

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Preliminary Draft Staff Report

Proposed Rules **2700 – Definitions**
 2701 – SoCal Climate Solutions Exchange
 2702 – Greenhouse Gas Air Quality Investment Program
 (GHG AQIP)

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EXECUTIVE SUMMARY

At the February 2008 Governing Board meeting, the Board approved development of the SoCal Climate Solutions Exchange, one of AQMD Governing Board Chairman Dr. Burke's initiatives for 2008. The Board requested a two-step process. The first step was discussion of initial recommendations described in a White Paper, which was presented at the June 2008 meeting of the Governing Board. At that meeting, the Board provided direction to staff that rule development should proceed, which is the second step of the process. This preliminary draft staff report and proposed rules are being circulated for public review and comment to assist in the development of the draft rules.

The objectives of the SoCal Climate Solutions Exchange are to provide high quality greenhouse gas emission reductions that enhance the local economy and capture needed co-benefits for Southern California as businesses achieve voluntary, early reductions of greenhouse gases. The proposed rules include mechanisms to recognize and quantify voluntary early reductions, which would follow protocols that would be pre-approved by the AQMD Governing Board. A local program operated by AQMD can ensure that reductions are real, additional (surplus), quantifiable, verifiable, permanent over a specific time, and enforceable. Projects in other California air districts may also be allowed, if they follow a pre-approved protocol and the other air district has an agreement with AQMD to be the project verifier. This will be of great value to facilities that need offsets for CEQA or other environmental mitigation, and may be of use for early compliance with future AB 32 requirements.

Many greenhouse gas reduction strategies also have co-benefits of reducing toxic and criteria pollutants, which will further accelerate clean air objectives in Southern California. This can be especially beneficial in environmental justice areas when such strategies are implemented there.

The proposed rules include staff's initial recommendations for the rule language for SoCal Climate Solutions Exchange and a greenhouse gas (GHG) Air Quality Investment Program (GHG AQIP). An AQIP would enable the AQMD staff to collect funds from parties that need certified emission reductions, pool those funds, and use them to reduce greenhouse gases. These projects would also follow pre-approved protocols. Priority will be given to projects located in environmental justice areas.

The SoCal Climate Solutions Exchange would be a voluntary program where parties in the District could undertake projects to voluntarily reduce greenhouse gas emissions in advance of or in the absence of, any regulatory requirement. These projects would follow pre-approved protocols developed by CARB, the California Climate Action Registry (CCAR), AQMD staff or other air districts. It is staff's intention to work closely with these other parties to develop as many protocols as possible to encourage voluntary early actions and to be able to have those reductions quantified. AQMD staff will submit all protocols to be used for the SoCal Climate Solutions Exchange for Governing Board approval, and a list of these protocols will be included in Rule 2700 – Definitions.

Any reductions must be real, additional, quantifiable, verifiable and permanent over a specified time period, and enforceable. Having pre-approved protocols and AQMD staff verification and enforcement will address these criteria.

Project proponents would be required to submit a plan registration with specific information on the planned project, including who the initial owner of the certified reductions would be. Similarly, parties wishing to use the GHG AQIP would also file information related to the request. To the extent possible, GHG AQIP funds would be directed to projects that also reduce criteria and or toxic pollutants, and emphasis will be given to implementing projects in environmental justice areas.

The adopting resolution for these rules will include: direction of staff to seek concurrence from CARB on protocols for use in these rules and third-party independent audits of rule implementation.

BACKGROUND

As climate change impacts are becoming better understood, more attention has been focused on reducing carbon dioxide and other greenhouse gases from actions by individuals, businesses, cities, and levels of government ranging from cities to counties to nations.

There are many companies offering greenhouse gas offsets for sale, but there is uncertainty involved with many of the projects, and it is sometimes difficult to judge whether the offsets are real. In 2007, the Financial Times investigated many of the existing and emerging greenhouse gas offset markets, and concluded “*A Financial Times investigation has uncovered widespread failings in the new markets for greenhouse gases...The FT investigation found: widespread instances of...worthless credits that do not yield any reductions in carbon emissions...a shortage of verification, making it difficult for buyers to assess the true value of carbon credits...*”.

In the last year, there are many examples where entities have purchased offsets to compensate for their carbon footprint. This is being done on an individual and company basis. Purchasing offsets can be voluntary or required, as part of the permitting process, as a result of a lawsuit, or in response to comments on California Environmental Quality Act (CEQA) documents or general plans. In many cases where a company cannot make adequate on-site changes to mitigate their carbon impacts, AQMD staff, and others throughout the state, are being asked what exchanges have credibility and how can someone ensure that the reductions they are purchasing are real?

