



**Petra Nova,
an NRG Company**
1000 North Post Oak
Suite 240
Houston, TX 77055

April 4, 2014

Joe Thomas
TCEQ Emissions Banking and Trading Programs
MC-206
P.O. Box 13087
Austin, TX 78711-3087
joe.thomas@tceq.texas.gov

Re: EBT Stakeholder Group

Dear Mr. Thomas:

Petra Nova Parish Holdings, LLC (Petra Nova) appreciates the opportunity to provide comments on TCEQ's emissions banking and trading programs. The emissions banking and trading programs have been instrumental in Petra Nova's development of the Flue Gas Carbon Capture project at the W.A. Parish electric generating station, which when built will be among of the first successful commercial-scale carbon capture and sequestration projects in the United States.

Petra Nova respectfully requests that TCEQ continue to rely on both existing provisions in the emission credit rules for allowing inter-basin emission credit uses. Specifically, TCEQ's EPA-approved banking and trading rules at 30 Tex. Admin. Code § 101.302(f) provide that:

[(f)] An emission credit must be used in the nonattainment area in which it is generated unless the user has obtained prior written approval of the executive director and the EPA; and

(1) a demonstration has been made and approved by the executive director and the EPA to show that the emission reductions achieved in another county or state provide an improvement to the air quality in the county of use; **or**

(2) the emission credit was generated in a nonattainment area that has an equal or higher nonattainment classification than the nonattainment area of use, and a demonstration has been made and approved by the executive director and the EPA to show that the emissions from the nonattainment area where the emission credit is generated contribute to a violation of the national ambient air quality standard in the nonattainment area of use.

The current TCEQ guidance on inter-basin use of emission credits¹ establishes a procedure by which an applicant can demonstrate that the emission credits in question will lead to an overall air quality benefit in the area in which the credits are proposed to be used. This is consistent with the test under subsection (f)(1).

TCEQ guidance should also consider applicants that rely on the test described in subsection (f)(2). The (f)(2) test closely mirrors the provision for inter-basin offsets in section 173 of the federal Clean Air Act.² Under the (f)(2) test, it is not necessary to demonstrate the particular air quality improvement associated with a specific emission credit. Rather, the necessary demonstration is that the collective “emissions from the nonattainment area where the emission credit is generated” impact the area of proposed credit use. We believe that this demonstration need only be made once. TCEQ should therefore embrace the (f)(2) approach, if necessary by revising or supplementing the current guidance on inter-basin emission credit uses. Petra Nova continues to believe that a local demonstration of air quality benefit in the area of inter-basin emission credit use is appropriate.

Petra Nova also supports and endorses the Texas Industry Project’s comments on TCEQ’s project to evaluate issues for future rulemaking on the emissions banking and trading programs.

Petra Nova appreciates your consideration of these comments. If you have questions, please do not hesitate to contact me at 832-357-5291 or craig.eckberg@nrgenergy.com.

Sincerely,



Craig Eckberg

¹ TCEQ, *Guidance on the Inter-Basin Use of Credits for Nonattainment New Source Review Permit Offset Requirements* (Jan. 2014), available at <http://www.tceq.texas.gov/assets/public/implementation/air/banking/guidance/inter-basin.pdf>.

² 42 U.S.C. § 7503(c)(1) provides in part that “[T]he State may allow the owner or operator of a source to obtain such emission reductions in another nonattainment area if (A) the other area has an equal or higher nonattainment classification than the area in which the source is located and (B) emissions from such other area contribute to a violation of the national ambient air quality standard in the nonattainment area in which the source is located.”