program designed under state law to ensure on a regional basis there is no net increase in emissions of nonattainment pollutants or their precursors for new or modified sources.

Under the District's New Source Review (NSR) Rule, new facilities and modifications to existing facilities that result in increases in permitted emissions above specified levels are required to provide offsets as a part of the requirements

to obtain an “Authority to Construct” permit. Both federal and state law mandate NSR permitting programs that contain offsetting requirements. ERCs are the currency of offsets. Offsets are intended by both federal and state law to be one part of a comprehensive NSR permitting program that has been specifically designed by Congress and the state legislature to allow for industrial growth while regulating any emissions increases. Additionally, any emission increases due to growth in the economy are accounted for in State Implementation Plans that demonstrate how the District’s overall air quality control program will require sufficient emissions reductions to attain national ambient air quality standards.

It is important to clarify that ERCs cannot be used in lieu of meeting other air pollution control requirements, such as through market-based systems that other agencies may have in place. Instead, ERCs are required in addition to, and only after, establishing that the new emission units are controlled with the best available control technology (BACT), comply with all applicable prohibitory rules, and will not cause a health risk to surrounding communities. The District’s NSR permitting program, including the accompanying ERC program, ensures that new emissions are controlled with the best technologies, prevents the permitting of any operation that will cause a significant health impact, demonstrates that attainment is not endangered, and has historically been found by the state and federal governments to comply with state and federal laws governing NSR/ERC programs.

A. District Offset Equivalency Program

Under the authority of the federal Clean Air Act (CAA), the District implements a locally tailored offsetting program that differs from a direct application of the federal offset requirements. Specifically, the District operates an offset equivalency system for particulate matter (PM10 and PM2.5) and sulfur oxides (SOx) in place of a direct federal offset program. The U.S. Environmental Protection Agency (EPA) initially approved this approach in 2001 after determining that the District’s NSR program was at least as stringent as the federal program.

For these pollutants, the District demonstrates offset equivalency for each ATC project subject to federal offset requirements at time of issuance. The District maintains an equivalency tracking system that records all creditable, actual emission reductions for PM10, PM2.5, or SOx from eligible sources and transfers them as needed to New Major Source or Federal Major Modification projects to ensure ongoing equivalency with federal offset requirements.

Pursuant to the District’s NSR Rule (last amended April 20, 2023), the District must prepare and submit an annual Offset Equivalency Report to EPA and the California Air Resources Board (CARB) by November 20 of each year. This report includes detailed data for projects finalized during the applicable tracking period, including the number of ATC projects that resulted in a New Major Source or a Federal Major Modification for pollutants subject to the equivalency program.

For nitrogen oxides (NOx) and volatile organic compounds (VOC), the District implements the full federal offsetting requirements directly under Rule 2201, Section 4.8; therefore, no offset equivalency system is used and these pollutants are not included in the equivalency report.

B. Public Workshop

Consistent with a commitment by the District to enhance the public engagement and transparency in the offset equivalency process, on November 6, 2026, the District held a public workshop to present the draft 2025-26 offset equivalency report and provide detailed explanations of the equivalency process and the adjustments that were being made as part of this year's report.

III. Authority to Construct Projects with Offset Equivalency Demonstrations

Pursuant to Rule 2201, Section 7.4, Programmatic Permit-Level Federal Offset Equivalency Demonstration for PM10, PM2.5, and SOx, the District is required to demonstrate federal offset equivalency for every ATC project prior to its approval and issuance. Thus, for each project that will result in a New Major Source or Federal Major Modification, the APCO shall include in its ATC application review document a demonstration of federal offset equivalency including a determination of the Federal Offset Quantity (FOQ), the District Offset Quantity (DOQ), the surplus-at-time-of-use quantity for each CAER submitted by the applicant, the CAER amount used from the tracking system running balance by the APCO, as necessary, and any other information used to demonstrate equivalency. If offset equivalency cannot be demonstrated in the project, the APCO will deny the application until federal offset equivalency can be demonstrated.

A. New Major Source

Pursuant to Rule 2201, Section 3.30, a New Major Source is created if emission increases for a given pollutant at a new source or existing non-major source equals or exceeds the major source threshold for that pollutant, i.e. the project by itself would result in a net emission increase exceeding the major source threshold. The major source emission threshold for each criteria pollutant is specified in Rule 2201, Table 3-3 (4/20/23).

