



Emission Banking and Trading Area and Mobile Source Credit Generation Potential Rulemaking

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Overview

- Purpose of the potential rulemaking
- Anticipated timeline
- Rules affected
- Background on:
 - Area and mobile emissions
 - How point, area, and mobile sources are modeled
- Draft strategy
- Request for informal comments



Purpose

- Current rules
 - Allow for generating credits from Area and Mobile Sources

- Implementation issues
 - Surplus and Real
 - Quantifiable
 - Permanent and Enforceable

- Commission direction



Anticipated Timeline

- Proposal: March 2017
- Public hearings: April 2017
- Adoption: August 2017



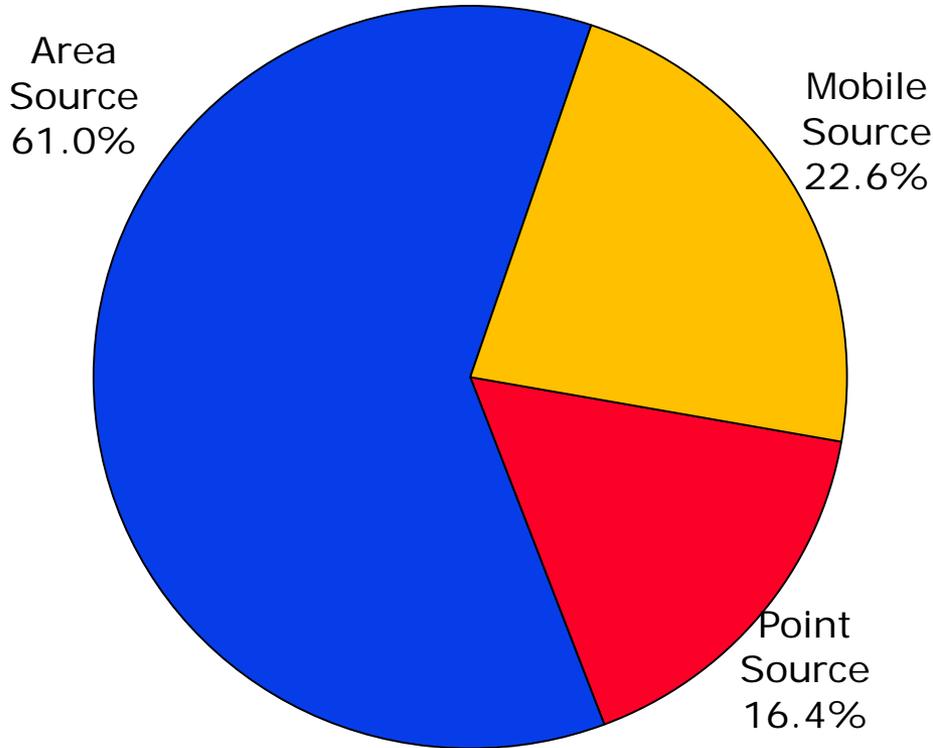
Rules Affected

- 30 Texas Administrative Code Chapter 101, Subchapter H
 - Emission Credit Program, Division 1
 - Commonly known as Emission Reduction Credit (ERC) Program
 - Discrete Emission Credit Program, Division 4
 - Commonly known as Discrete Emission Reduction Credit (DERC) Program