The high degree of uncertainty that exists relative to greenhouse gas offsets is readily apparent. Recent newspaper articles continue to question whether certain offsets are real, and if the markets are producing desired results. In January 2008, the New York Times published an article titled “F.T.C. Asks if Carbon-Offset Money is Well Spent”. The Federal Trade Commission (FTC) is responsible for advertising claims, and held public hearings on green marketing, including carbon offsets. The article cited a heightened potential for deception

and instances where assertions made about offsets were not substantiated. Also in January 2008, the Attorney General asked the FTC to guard against fraud in the carbon offset market by sharpening guidelines. This was requested because the offset market is volatile, largely unregulated, and has serious potential for fraud.

In May 2008, the Stanford Daily published an article that made the point that greenhouse gas credits may not actually reduce emissions. Research was cited that showed a substantial portion of offsets did not represent real emission reductions. In February 2008, three Wall Street banks announced that they would be working on setting standards to assess environmental risk related to carbon emissions.

In the CEQA arena, the Attorney General sued a northern California refinery for failure to conclude whether greenhouse gas emissions from a project were significant and for failure to mitigate those emissions. That refinery is paying the Bay Area AQMD \$7 million to a carbon offset fund, which will be used to reduce greenhouse gases. A San Joaquin dairy expansion project also received comments from the Attorney General regarding their CEQA document. The comments included a recommendation to consider additional on-site mitigation or purchasing offsets to mitigate increases in pollutants that contribute to climate change impacts.

The County of San Bernardino entered into a settlement agreement with the Attorney General for failure to analyze and mitigate greenhouse gas emissions in their General Plan. The settlement requires that County develop an inventory and reduction plan for Greenhouse gases. AQMD staff is assisting the County staff in their inventory development.

Recently, staff has analyzed, under CEQA, greenhouse gas emissions related to a Chevron project in the South Coast, and Chevron has agreed to pay the AQMD to mitigate greenhouse gas emissions that still result after on-site improvements. Many more projects are in the pipeline, and in the absence of CEQA thresholds, many project proponents will be required, or will choose, to obtain offsets as mitigation.

The staff at AQMD has decades of experience in issuing and certifying streams of emission reductions in the New Source Review (NSR) program, and also has extensive experience in the development and implementation of rules for generation of mobile and area source short-term credits (Table 1). Since 1994, AQMD staff has been implementing the Regional Clean Air Incentives Market (RECLAIM) which involves annual emission trading units and extensive tracking of trade activity. Experiences with these programs will help AQMD staff in the development and implementation of the SoCal Climate Solutions Exchange.

Background information is provided below to help set the context for why this initiative was introduced and how the SoCal Climate Solutions Exchange can become an important local program that will contribute to addressing a global problem, and help local businesses needing GHG reductions. AQMD involvement will provide confidence to emission reduction generators and subsequent users.

Climate Change

Global warming results from an imbalance in the amount of solar radiation that is absorbed by the Earth or reflected back into the atmosphere. When particles or gases in the atmosphere cause more solar radiation to reflect back to Earth, increased temperatures occur.

In 1988, the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) established the Intergovernmental Panel on Climate Change (IPCC), a scientific intergovernmental body to analyze climate change impacts. The *IPCC Summary for Policymakers of the Synthesis Report of the IPCC Fourth Assessment Report, November 2007*, reports that the prevailing scientific view is that warming of the climate system is unequivocal. There are increases in global average air and ocean temperatures, widespread melting of snow and ice, and rising global average sea level. The IPCC also reports that global greenhouse gas emissions due to human activities have grown since pre-industrial times, with an increase of 70 percent between 1970 and 2004.

For California, impacts have been projected for a range of climate change scenarios in 2070 – 2099 in a California Energy Commission (CEC) report, *Our Changing Climate: Assessing the Risks to California (2006)*. Business-as-usual is projected to result in 8 to 10.5 degrees Fahrenheit increase, with 90 percent loss of Sierra snow pack, 22-30 inches sea level rise and 3-4 times the number of heat wave days. Even with the Governor's aggressive target of lowering California's greenhouse gas emissions to 80 percent below 1990 levels by the year 2050, projected increases of 3-5.5 degrees Fahrenheit are expected to reduce Sierra snow pack levels by 30-60 percent, bring about 6-14 inches of sea level rise, and result in 2-2.5 times the number of heat wave days.

