

## **FACT SHEET EMISSION REDUCTION CREDITS PROGRAM**

### **Purpose And Overview:**

The Emission Reduction Credit Program is administered by the Georgia Department of Natural Resources Environmental Protection Division, Air Protection Branch. Created in 1999, the program facilitates construction permitting for major emission sources that are subject to Nonattainment New Source Review (NSR) permitting in the 20-county Atlanta nonattainment area. In addition, emissions point sources within the 25-county area surrounding Atlanta that require Best Available Control Technology (BACT) + offset permitting also are eligible.

Sources that voluntarily reduce emissions in the affected counties may certify and “bank” these reductions as Emission Reduction Credits (ERCs) for future use by themselves or others. The nonattainment NSR and BACT + offsets permitting requirements are intended to help the Atlanta area achieve compliance with the federal standard for ground-level ozone by regulating the emissions of volatile organic compounds (VOC) and nitrogen oxides (NOx) which contribute to ozone formation in metropolitan areas.

### **What Counties Are Affected?**

The twenty county Atlanta nonattainment area consists of **Barrow, Bartow, Carroll, Cherokee, Clayton, Cobb, Coweta, Dekalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Hall, Henry, Newton, Paulding, Spalding, Rockdale and Walton** counties.

The counties that contribute to the ambient level of ozone in the Atlanta nonattainment area are: **Banks, Butts, Chattooga, Clarke, Dawson, Floyd, Gordon, Haralson, Heard, Jackson, Jasper, Jones, Lamar, Lumpkin, Madison, Meriwether, Monroe, Morgan, Oconee, Pickens, Pike, Polk, Putnam, Troup, and Upson.**

### **Who Is Eligible To Create And Bank Emission Reduction Credits?**

Three categories of stationary point sources are eligible to create and bank ERCs:

Sources with the potential to emit more than 25 tons per year of VOC or NOx and are located in the counties of Cherokee, Clayton, Cobb, Coweta, Dekalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Paulding and Rockdale.

Sources with the potential to emit more than 100 tons per year of VOC or NOx in the counties of Barrow, Bartow, Carroll, Hall, Newton, Spalding and Walton; and

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“Electrical Generating Units” located at stationary sources which have the potential to emit more than 100 tons per year of NO<sub>x</sub> and which are located within the counties of Banks, Butts, Chattooga, Clarke, Dawson, Floyd, Gordon, Haralson, Heard, Jackson, Jasper, Jones, Lamar, Lumpkin, Madison, Meriwether, Monroe, Morgan, Oconee, Pickens, Pike, Polk, Putnam, Troup and Upson.

If, in the future, additional areas of the state are designated as nonattainment areas, coverage of the Emission Reduction Program probably will be expanded to cover these areas.

**Are Mobile Sources Eligible To Create And Bank Emission Reduction Credits?**

No, only stationary point sources that meet the eligibility criteria discussed in the previous question may create and bank emission reduction credits.

**What Pollutants Are Covered By The Program?**

Only VOC and NO<sub>x</sub> are covered by the Emissions Reduction Credit Program at this time. If, in the future, any areas of the state are designated as nonattainment areas for criteria pollutants other than ozone, the Emissions Reduction Credit Program may be expanded to include such pollutants for the affected nonattainment area(s).

**What Types of Emission Reductions Are Eligible To Be Banked?**

In order to be eligible for the Emission Reduction Credits Program, reductions in emissions must meet the following six criteria:

1. The reductions **must have occurred after December 31, 1996**. This because the State Implementation Plan (SIP) demonstrating how the Atlanta nonattainment area will achieve compliance with the ozone standard is based on an emissions inventory conducted on 1997 emissions. The 1997 emissions inventory constitutes our “baseline;”
2. The reductions must be “**real;**” i.e., they must be reductions in actual emissions that are released from an eligible source. Reductions in potential or allowable emission levels are not considered “real;”

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3. The reductions must be “**permanent;**” i.e., they must be assured for the life of the corresponding Emission Reduction Credit through an enforceable mechanism such as a permit condition;
4. The reductions must be “**quantifiable;**” i.e., the amount, rate and characteristics of the reduction must be measured or calculated through a reliable method and approved by the Environmental Protection Division;
5. The reductions must be “**enforceable;**” i.e., a mechanism must exist by which the Environmental Protection Division can enforce requirements that the reduction be sustained so that it continues to meet these criteria. Reductions are commonly made enforceable through conditions contained in construction and operating permits; and
6. The reductions must be “**surplus;**” i.e., the reductions must be voluntary and must not be required by any local, state, or federal law, regulation, order, or requirement and in excess of reductions used by the Division in issuing any other permit or to demonstrate attainment of federal ambient air quality standards or reasonable further progress towards achieving attainment of federal ambient air quality standards.

### **How Can Emission Reductions Be Achieved?**

Reductions that are eligible to be banked may be achieved by a number of means, including but not limited to installation of control equipment, changes in process inputs or raw materials, reductions in actual emission rates, reductions in operating hours, production curtailment, and source shutdowns.

### **How Are Emission Reduction Credits Calculated?**

Emission Reduction Credits are calculated by subtracting future, allowable emissions after the reduction is achieved from current, baseline emissions of the source or emission unit that is creating the reduction. The baseline is equal to the average annual emissions for the source for the 24-month period immediately preceding the modification that results in the reduction.