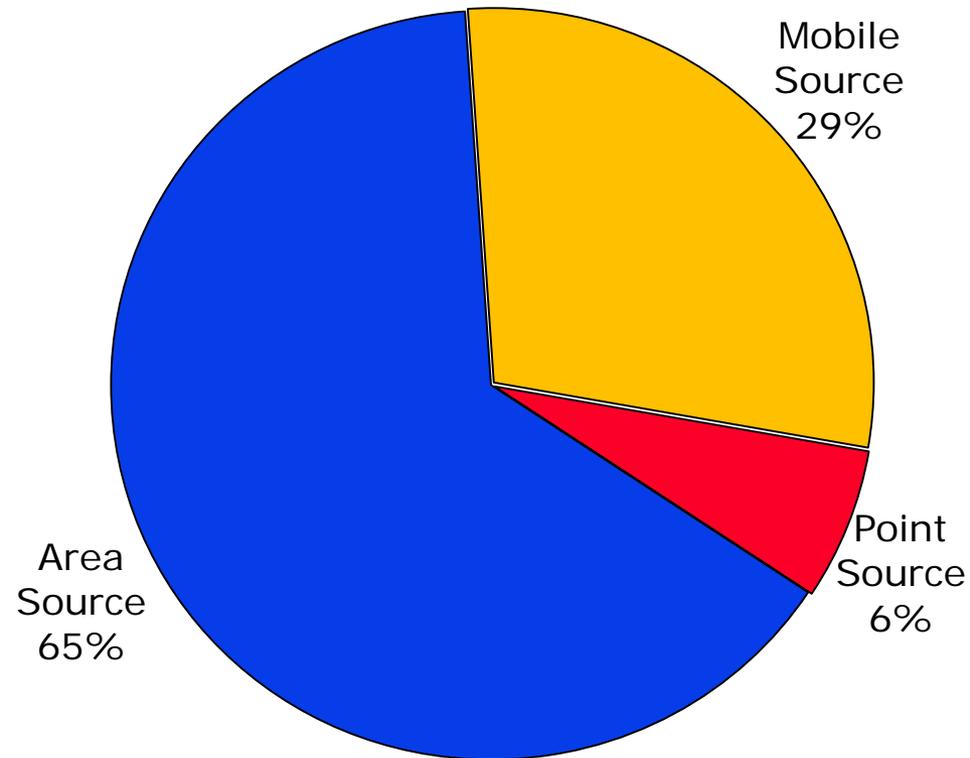


2014 HGB & DFW VOC Emissions

HGB



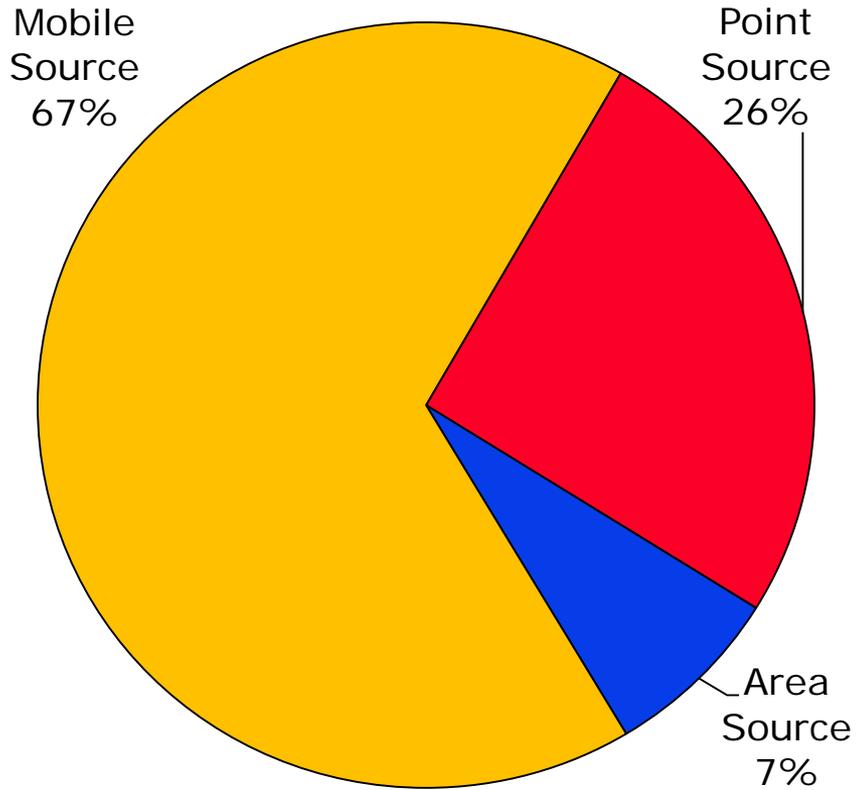
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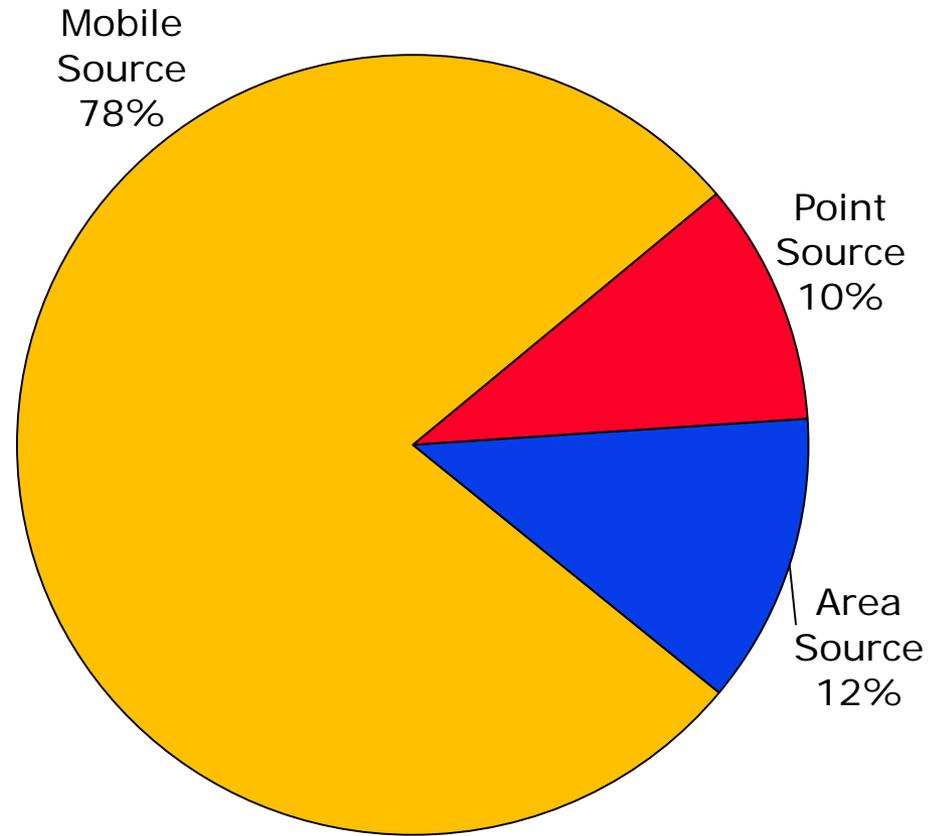


2014 HGB & DFW NO_x Emissions

HGB



DFW





State Implementation Plan (SIP) Emissions

- Emission credits must be surplus to “SIP emissions”
 - SIP emissions are based on the “Projection-Base Year Inventory” used for SIP modeling
- For point sources, these inventories are based on site-specific data
 - EPA’s Air Markets Program data for electric generating units (EGU)
 - Texas Emissions Inventory (EI) data for non-EGU
- For area and mobile sources, sources are not tracked individually
 - Inventories are based on higher level data



Area Source Projection-Base Year SIP Inventories

- Area source emissions are generally county-level estimates from the Texas Air Emissions Repository (TexAER)
 - TexAER is analogous to the point source EI
 - Emissions are typically calculated by multiplying an emission factor (emissions per unit of activity) by the activity that generates the emissions
 - Sometimes activity surrogates are used
 - Population is a commonly used activity surrogate