Additional climate change impacts include health problems resulting from exacerbation of air pollution due to increased temperatures and more ozone and particulate formation, and increased infectious diseases. Water-related issues include more droughts and flash floods, and a decrease in potable water supply and quality. Decreases in food supply, increases in wildfires, and decreases in forest productivity are also expected to occur.

Climate change is a global problem, one that will require actions at all levels of government to resolve. There are many programs to reduce impacts of climate change at the international, national, regional, state, and local levels. These are described in Appendix A.

Voluntary Carbon Markets

There are voluntary carbon markets in the U.S. that have been, or are being, developed in response to efforts to reduce greenhouse gases. Voluntary markets allow individuals, businesses, and organizations to offset their carbon footprint through a variety of projects world wide.

The Chicago Climate Exchange (CCX) started in 2003 and has over 300 members. Members make a commitment to reducing greenhouse gases and are given allocations with a declining balance. Selling excess allocations or purchasing allocations to match emissions with the annual allocation are part of this cap-and-trade program. Qualifying offset projects can also generate reductions which are traded on the CCX. Such offsets can be produced world-wide, which makes verification more challenging.

There will be more exchanges developing as climate change regulations become more prevalent in the U.S. In California, the CCAR has announced the development of a registration and trading program for voluntary early reductions under AB 32, focusing on offsite reductions from sources that are less likely to be regulated. In 2006, CCX announced the formation of the New York Climate Exchange and the Northeast Climate Exchange, who will develop instruments for Regional Greenhouse Gas Initiative (RGGI) in 2009.

RGGI is an agreement that is signed by the Governors of 10 member states, including: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. The states agree to cap emissions from fossil-fuel fired electric generation plants larger than 25 MW at current levels for 2009. A cap-and-trade program is in place with a 10 percent decrease in greenhouse gas emissions by 2019.

LEGAL AUTHORITY

The AQMD obtains authority to adopt, amend, or repeal rules and regulations from Health and Safety Code Sections 39002, 40000, and 40001.

PUBLIC PROCESS

The Governing Board established a Climate Change Committee, which met on March 20, 2008 and May 28, 2008 to work with staff on this initiative. In addition, Climate Change was extensively discussed at the Governing Board's April 17, 2008 retreat.

Staff has been working with a Technical Advisory Group comprised of representatives from CARB, CCAR, environmental and community groups, industry, academic institutions, and local government. This group has helped brainstorm initial concepts and provided valuable insight and perspectives on key design elements. The input from this group has influenced staff's recommendations/concepts, which are reflected in this White Paper. This group has met four times, on March 19, 2008, April 2, 2008, April 23, 2008 and May 22, 2008. The meetings were open to the public, and other attendees also provided beneficial input.

CARB staff has indicated that the SoCal Climate Solutions Exchange could help stimulate voluntary early reductions, which they strongly encourage. Staffs from AQMD, CARB and CCAR have all committed to work together on protocol development for the SoCal Climate Solutions Exchange. This will include the program design and protocols.

In addition, other air districts in California, through the California Air Pollution Control Officers Association (CAPCOA), have participated in an initial discussion with CARB and CCAR regarding how to best coordinate drafting protocols. CAPCOA, CARB and CCAR staffs evaluated the protocols that are planned for development, added suggestions for others that would be beneficial and determined which air district or agency is best suited for developing specific protocols. This will maximize resources and avoid potential duplicative efforts. Protocols will need input by the other agencies, as well as the public, and are

intended to be approved for use by AQMD, other air districts, CARB and CCAR. A larger selection of approved protocols will be helpful for facilities and for each of these agencies. As additional suggestions are made for other protocols, CARB, CCAR, and CAPCOA or AQMD will determine which agency or district should evaluate the proposal for potential protocol development.

SoCAL CLIMATE SOLUTIONS EXCHANGE

The SoCal Climate Solutions Exchange is envisioned to help stimulate voluntary early actions for reducing greenhouse gases. Greenhouse gas emission reductions that rigorously follow approved protocols, and are certified and monitored by AQMD staff will provide confidence that emission reductions are real and will continue to be maintained over the life of the project. This will provide a valuable service for facilities needing CEQA mitigation now, and the certified reductions may have possible use with future AB 32 compliance. This will depend on regulations that CARB will develop. Other parties may also use the GHG AQIP as a means to offset their carbon footprint using locally generated reductions.

