

RULE 1305

State New Source Review Emissions Offsets

(A) General

(1) Purpose

- (a) This Rule provides the procedures to calculate the amount of, determine the eligibility of, and determine the use of Offsets required pursuant to the provisions of Rule 1303(B).

(B) Offset Calculations

- (1) The base quantity of Offsets required shall be calculated based on a specific pollutant basis for each State Nonattainment Air Pollutant and its Precursors, and whether the project is for a new or Modified Facility.
- (2) The APCO shall first calculate the resulting Emission Change and SERs pursuant to Rule 1304, and the PTE for the Facility or Modification, and calculate the base quantity of Offsets required as follows:
 - (a) For a new Facility, the base quantity of Offsets shall be equal to the total Proposed Emissions.
 - (b) For a Modification to an existing Major Facility the base quantity of Offsets shall be equal to the sum of all Emission Changes and SERs for the Facility and all Emission Unit(s).
 - (c) For a Modification to a previously existing non-major Facility which results in the Facility becoming a Major Facility for the specific State Nonattainment Pollutant, the base quantity of Offsets shall be equal to the Facility's Potential to Emit.
 - (d) Additional Requirements for Seasonal Sources
 - (i) The base quantity of Offsets for new or Modified Seasonal Sources shall be determined on a quarterly basis.
 - (ii) Seasonal emissions used for Offsets shall generally occur during the same consecutive monthly period as the new or Modified Seasonal Source operates.
 - (e) Offset Adjustment for Various Energy Conservation Projects

- (i) If the Facility qualifies as a cogeneration technology project, or is otherwise qualified as an energy conservation project pursuant to California Health and Safety Code §§39019.5, 39019.6, 39047.5 and 39050.5 the amount of Offsets shall be adjusted to the extent required by the applicable provisions of Health and Safety Code, including but not limited to California Health and Safety Code §§42314, 42314.1, 42314.5, 41601, and 41605.5.
- (3) After determining the base quantity of Offsets, the APCO shall apply the appropriate Offset ratio and any adjustments as set forth in (D) below.
- (4) If eligible interpollutant Offsets are being used, the APCO shall apply the appropriate ratio to determine the total amount of Offsets required.

(C) Eligibility of Offsets

- (1) ERCs are eligible to be used as Offsets, if they meet the following requirements:
 - (a) The ERCs were issued pursuant to Rule 1309.
 - (b) The ERCs are Real, Surplus, Permanent, Quantifiable, and Enforceable.
 - (c) The ERCs are obtained from a Facility (or combination of Facilities) which is:
 - (i) Located within the same Federal Nonattainment, attainment or unclassified area as that where the Offsets are to be used; or
 - (ii) Located in an area with a Federal designation (in the case of attainment or unclassified areas) or classification (in the case of Nonattainment Areas) which is greater than or equal to the designation or classification of the area where the Offsets are to be used so long as the emissions from that area cause or contribute to a violation of the Ambient Air Quality Standards in the area in which the Offsets are to be used.
- (2) ERCs issued in another air District are eligible to be used as Offsets, if they meet the following requirements:
 - (a) Such ERCs have been calculated and issued in another air District within the Air Basin under a program developed pursuant to California Health & Safety Code §§40700-40713 so long as the source of such credits is contained within the same Air Basin as the District and the use of the ERCs comply with the provisions of (C)(4) below; or
 - (b) Such ERCs have been calculated and issued in another air District outside the Air Basin under a program developed pursuant to California Health & Safety Code §§40709-40713 and the transfer of such credits comply with

the requirements of California Health & Safety Code §40709.6 and the use of the ERCs comply with the provisions of (C)(5) below.