During this report's tracking period, there were no NMS projects finalized. Therefore, no offset equivalency demonstrations for NMS projects are included in this year's equivalency report.

B. Federal Major Modification

As defined in 40 CFR 51.165, Section (a)(1)(v) and part D of Title I of the CAA, a Federal Major Modification is any physical change in, or change in the method of operation of, a major stationary source that would result in a significant net emissions increase of any pollutant subject to regulation under the federal Clean Air Act. The significant net emission increase threshold for each criteria pollutant is specified in Rule 2201, Table 3-1 (4/20/23).

There were no projects finalized during this reporting period that triggered a FMM. Therefore, no offset equivalency demonstrations for FMM projects are included in this year's equivalency report.

IV. Creditable Actual Emissions Reductions Generated During 2025-2026 Tracking Period

To demonstrate offset equivalency in a project, the District may use the surplus at time-of-use value of various categories of AERs, including ERCs withdrawn for implemented ATCs, surrendered ERCs, Air Quality Improvement Deduction (the District's portion of newly issued ERCs), other AERs from permitting actions that have not been banked, and BACT on existing minor sources.

Surplus reductions generated during a tracking year in excess of federal NSR requirements are allowed to be carried forward and used to demonstrate equivalency with federal offsetting requirements in future projects provided the reductions remain surplus at time-of-use.

The new CAERs generated and added as part of this equivalency report are summarized in the following table.

Table 1: 2025-2026 New CAER Summary (tpy)

Category	SOx	PM10	PM2.5
ERCs Withdrawn for Implemented ATCs	0.0	0.0	0.0
ERCs Surrendered	0.0	0.0	0.0
ERCs Newly Issued (AQID)	0.3	2.2	0.7
Other AERs	0.0	0.0	0.0
BACT on Minor Sources	0.0	0.0	0.0
Total	**0.3**	**2.2**	**0.7**

A. Emission Reduction Credits Withdrawn for Implemented ATCs

During this report's tracking period, there were no ERCs with surplus values for PM10, PM2.5, or SOx withdrawn to satisfy the offsetting requirements of District Rule 2201 for ATCs implemented and converted to PTOs. Therefore, there were no creditable emission reductions generated from ERC certificates withdrawn for implemented ATCs in this year's equivalency demonstration.

B. Emission Reduction Credits Surrendered

During this report's tracking period, there were no PM10, PM2.5, or SOx ERC certificates surrendered to satisfy requirements not required by District Rule 2201. Therefore, there were no creditable emission reductions generated from ERC certificates surrendered in this year's equivalency demonstration.

C. Air Quality Improvement Deduction

During this report's tracking period, there were three (3) new ERC banking projects finalized that contained SOx, PM10, or PM2.5 emission reductions. Pursuant to District Rule 2201, Section 4.13.1, prior to banking Actual Emissions Reductions (AER) for ERC certificates, the AER shall be discounted by 10 percent for AQID. The AQID is surplus of all federal rules and regulations at the time of banking and is included in the District's offset equivalency system as a surplus additional creditable reduction.

Individual ERC banking projects are included in Appendix A-1.

D. Other AERs

Pursuant to District Rule 2201, Section 7.2.3, actual emission reductions resulting from a permitting action that has not been banked or previously used as an offset in this demonstration, may be used to demonstrate offset equivalency. The District is aware of AERs resulting from the shutdown of permitted facilities that did not apply for ERCs; however, the mechanisms and methodologies used to quantify these AERs have not been finalized through a public process as of the date of this report. Therefore, the surplus reductions from the shutdown of permitted facilities that did not apply for ERCs will not be considered in the equivalency demonstration for this report.

E. Implementing BACT on Existing Equipment at Minor Sources

Pursuant to District Rule 2201, Section 7.2.4, actual emission reductions in excess of any federal requirement, generated from control technologies required by the District's BACT requirements for existing equipment at minor sources, are identified as surplus reductions. To date, the District has never used these surplus reductions, which are allowed by the rule, to demonstrate offset equivalency. Therefore, the surplus reductions from the implementation of BACT on existing equipment at minor sources will not be considered in the equivalency demonstration for this report.

