



# **Emissions Banking and Trading Area and Mobile Source Credit Generation Proposed Rulemaking**

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Donna Huff  
Air Quality Planning  
Air Quality Division

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# Purpose of Rulemaking

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- Current rules
  - Allow for generating credits from area and mobile sources
- Implementation issues
  - Surplus and Real
  - Quantifiable
  - Permanent and Enforceable
- Commission direction



# Timeline

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- Proposal:
  - Commissioner's Agenda March 8, 2017
  - Copies of the proposed rule are available at [http://www.tceq.texas.gov/rules/propose\\_adopt.html](http://www.tceq.texas.gov/rules/propose_adopt.html)
    - under Pending Proposals
- Public hearings:
  - Houston: April 18, 2017
  - Arlington: April 19, 2017
  - Austin: April 20, 2017
- Comment period closes April 24, 2017
- Adoption: August 2017



# Rules Affected

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- 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



# Definition Changes

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- Definition changes primarily clarify existing procedures
- New definitions:
  - point source
  - primarily operated
  - projection-base year
- Revised definitions:
  - baseline emissions and mobile source baseline emissions
  - emission reduction
  - generation period (for DERCs and MDERCs)
  - historical adjusted emissions
  - MERC and MDERC
  - mobile source
  - real reduction
  - SIP emissions



# State Implementation Plan (SIP) Emissions

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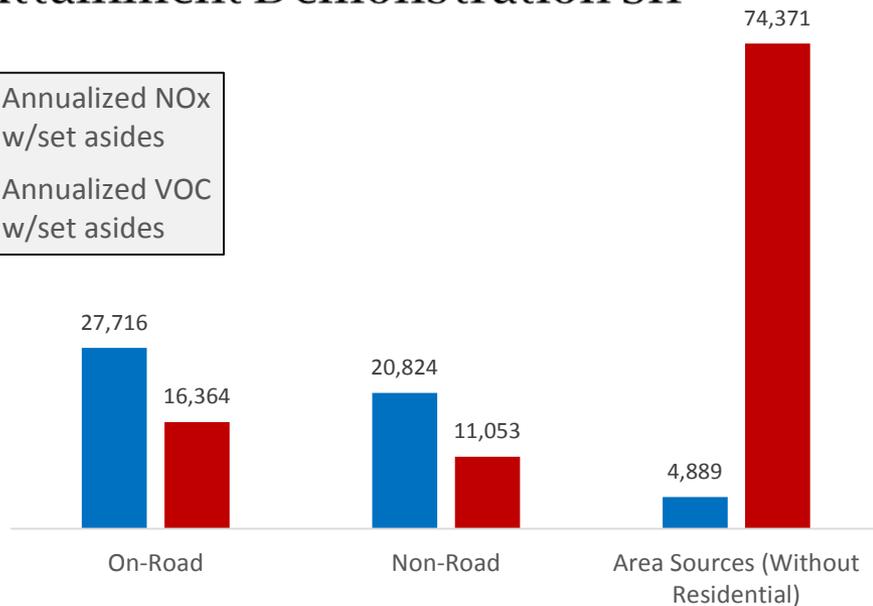
- For point sources, no change in SIP emissions.
- For area and mobile sources, SIP emissions are actual emissions in the latest SIP National Emissions Inventory (NEI) year.
  - 2014 is latest SIP NEI year for Dallas-Fort Worth (DFW) and Houston-Galveston-Brazoria (HGB)
    - 2014 actual emissions would be the source's SIP emissions
    - To generate credit under today's DFW or HGB SIPs, most area or mobile sources must have operated in 2014
    - Limited sources shut down before 2014 could generate credits under HGB sensitivity analysis modeling
- In new nonattainment areas, SIP emissions are based on the most recent NEI year submitted to EPA before designation.



