

**TCEQ, Air Permits Division**  
**Emission Reduction Credit Stakeholder Group**  
**February 25, 2004**  
**1:30 PM**  
**Austin**  
**Minutes**

**I      Opening Remarks ..... Steve Hagle**

Proposing rule change to Emission Banking and Trading rules. Introduced Tara Capobianco, Beecher Cameron and Steve Sun.

**II     Background or Update Information ..... Cory Chism**

Revision to clean up the rules. Most important revision is to clarify appropriation method for DERCs under the Cap and Trade program.

**III    Discussion Topics ..... Cory Chism**

**A.     Baseline Determination ..... Cory Chism**

Modifying baseline definition to allow a minimum of five years to establish two year average baseline.

Due to revisions in 30 TAC §116.170, allow reductions to use the effective SIP EI at the time of reduction.

Allow certification of reductions for any criteria pollutant for which area is designated as nonattainment.

**B.     MDERC Certification ..... Cory Chism**

Two new criteria when generating MDERCs.

1.) Prohibit the certification of MDERCs if there is a secondary emission increase that exceeds any regulatory limit.

2.) If reductions of one pollutant, results in the emissions increase of a criteria pollutant then the emission increase must be offset.

Q: Who is now in charge of MDERC program.

- Steve Sun

**C.     DERC Generation ..... Cory Chism**

Change in baseline definitions similar to ERC changes.

-Allow a minimum of 5 years to select two year average baseline.

-Fix SIP EI for generations that exceed 12 months.

Simplify the DERC generation equation.

**D. MECT Program . . . . . Cory Chism**

Reorganize section on trades for readability.

Clarify a deadline of January 30 for trades to used in compliance for the previous control period.

Specify the need for backup documentation for ECT-1. If ECT-1 is delinquent then trades may be suspended.

Q. Will there be language in preamble to clarify what detailed documentation are needed with ECT-1?

- The requirements were outlined in the preamble when the rule was originally adopted in 2000.

**E. DERC use withing Cap and Trade . . . . . Cory Chism**

Three methods of appropriating 10,000 DERC limit.

1.) Approve all requests of 250 or less. If 10,000 limit not realized appropriate any requests above 250 based on a ration of amount requested and total amount requested. Illustrated on spreadsheet handout.

2.) Auction method, where the executive director would approve the company willing to retire the most DERCs for one allowance.

3.) Appropriate DERCs based on a ratio of allocated allowances to total allowances allocated for the program.

Q - Based on method 3, what if you don't use the DERC appropriated to you? Can you sell?

- It is a possible option.

**F. . . . . Open Discussion**

Q - What if one DERC certificate is needed to be used by multiple projects?

- The DERC certificate would be split for the projects.

Q - Are there any flowcharts outlining the procedure for making reductions and certifying the credits?

- Guidance documents are available on the EBTP home web page.

<http://www.tnrcc.state.tx.us/permitting/airperm/banking/index.htm>

Q - By suspending the trades, it could affect the buyer by penalizing the buyer when it is no fault of theirs. Why not just have additional enforcement actions?

- That would just compound the problem. If the annual emission are not verified then company would be trading allowances they don't have.

Q - Is there a discrepancy with the two time frames, 180 days in 30 TAC §101.303(c)(1) and the September 1, 2004 in 30 TAC §116.170? How do they work together? Many companies may not know that they have the ability to generate old reductions by this deadline.

- The 180 days will apply again after the September 1, 2004 deadline. Many companies probably don't. We are trying to get the word out.

Q - What is the difference between 5 year operation and 5 calendar years of operation?

- The five years begins the following complete calendar year after startup. It is complete calendar year.

Q - Can you establish baseline without completing the 5 years?

- Yes, once you have two complete calendar years of operation you may certify the baseline.

Q - Can you use VOC DERCS for NOx allowances?

- Yes, you may but you must demonstrate that use of VOC credits is equivalent, on a one to one basis or other ratio, to the use of NOx allowances in reducing ozone (30 TAC §101.356(h)).

**IV Closing Remarks/Action Items ..... Cory Chism**

Will try to go to proposal by April and adoption by October. Please have comments submitted in two weeks (3/9). Email Cory or Beecher.

**MEETING ATTENDEES**

TCEQ, Air Permits Division  
Emission Reduction Credit Stakeholder Group  
February 25, 2004  
1:30 pm  
Building C, Room 131E  
Sign-In Sheet

**Attendee Name**  
(Please Print Legibly)

JAGADEESAN SETHURAMAN

Jeanifer Mollhagen

MARK ALLEN

DON HALEY

Usha Mehra

THOMAS BLAKE

PATRICIA STEVIN

TRINH TRAN

Patrick Bartosh

Tim McCully

GARY NICHOLS

David Savage

Patrick Blanchard

Larry Mosh

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**Attendee Name**  
(Please Print Legibly)

Blake Stapper

Curtis Harder

Chris Bauer

Keith Courtney

Ervin Thomas

Patrick Lee

John KUSH