Mobile Source Projection-Base Year SIP inventories

- Mobile source emissions are also generally county-level and are based on models
 - Distinct modeling for non-road, on-road, and airports
- These models estimate emissions based on:
 - vehicle-type emission factors; and
 - activity estimates, such as vehicle miles traveled
- Shipping emissions are estimated for each non-attainment area
 - Use data from shipping industry to calculate emissions estimates



Overview of Potential Requirements Under Consideration for the Proposal

- To address implementation issues associated with generation and use of area and mobile credits, the TCEQ is considering rulemaking to address:
 - the types of sources that would be eligible to generate credits;
 - the quantity of credits that could be generated by area and mobile sources;
 - the timeframe for credit generation; and
 - recordkeeping and reporting.



Overview of Potential Requirements Under Consideration for the Proposal

- The potential new requirements under discussion today may or may not be included in the proposal.
- Additional new requirements not discussed today may be included in the proposal.



Ensuring Emission Reductions are Real and Surplus

- Do not issue credits to the following area and mobile sources:
 - sources that did not operate during the SIP emissions year
 - sources that cannot generate at least 0.1 ton of credit after all discounts are applied
 - sources that do not use verifiable records with approved methods to quantify emissions
 - residential area sources
 - the shutdown of specific inelastic area sources (e.g., gas stations and dry cleaners)



Ensuring Emission Reductions are Real and Surplus

- Do not issue credits to the following area and mobile sources (cont):
 - emission reductions from shifting activity
 - the shutdown or replacement of a mobile source unless it is made permanently inoperable
 - on-road mobile sources that are not part of a fleet
 - mobile sources that do not operate mostly within the nonattainment area (e.g., captive fleets)



Ensuring Emission Reductions are Real and Surplus

- Reduce the available SIP emissions by:
 - 20%—30% for the area and non-road mobile source categories
 - 5%—15% for the on-road mobile source category
- Reduce the credits issued for the shutdown of an area source by 20% (minimum 0.1 ton).



Ensuring Emission Reductions are Real and Surplus

- Determine the historical adjusted emissions based on the average annual emissions from any consecutive two-years within the five-years immediately preceding the emission reduction.
 - As opposed to 10-year look back now in rules
- Reduce the credits issued for a mobile source based on its remaining useful life.
 - Consistent with SIP methodology that accounts for fleet turnover



Ensuring Emission Reductions are Quantifiable, Permanent, and Enforceable

- Determine baseline emissions using the EPA-approved protocol for that source or the same source type if available, or follow the protocol approval requirements in Chapter 101.
- Require monitoring, testing, recordkeeping, and/or reporting until the source shuts down.
- Require a permit issued under Chapter 116, a certified registration issued under Chapter 106, or a certification issued under Chapter 101.



Ensuring Emission Reductions are Quantifiable, Permanent, and Enforceable

- Reduce the amount of credits issued for an individual source based on the quality of the data used to quantify the emissions by:
 - 0%—10% for source-specific continuous emissions monitoring
 - 5%—15% (minimum 0.1 ton) for source-specific monitoring or testing
 - 10%—20% (minimum 0.1 ton) for approved-alternative methods (e.g., AP-42)
- If this reduction is combined with a reduction for the shutdown of an individual area source, limit the combined percent reduction to no more than 20%—30%.



Informal Comments

- Requesting informal comments on:
 - Modifications or alternatives to the draft strategy
 - Recommended percentages for the various discounts
 - Concerns or issues with the draft strategy
 - Types of credit generation projects anticipated
- Input essential to drafting a proposal that can be adopted in a timely way



Informal Comments

- Submit comments by **August 12, 2016**
- Electronic comments are preferable, and may be submitted via e-mail to Daphne.McMurrer@tceq.texas.gov and Guy.Hoffman@tceq.texas.gov
 - All electronic comments should reference “Area and Mobile Source Credits” in the subject line
- Please mail comments to:
Daphne McMurrer and Guy Hoffman
TCEQ Air Quality Planning
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Austin, TX 78711-3087



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