

# Small Facility Bank Program

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## What is the Small Facility Bank?

Established in 1991, the Small Facility Bank (SFB) provides precursor organic compounds (POC) and nitrogen oxide (NO<sub>x</sub>) emission reduction credits (ERCs) to qualifying facilities to comply with the No Net Increase Program at no cost.

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## Definitions and References

Here is a list of associated definitions and references.

**Archive** - Historical records of facility and source information or the act of placing records in the historical files, typically in Databank.

**Banking certificate** - A District issued document with the balance of ERCs that are available to use or trade in the open market.

**Contemporaneous reduction** - The use of emission reductions from a source shutdown to offset new increases in permit activity.

**DataBank** - The primary database/production system for Engineering Division programs.

**Emission offsets** - ERCs which are used to mitigate cumulative increases of emissions. See Regulation 2-2-214.

**Emission Reduction Credit (ERC)** - As defined in Regulation 2-1-201.

**fid** - DataBank file identification, typically followed by the number referencing the specific file. (e.g. fid 14)

**GDF** - Gasoline dispensing facility

**G number** - A unique DataBank identification number assigned to GDFs.

**No Net Increase Program** - This program requires emission offsets from increase in emissions of POC or NO<sub>x</sub> that result from new permit activities at facilities that emit more than 10 tons per year of POC or NO<sub>x</sub>, respectively. See Section 40919(a)2 of the California Health and Safety Code.

**Reasonably Available Control Technology (RACT)** - The lowest emission limit that can be achieved by the application of control technology to similar, but not necessarily identical categories of sources, taking to account technological feasibility and cost-effectiveness of the application of the control technology to the category of sources only and not to the shutdown source.

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## Eligibility

To be eligible to receive credits from the SFB, the facility must have actual emissions of POC or NO<sub>x</sub> that are less than 35 tons per year and the facility must be permitted to emit less than 35 tons per year.

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**Overview of  
Funding  
Methods**

The initial funding of the SFB consisted of one-time documented RACT reductions and ERCs surrendered as part of a legal settlement. The SFB is currently funded by one of the following methods:

- *New Deposits*: Deposited by evaluating emission reductions not banked by the facility.
- *Closed Facility*: Returned when a previously funded facility closes.
- *Source Shutdown*: Returned when the permitted source that has received SFB ERCs is removed from service.
- *Loss of Eligibility*: Refunded by a facility that loses eligibility.
- *New Non-SFB ERCs*: Refunded when new non-SFB ERCs are issued to a facility that has previously received SFB ERCs.

NOTE: Refunding is the most common and adequate method.

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**Funding  
Method: New  
Deposits**

When a facility that used non-SFB ERCs closes, the facility has the option of banking those credits. Some facilities choose not to bank the emissions due to the time, cost and the amount of bankable credits. These bankable credits are essentially unclaimed and can fund the SFB as new deposits.

New NO<sub>x</sub> credits can be deposited into the SFB when a source is removed from service whether or not the plant remains open. POC credits are only claimed once the entire facility has closed because POC emission reductions often show up as POC increases at other sources in the facility. The downside to waiting until the facility closes is the window to reclaim can greatly reduce the amount or expire.

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**Funding  
Method: Closed  
Facility**

ERCs can be returned to the SFB when a facility that has received SFB ERCs closes. Since these are credits that cannot be banked by the facility, the District can return these credits immediately upon closure.

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**Funding  
Method: Source  
Shutdown**

ERCs can be returned to the SFB when a source that has received SFB ERCs is shutdown. Since these are credits that cannot be banked by the facility, the District can return these credits upon shutdown and the records archived.

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**Funding Method: Loss of Eligibility**

A facility that emits or is permitted to emit 35 tons per year or more of POC or NO<sub>x</sub> loses eligibility to use ERCs from the SFB for that pollutant. A facility is required to provide emission offsets for any new permitted emission increase and must reimburse any SFB ERCs previously received. This is a requirement of Regulation 2-2-302.

Example - Application 13151, Lockheed Martin Corp., Plant 55

No longer eligible for SFB NO<sub>x</sub> ERCs, Lockheed Martin purchased ERCs to offset the permitted increase for the application and to refund the SFB for all previous received SFB NO<sub>x</sub> ERCs. Lockheed Martin is still eligible to receive SFB POC ERCs.

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**Funding Method: New Non-SFB ERCs**

Another provision for reimbursing the Small Facility Bank is Regulation 2-4-303.5. This section requires that the applicant seeking to bank new credits must first refund the SFB of any SFB ERCs previously received.

Example - Banking Application 17748, Huntway Refining Co., Plant 701

The SFB was reimbursed upon completion of the banking application. Huntway had previously received SFB ERCs which were refunded to the SFB and Huntway was issued the remaining balance (Banking certificate #552).

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**SFB Ledger**

All transactions, deposits and withdraws, of the ERCs including the SFB are documented in the District's database, DataBank. Deposits are recorded in file 114 and withdraws are recorded in file 116. The net balance of the ERCs is equal to the amount of the deposit minus the summation of the withdrawals.

The SFB deposit records are identified as certificate no. 157 as a single line item, P=157. When there is a new deposit to the SFB, the deposit amount in file 114 is adjusted. When there is withdraw, the old record in file 116 is archived and an adjusted amount becomes the current record.

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**Web Links**

[Regulation Rule 2, Rule 2](#) (New Source Review)  
[Regulation Rule 2, Rule 4](#) (Emissions Banking)

Summary of the District's No Net Increase and Emissions Banking programs:  
[http://www.baaqmd.gov/pmt/emissions\\_banking/index.htm](http://www.baaqmd.gov/pmt/emissions_banking/index.htm)

A report listing all ERC deposits in the District:  
[http://www.baaqmd.gov/pmt/emissions\\_banking/banking.htm](http://www.baaqmd.gov/pmt/emissions_banking/banking.htm)

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