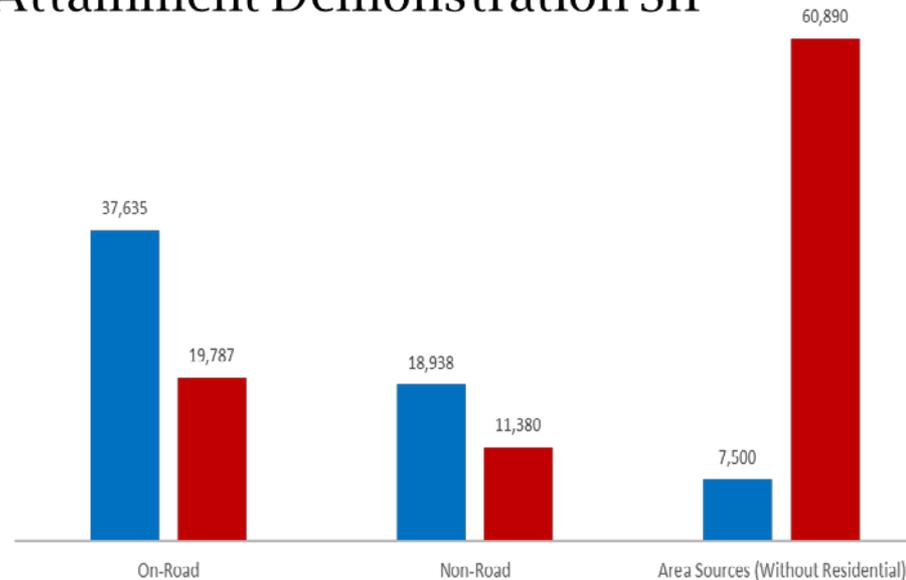
# Potentially Creditable SIP Emissions

- Potentially creditable SIP emissions pool reduced by:
  - 25% for area and non-road mobile source categories
  - 15% for on-road mobile source category
  - Rule change required to revise

### HGB Proposed 2016 Attainment Demonstration SIP



### DFW Adopted 2016 Attainment Demonstration SIP





# “Emission Credit”

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- “Emission credit” = “ERC” or “MERC”
- “Discrete emission credit” = “DERC” or “MDERC”
- Proposal uses “emission credit” and “discrete emission credit” to make these requirements apply to mobile source credits:
  - Applicable pollutants
  - Use date
  - Inter-pollutant use



# Credit Generators

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- Non-residential area sources
- Sources with approved/approvable methods
- Fleet vehicles
- Mobile sources primarily operated in nonattainment area (*except marine, locomotive w/capture & control*)
- Sources that operated in SIP emissions year
- Sources with 0.1 ton or more credit after adjustments
- Sources with real reductions, not activity shifting
- Mobile sources made permanently inoperable *or moved out of North America*

**Inelastic area source shut downs will not be credited.**



# Aggregated Facilities and Mobile Sources

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- Minimum credit 0.1 tpy (ERC) or 0.1 ton (DERC)
- Fugitive and mobile emissions reductions may be aggregated for the same pollutant and reduction date for 0.1 tpy or ton of credit.
  - after all adjustments
- Aggregated emissions reductions must be represented on the same application.
- Application deadline and credit expiration date for aggregated emissions reductions are set by the earliest emissions reduction date.



# Electronic Submission

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- State of Texas Environmental Reporting System (STEERS) is required for credit generation applications.
  - After January 1, 2018
  - May request approval to use paper forms
- Use of e-permitting system required for point and area source applicants who use Form APD-CERT to certify an emissions limit.
- Permit modifications, Form APD-CERTs and EBT-CERTs make emission reductions federally enforceable.



# Recordkeeping and EBT Certification

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- Generators must comply with conditions specified in Emissions Banking and Trading Emission Reduction Certification Forms (Form EBT-CERT).
  - Non-compliance with an EBT-CERT special condition is a violation and could result in an enforcement action
    - including providing additional emission reductions to replace the voided emission credits if they have been sold or used.
- Records used to verify credited emission reductions must be kept for five years.