### **How Are Emission Reduction Credits Banked?**

Sources that wish to bank as credits any emission reductions they have achieved or plan to achieve must submit an application with supporting documentation to the Environmental Protection Division. The Division will validate that the emissions reductions meet the six criteria for Emission Reduction Credits discussed above and issue a certificate to the applicant, as well as any permits, permit amendments, or orders which may be required to make the reduction permanent and enforceable.

### **Is There A Deadline For Banking Emission Reductions?**

No, as long as the emission reductions meet the six criteria for Emission Reduction Credits discussed above. It should be noted, however, that any discounting for the age of the Emission Reduction Credits is based on when the credits were created and not on when they were initially banked.

### **What Is The Lifespan Of Banked Credits?**

Emission Reduction Credits never expire. However, credits that remain in the bank may be reduced in value over time.

### **How Are Emission Reduction Credits Discounted?**

There are three mechanisms by which Emission Reduction Credits may be discounted. Emission Reduction Credits are only discounted at the time that they are placed in the bank or while they remain in the bank; their value is never discounted once they have been withdrawn from the bank and used.

1. Emission Reduction Credits which remain unused in the bank for more than ten years after they are created are discounted at a rate of ten percent of their original value per year, beginning on the eleventh anniversary of the date on which they were created. These discounts end on the fifteenth anniversary and are not to exceed fifty percent of the original value of the Emission Reduction Credits. Annual discounting shall not occur if the affected credits have already been discounted by more than fifty percent due to item 2 below; and
- 2.. Emission Reduction Credits which remain in the bank may be discounted when new rules are promulgated which would have required emission reductions from the sources that created the credits. These discounts will be evaluated on a case-by-case basis.

### **How May Emission Reduction Credits Be Used?**

Emission Reduction Credits may be used in one of the following ways:

As offsets for sources undergoing nonattainment NSR permitting within the Atlanta nonattainment area;

As offsets for sources undergoing BACT + offset permitting requirements in the twenty-five county area surrounding the Atlanta nonattainment area;

As creditable reductions in netting demonstrations by the sources that created the Emission Reduction Credits for purposes of avoiding nonattainment NSR, PSD, and BACT + offset permitting requirements, providing that the reductions are contemporaneous with the proposed modification;

As internal offsets for major sources seeking to avoid nonattainment NSR permitting requirements;

Offsets may be purchased and permanently retired.

**Can Emission Reduction Credits For One Pollutant Be Used As Offsets For Other Pollutants?**

No. EPA policy currently does not provide for such interpollutant trading. Therefore, VOC credits may only be used for VOC offsets, and NO<sub>x</sub> credits may only be used for NO<sub>x</sub> offsets.

**Can Emission Reduction Credits Be Used Throughout The 45 County Area?**

Not entirely; Emission Reduction Credits created by sources located within the twenty county Atlanta nonattainment area may be used by eligible sources located anywhere else within the forty-five county area comprising the nonattainment area and the surrounding twenty-five counties. However, Emission Reduction Credits created by sources located outside of the twenty county Atlanta nonattainment area may not be used as offsets within the nonattainment area. Federal law requires that offsets for sources undergoing nonattainment NSR permitting be created by sources located in such nonattainment areas or in neighboring nonattainment areas which have equal or worse nonattainment status and which contribute to the nonattainment problem in the area in which the modification is occurring.

**When Must Sources Obtain Emission Reduction Credits To Be Used As Offsets?**

Sources undergoing nonattainment NSR or BACT + offset permitting requirements must obtain the requisite offsets by the time that operations commence at the new construction projects or modifications that they are planning. They are not required in advance of obtaining a construction permit.

**Can Emission Reduction Credits Be Traded Or Sold Without Being Used As Offsets?**

Yes. Emission Reduction Credits may be transferred, traded or sold to other parties even when they do not intend to use them as offsets for nonattainment NSR or BACT + offset permitting requirements. The holder of the credits and the proposed recipient must submit a joint application to the Environmental Protection Division so that an accurate register of credit holders can be maintained.

**How Are Emission Reduction Credits Purchased?**

The Environmental Protection Division will maintain a registry, or list, of current credit holders with contact names and phone numbers. Companies or organizations interested in purchasing credits may contact credit holders and negotiate terms for the transfer of the credits. The registry is posted on the Division's web site and copies are available on request. The Environmental Protection Division must be notified of the transfer, and a \$3000 fee must be paid to the Division.

**Are There Fees Associated With The Emission Reduction Credit Program?**

Yes. The fee to create, certify and bank Emission Reduction Credits is \$6,000 per application; the fee to use banked Emission Reduction Credits as offsets is \$3500 per application; and the fee to transfer Emission Reduction Credits from one holder to another is \$3000 per application.

**Where Are The Rules For Emission Reduction Credits Located?**

The rules for Georgia's Emission Reduction Credit program are located in the Georgia Rules for Air Quality Control, Section 391-3-1-.03(13). The rules for permitting requirements which include emission offsets are located in Section 391-3-1-.03(8)(c) 13, 14, and 15.