V. Adjustments to Prior Year End Carryover Balances

During the annual equivalency report, the COB from the previous year's report is adjusted to account for cancelled and unimplemented projects, partially implemented projects, and other creditable actual emission reductions that were not accounted for previously. Additionally, the District must review new rules and regulations to determine if adjustments must be made to the surplus creditable reduction carryover.

This year the District has conducted a review of the projects and entries in the system, and made adjustments to the COB as part of the 2025-2026 demonstration.

Table 2: Adjustments to Unused Surplus CAERs in COB (tpy)

Category		SOx	PM10	PM2.5
(a)	Re-surplusing of Prior Year COB	0.0	0.0	0.0
(b)	Return of District-Provided CAERs	0.0	0.0	0.0
(c)	Other Adjustments	-5.7	0.0	0.0
(d) = (a) + (b) + (c)	**Net Adjustment to Unused Carryover**	**-5.7**	**0.0**	**0.0**

A. Re-surplusing of Surplus Reductions in the COB

Each year the District must review changes to rules and regulations to determine if adjustments must be made to the surplus reductions that make up the COB. The District did not identify any rules or regulations that were amended/adopted and have the potential to impact surplus reductions in the COB. Therefore, no adjustments due to resurplusing of reductions will be made to the COB.

B. Return of CAERs Reserved in Offset Equivalency Demonstrations for NMS/FMM Projects

The District is required to demonstrate federal offset equivalency for every ATC project, resulting in a NMS or FMM for PM10, PM2.5, or SOx, prior to its approval. If the CAERs submitted by the applicant for the project is insufficient to demonstrate offset equivalency, CAERs from the COB may be reserved for the project, provided by the District, to demonstrate federal offset equivalency. The District-provided CAERs reserved for ATC projects will be proactively removed from the COB upon the finalization of the ATC projects to ensure they are not used in other ATC projects to demonstrate federal offset equivalency. If ATCs that received District-provided CAERs are not implemented, the District provided CAERs will be returned to the COB.

The District did not identify any District-provided CAERs used in offset equivalency demonstrations to return to the COB. Therefore, no adjustments due to returning District provided CAERs reserved for ATC projects will be made to the COB.

C. Other Adjustments

Cancelled/Unimplemented ATC(s)

Historically the District took credit for ERCs that were reserved for ATC projects and added those values to the COB. Pursuant to the most-recent amendments to Rule 2201, only ERCs withdrawn for implemented ATCs can be credited to the COB. For this year's offset equivalency demonstration, the District identified one project entry in the equivalency system that needed to be re-evaluated for potential adjustments to CAERs due to cancelled/unimplemented ATCs. Once validated, the CAERs for the project entries were adjusted, where necessary, and are reflected in the changes to the COB. Additional information on the project requiring adjustment to their surplus values is discussed below:

E&B Natural Resources MGMT (Project S-1184033): The District issued five ATCs and included the CAERs from the reserved ERCs in the tracking system for the proposed installation of five steam generators during the 2018-2019 reporting period. Two of the ATCs issued in this project requiring offsets have been cancelled; therefore, pursuant to the amendments in Rule

2201, the CAERs from the reserved ERCs for the two cancelled ATCs must be removed from the COB.

A list of adjustments to the COB due to cancelled/unimplemented ATCs is provided in Appendix B-1.

VI. Annual Equivalency Report Summary

The table below is a summary of the District's 2025-2026 offset equivalency demonstration.

Table 3: Annual Equivalency Report Summary

Offset Equivalency Report Summary Table Glossary is included in Appendix C.