# Emissions Calculation Considerations

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- Determine the historical adjusted emissions from two of five years before reduction.
  - Can “look back” six to ten years when detailed operational records are available
- Use required testing and monitoring methods.
- Mobile SIP and historical adjusted emissions are set based on actual emissions in nonattainment area.
- Mobile credits are based on remaining useful life, annualized over 25 years.
  - Use SIP fleet turnover assumptions re: useful life



# Area and Mobile Source Credit Adjustments

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- Reduce credits for shutdown by 15% or 0.1 tpy/ton, whichever is greater.
  - Applies to ERCs, MERCs, and MDERCS
  - No DERCS for shut downs
- Reduce credits for alternative methods by 15% or 0.1 tpy/ton, whichever is greater.
  - Applies to ERCs, MERCs, DERCS and MDERCS
  - No reduction for same records required for a point source
- Total combined adjustment of no more than 20% or 0.1 tpy/ton, whichever is greater.



# Application Deadlines

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- ERC/MERC application must be submitted no more than two years after the facility emissions reduction date.
  - Lack of clarity created by “implementation of the emission reduction strategy” created implementation issues
- Proposed language intended to clarify expectations.
- Oil and gas example:
  - Compressors, dehydrators, sweeteners, tanks, and fugitives could have different emission reduction, application, and credit expiration dates.
  - Each facility's emissions reduction date would set its credit application deadline and expiration date.
  - Well plugging could be completed after the application deadline but must be completed prior to credit certification.



# Oil & Gas Provisions

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- To incentivize well plugging, if:
  - an application is for the complete shutdown of an oil and gas production site;
  - well plugging is completed within one year of final production being reported to the Railroad Commission of Texas (RRC); and
  - the well is plugged in accordance with RRC requirements, *then*
    - the credit application may be submitted two years after the well is plugged (as opposed to facility emission reduction date) and
    - credit life is 72 months from well plugging date.



# Transition Provisions

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- Exceptions to standard credit application deadline and life for area and mobile sources
  - For emission reductions between June 1, 2013 and January 1, 2015, the application deadline is December 31, 2017.
  - For emission reductions between January 1, 2015 and January 1, 2017, the application deadline is three years after the emissions reduction.
  - Exceptions expire January 1, 2020.
- Extend credit life to 72 months for:
  - reductions eligible for application deadline exceptions; and
  - reductions occurring before and included on application submitted, but not acted on, by January 1, 2017.



# Capture and Control Provisions

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- If a capture and control system is used to reduce mobile source emissions, requirements re: remaining useful life and annualizing reduction over 25 years do not apply.
- Credit calculations for capture and control systems would consider:
  - the mobile source emissions that are not captured;
  - any emissions not controlled by the system; and
  - any emissions caused by or as a result of operating and/or moving the system.
- Initial credit owner would be capture and control system owner or operator



# Implementation Plans

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- Anticipate formal action on area and mobile applications after adoption.
- Surest way to rapid action on an application is to provide sufficient information.
  - Documentation for emissions rate and level of activity for SIP and historical adjusted emissions
  - Documentation demonstrating compliance with applicable local, state, or federal requirements



# Submit Comments

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- Formal comments may be submitted to Derek Baxter, MC 205, Office of Legal Services, TCEQ at:
  - P.O. Box 13087, Austin, Texas 78711-3087, or
  - faxed to (512) 239-4808.
- Electronic comments may be submitted at:  
<http://www1.tceq.texas.gov/rules/ecomments/>
  - File size restrictions may apply to comments being submitted via the eComments system.
- All comments should reference Rule Project Number 2016-041-101-AI.
- The comment period closes on April 24, 2017.



# Contact Information

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- Daphne McMurrer
  - [Daphne.McMurrer@tceq.texas.gov](mailto:Daphne.McMurrer@tceq.texas.gov)
  - (512) 239-5920
- Guy Hoffman
  - [Guy.Hoffman@tceq.texas.gov](mailto:Guy.Hoffman@tceq.texas.gov)
  - (512) 239-1981
- Donna Huff
  - [Donna.Huff@tceq.texas.gov](mailto:Donna.Huff@tceq.texas.gov)
  - (512) 239-6628