- (3) Mobile, Area and Indirect Source Emissions Reductions
 - (a) Mobile Source ERCs are eligible to be used as Offsets when:
 - (i) Such Mobile, Area, or Indirect Source ERCs have been calculated and banked pursuant to the provisions of Regulation XVII and Rule 1309; and
 - (ii) The applicant demonstrates sufficient control over the Mobile Area or Indirect Sources to ensure the claimed reductions are Real, Surplus, Permanent, Quantifiable and Enforceable; and
 - (iii) For Mobile Sources, such Mobile Source ERCs are consistent with Mobile Source emissions reduction guidelines issued by CARB; and
 - (iv) The specific Mobile, Area, or Indirect Source ERCs are approved for use prior to the issuance of the NSR document and the issuance of any ATCs by the APCO in concurrence with CARB; and
 - (v) Such Mobile, Area, or Indirect Source ERCs comply with the applicable provisions of (C)(1) above.
- (4) ERCs Obtained from Other Air Districts and Within the Air Basin
 - (a) ERCs occurring within the air basin but outside the District are eligible to be used as Offsets upon approval of the APCO as follows:
 - (i) For a new or Modified Facility or a Modification, the APCO's approval shall be made in consultation with CARB on a case-by-case basis; and
 - (ii) For all other Facilities or Modifications subject to this provision the APCO's approval shall be made in consultation with CARB on a case-by-case basis; and
 - (iii) The ERCs are obtained in a Nonattainment Area which has a greater or equal nonattainment classification than the area where the Offsets are to be used; and
 - (iv) The emissions from the other Nonattainment Area contribute to a violation of the Ambient Air Quality Standards in the area where the Offsets are to be used.
 - (b) Such ERCs shall also comply with the applicable requirements of (C)(1) above.
- (5) ERCs from Other Air Districts and Outside the Air Basin
 - (a) ERCs from outside the air basin are eligible to be used as Offsets upon approval of the APCO as follows:

- (i) For a new or Modified Facility or a Modification subject to this provision, the APCO's approval shall be made in consultation with CARB on a case-by-case basis; and
- (ii) The ERCs are obtained in a Nonattainment Area which has a greater or equal nonattainment classification than the area where the Offsets are to be used; and
- (iii) The emissions from the other Nonattainment Area overwhelmingly impacts the District's air quality.

(b) Such ERCs shall comply with the applicable requirements of (C)(1) above.

(6) Interpollutant Offsets

(a) Emissions reductions of one type of Air Pollutant may be used as Offsets for another type of Air Pollutant upon approval of the APCO as follows:

- (i) For a new or Modified Facility or a Modification, the APCO's approval shall be made in consultation with CARB pursuant to the provisions of Rule 1302(D)(2), on a case-by-case basis, as long as the provisions of (C)(6)(b) below are met.
- (ii) For all other Facilities or Modifications subject to this provision the APCO's approval shall be made in consultation with CARB on a case-by-case basis.

(b) In approving the use of interpollutant Offsets the APCO shall determine that:

- (i) The trade is technically justified; and
- (ii) The applicant has demonstrated, to the satisfaction of the APCO, that the combined effect of the Offsets and emissions increases from the new or Modified Facility will not cause or contribute to a violation of an Ambient Air Quality Standard; and
- (iii) PM₁₀ emissions are not used to Offset nitrogen oxide or reactive organic compound emissions within any ozone Nonattainment Areas.

(c) The APCO shall, based upon an air quality analysis, determine the quantity of Offsets necessary, as appropriate.

(d) Such ERCs comply with the applicable provisions of (C)(1) above.

(D) Offset Ratio

(1) Offsets for State Nonattainment Air Pollutants shall be provided on a specific pollutant basis, calculated as provided in (B) above, and multiplied by the appropriate Offset ratio listed in the following table:

TABLE OF OFFSET RATIOS

<u>POLLUTANT</u>	<u>OFFSET RATIO</u> for Ozone Precursors	<u>OFFSET RATIO</u> for PM ₁₀ and PM ₁₀ Precursors
PM ₁₀	--	1.0 to 1.0
Oxides of Nitrogen (NO _x)	1.3 to 1.0	1.0 to 1.0
Oxides of Sulfur (SO _x)	--	1.0 to 1.0
Volatile Organic Compounds (VOC)	1.3 to 1.0	1.0 to 1.0

- (2) The ratio for Offsets obtained from outside the District for any Nonattainment Air Pollutant shall be equal to the Offset ratio which would have applied had such Offsets been obtained within the District.

[SIP: See AVAQMD SIP table at <https://avaqmd.ca.gov/rules-plans> _____]