San Joaquin Valley APCD

Annual Offset Equivalency Report

Draft Offset Equivalency Summary

Summary for 08/20/2025 through 08/19/2026

Pollutant	Number of New Major Sources	Number of Federal Major Mods	Offsets Required under Federal NSR (a)	CAERs provided by applicants in ATC projects for NMS and FMM (b)	CAERS used from Carryover Balance for NMS and FMM ATC projects (c)=(a)-(b)	Previous Year-End Total Carryover Balance (d)	Year-to-Year Adjustment to Carryover Balance (e)	Current Year New CAERs (f)	Year-End Total Carryover Balance (g)=(d)-(c)+(e)+(f)
PM10	0	0	0.0	0.0	0.0	324.1	0.0	2.2	326.3
PM2.5	0	0	0.0	0.0	0.0	183.8	0.0	0.7	184.5
SOx	0	0	0.0	0.0	0.0	339.0	-5.7	0.3	333.6

Notes:

- All values are in tons per year

Appendices

A. Surplus Reductions Generated by the District NSR Rule
   A-1: AQID

B. Adjustments to Offset Equivalency Carryover Balances
   B-1: Surplus Adjustments Due to District Offset Quantity Adjustments

C. Offset Equivalency Report Summary Table Glossary

Appendix A

Surplus Reductions Generated by the District NSR Rule

Appendix A-1

AQID

AQID from ERCs issued in 2025-26

Region	Facility ID	Project	Facility Name	Track Number	Surplus PM10	Surplus PM2.5	Surplus SOx
N	238	1191798	Ingredion Incorporated	7462	1.4	0.5	0.3
C	1392	1234614	Westside Farmers Coop. Gin	7463	0.7	0.1	0.0
S	3247	1243679	Crimson Resource Management	7464	0.1	0.1	0.0

Field Key:
Surplus [pollutant] – surplus value of ERC

Appendix B

Adjustments to Offset Equivalency Carryover Balances

Appendix B-1

Adjustments to CAERs Due to Cancelled/Unimplemented ATC(s)

Surplus Adjustments Due to Cancelled/Unimplemented ATC(s)

Adjustments to SOx Surplus Carryover:

Region	Facility ID	Project	Track Number	SOx Balance	SOx Used	adj Surplus SOx	Reason For Adjustment
S	1624	1184033	7176	4.4	0.0	-3.6	Cancelled/Expired ATCs
S	1624	1184033	7184	9.8	0.0	-2.1	Cancelled/Expired ATCs
Total				14.2	0.0	-5.7	

Field Key:

- SOx Balance – value in surplus carryover balance
- SOx Used – value previously used as surplus value mitigation in past equivalency demonstrations
- adj Surplus SOx – adjustment necessary to surplus carryover balance to reflect DOQ adjustments

Appendix C

Offset Equivalency Report Summary Table Glossary

Annual Offset Equivalency Summary Table Glossary

- **Number of New Major Sources**
  This is the number of NMS projects that were finalized by the District during the current tracking period. Note that if a project was a NMS for multiple pollutants (i.e. PM10 and SOx), the project will be counted in all pollutant rows for which the source was a NMS and federal offsets were required.

- **Number of Federal Major Modifications**
  This is the number of FMM projects that were finalized by the District during the current tracking period. Note that if a project triggered a FMM for multiple pollutants (i.e. PM10 and SOx), the project will be counted in all pollutant rows that triggered a FMM and federal offsets were required.

- **Offsets Required Under Federal NSR**
  This is the amount of offsets required under the federal NSR offsetting program for the FMM and NMS projects finalized by the District during the tracking period.

- **CAERs provided by applicants in ATC projects for NMS and FMM**
  This is the amount of creditable actual emissions reductions that were provided by applicants to satisfy offsetting requirements for NMS and FMM in ATC projects finalized during the tracking period.

- **CAERs used from Carryover Balance for NMS and FMM ATC projects**
  This is the amount of creditable actual emissions reductions that were provided by the APCO from the COB to satisfy offsetting requirements for NMS and FMM in ATC projects finalized during the tracking period.

- **Previous Year-End Total Carryover Balance**
  This value represents the Year-End Total Carryover Balance from the previous year's offset equivalency report.

- **Year-to-Year Adjustment to Carryover Balance**
  This value is the total amount of adjustments made by the District following the previous year's offset equivalency report.

- **Current Year New CAERs**
  This value is the total amount of creditable actual emissions reductions collected by the District for the current tracking period.

- **Year-End Total Carryover Balance**
  This value is the total amount of creditable actual emissions reductions in the Carryover Balance. This value includes the Year-End Total Carryover Balance from the previous year's offset equivalency report and any adjustments that were made in the current equivalency report.