



Emission Banking and Trading Issues for Consideration in Future Rulemaking

Joe Thomas
Emissions Banking and Trading Programs
Air Quality Division

Emissions Banking and Trading Stakeholder Group
February and March 2014



Overview

- Purpose of the rulemaking
- Anticipated timeline
- Rules and issues under consideration
- Request for informal comments



Purpose

- Clarify rules
- Update rules to respond to emerging issues
- Improve workability and functionality of rules
- Non-substantive updates and corrections



Anticipated Timeline

- Proposal: October 2014
- Public hearings: November 2014
- Adoption: March 2015



Rules Under Consideration

- 30 Texas Administrative Code Chapter 101, Subchapter H
 - Division 1, Banking and Trading of Emission Reduction Credits (ERCs) and Mobile Emission Reduction Credits (MERCs)
 - Division 3, Mass Emission Cap and Trade (MECT) Program
 - Division 4, Banking and Trading of Discrete Emission Reduction Credits (DERCs) and Mobile DERCs (MDERCs)
 - Division 6, Highly Reactive Volatile Organic Compounds Cap and Trade (HECT) Program



Flow Control Limit

- Revise the flow control limit to minimize the potential for zero or near zero DERC and MDERC use
- Address flow control issues for inter-pollutant and inter-basin use of DERCs and MDERCs
- Make non-substantive clarifications
 - Flow control limit applies to NO_x emissions
 - Revise the *Notice of Intent to Use* (Form DEC-2) submittal date for VOC DERCs and MDERCs



Using Allowances for Offsets

- Clarify the ability to use MECT and HECT allowances for the entire offset requirement
- Clarify the ability to use MECT and HECT allowances as offsets for any facility not currently receiving allowances based on a permit allowable emission rate
- Consider allowing the use of MECT allowances as offsets for non-MECT sources
- Consider limiting future devaluation of allowances for the purpose of meeting offset requirements (not MECT or HECT compliance)



Using Credits for Offsets

- Clarify the requirements for inter-pollutant and inter-basin use of ERCs, MERCs, DERCs, and MDERCs
 - Photochemical modeling demonstration
- Allow companies using DERCs or MDERCs as offsets to submit required forms for multiple years
 - *Notice of Intent to Use* (Form DEC-2)
 - *Notice of Use* (Form DEC-3)



Generating Credits from MECT and HECT Sources

- When generating ERCs from sources in the MECT and HECT programs, require allowances to be surrendered at a 1:1 ratio based on historical emissions
- Clearly allow ERCs to be generated from reductions in HRVOC emissions from sources in the HECT program if allowances are surrendered at a 1:1 ratio based on historical emissions



Generating Credits from Area Sources

- Adjust the rules as needed to address the difficulties associated with demonstrating how specific area source emissions are represented in the state implementation plan (SIP) and the reductions are surplus to the SIP
- Consider removing the option to generate credits from area source emission reductions



Generating Credits from Mobile Sources

- Adjust the rules as needed to address the difficulties associated with demonstrating that mobile source emissions reductions are surplus to the fleet turnover reductions already accounted for in the SIP
- Consider removing the option to generate credits from mobile source emission reductions



Credit Generation

- Extend 180-day limit to provide more time to submit application to generate ERCs and MERCs
- Clarify *implementation of the emission reduction strategy* for ERCs and MERCs
- Clarify that DERCS cannot be generated from temporary curtailments
- Specify expectations for areas that change attainment status, such as new or expanded nonattainment areas
- Consider adding PM_{2.5} to list of applicable pollutants



Credit Baseline Emissions

- Specify baseline emissions cannot exceed emissions inventory (EI) used in the *attainment demonstration SIP*
 - Include an alternative for areas that do not yet have an attainment demonstration SIP (EI SIP, maintenance SIP, or most recent EI submitted)
- Update calculation of baseline emissions for DERC and MDERC strategies exceeding 12 months
- Revise DERC calculation equation for consistency with the rules for baseline emissions



Credit Reporting

- Amend rounding procedures for consistency
- Clarify when ERCs and MERCs are considered *used*
- Allow later form submittal if using DERCS or MDERCS in place of MECT allowances, consistent with MECT rule
- Remove requirement to submit original certificate
- Add procedures regarding change in site ownership or credit ownership



HECT and MECT Applicability

- Revise the HECT and MECT rules to provide a mechanism for facilities and sites to stop participating in the programs once exempt from the underlying rules in 30 TAC Chapters 115 or 117
- Consider including provisions for sites that choose to function like a broker after being released from the HECT or MECT program



HECT and MECT Reporting

- Require MECT allowance deficits for upcoming year to be resolved before annual report is processed, consistent with the HECT rule
- Revise data substitution provisions for HECT and MECT annual compliance reports when emissions data are not determined in accordance with Chapters 115 and 117
- Clarify HECT reporting for emission events to show which events are HECT-applicable
- Specify deadlines for HECT allowance transfers
- Add procedures for changing site or allowance ownership



Definitions

- Add definitions for terms used in the rules, including but not limited to the following:
 - Current allowance (HECT and MECT)
 - Vintage allowance (HECT and MECT)
- Remove definitions for terms that are not used in the rules
- Consistently use defined terms



Non-Substantive Revisions

- Remove or revise obsolete and redundant language
- Update the rule language to current *Texas Register* style and format requirements



Informal Comments

- Requesting informal comments on:
 - Modifications or alternatives to the information presented
 - Additional revisions to consider as part of this rulemaking
- Please provide as much detail as possible:
 - Include specific rule citations when appropriate
 - Explain the basis of any technical or economic information provided
 - Clearly identify any confidential information because the comments (non-confidential information) will be posted on the stakeholder group Web page



Informal Comments

- Submit comments by **April 4, 2014**
- Electronic comments are preferable, and may be submitted via e-mail to Joe.Thomas@tceq.texas.gov
 - All electronic comments should reference “EBT Stakeholder Group” in the subject line
- Please mail comments to:
Joe Thomas
TCEQ Emissions Banking and Trading Programs
MC-206, P.O. Box 13087
Austin, TX 78711-3087



Contact Information

- Joe Thomas
 - Joe.Thomas@tceq.texas.gov
 - (512) 239-0012
- Lindley Anderson
 - Lindley.Anderson@tceq.texas.gov
 - (512) 239-0003