The objectives of the SoCal Climate Solutions Exchange are to provide high quality greenhouse gas emission reductions that enhance the local economy and capture needed co-benefits for Southern California as businesses that achieve voluntary, early reduction of greenhouse gases. The development of the protocols for quantification, and rules and procedures for certification of emission reductions, registration, trading and tracking of the certificates will ensure that any reductions in this program will meet the key criteria for any program of this nature:

- Real – the reductions actually occur;
- Additional – the reductions are not required by any regulation or would not have happened anyway;
- Quantifiable – the reductions can be measured using tools or tests that are reliable and give confidence;
- Verifiable – the action that resulted in reductions can be audited and there is sufficient evidence to show that the reduction occurred and was quantified correctly;
- Permanent – the reduction will be real and additional over a specified time period; and
- Enforceable – there is an enforceable mechanism in place to ensure that the action is implemented correctly, such as a contractual agreement with specific conditions and terms.

Any reductions must follow approved protocols so the quantification is of sufficient quality to ensure that the reductions are real and quantifiable. Certified reductions must also be additional. Additional is generally compared to regulatory requirements and common practices. The definition of “additional” for the draft rules is “the GHG emission reduction achieved throughout the duration of the activity that generates certified emission reductions

otherwise are not required or would occur as a result of any local, state, federal regulation to ensure no double counting or inappropriate granting of reductions.”

Another important criterion is that any reductions be verifiable. AQMD staff would review projects, determine if the project properly followed the appropriate protocol, and the project was executed correctly. The certified reductions must be permanent, over a specified life time which relates to the additionality of the reductions. Any reductions must also be enforceable, through permit conditions, enforceable plans, or other mechanisms to help ensure the validity of the reduction.

The SoCal Climate Solutions Exchange is envisioned to facilitate local investments, and special provisions will be included to provide incentives in environmental justice areas. Current environmental justice areas, for the District, include areas where at least ten percent of the population is below the poverty level (based on year 2000 federal census data); and either 1) the cancer risk is greater than one-in-one thousand (as determined by the AQMD MATES II study using 1998 data); or 2) the PM10 exposure is greater than 46 ug/m³ (as determined by AQMD monitoring data). The MATES III study and more recent air quality data will be used to update the cancer risk and PM2.5 exposure levels for the characterization of environmental justice areas.

Local businesses and other parties will have certainty that reductions will be of high quality, although the future need or use for these credits is yet to be determined by regulatory agencies authorizing or allowing such use. Short term needs, before CARB develops the regulatory structure and measures to implement AB 32, include the use of such certified reductions as offsets for CEQA or other mitigation.

Many greenhouse gas reduction strategies also have co-benefits of reductions of criteria or toxic pollutants. These can be especially helpful in environmental justice areas. Promoting voluntary, early reduction projects in the District can help accelerate other important clean air objectives.

DESIGN PRINCIPLES

The following design principles are suggested for development of the SoCal Climate Solutions Exchange:

- 1. Program development will occur in an open public process.*
- 2. Reductions will be real, quantifiable, verifiable, additional, enforceable, and permanent over a specified time period.*
- 3. Incentives will be available to encourage reductions in environmental justice areas.*
- 4. Program administration will be efficient, streamlined, timely, and without conflicts of interest.*
- 5. Fees associated with the SoCal Climate Solutions Exchange will enable the program to be self-sustaining.*
- 6. Information for the public and participants in the SoCal Climate Solutions Exchange will be transparent.*

Should rule development proceed, staff will work with stakeholders relative to these, and potentially other design principles in the development of the program.

SUMMARY OF PROPOSED RULES

The following is a summary of the proposed rules under Regulation XXVII - Climate Change. Staff is seeking comment on the potential impacts relative to the proposed rules.

Rule 2700 – Definitions

Rule 2700 specifies various definitions used for rules under Regulation XXVII. The definitions specified under the proposed rule support Rules 2701 and 2702 at this time and include: additional, carbon dioxide equivalent, certified emission reduction, control strategy proposal, global warming potential, greenhouse gas, greenhouse gas air quality investment program (GHG AQIP), GHG AQIP emission reduction reserve, protocol, and SoCal Climate Solutions Exchange. There is a table that lists pre-approved protocols and a table that lists global warming potentials that would be used to calculate carbon dioxide equivalents.

Greenhouse gases, for this Regulation, include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulfur hexafluoride (SF₆), hydrofluorocarbons (HFCs), or perfluorocarbons (PFCs).

One of the most important definitions is “additional”. The definition of “additional” in the proposed rule is “the GHG reduction achieved throughout the duration of the activity that generates certified emission reductions are not otherwise required or would occur as a result of any local, state, federal regulation, to ensure no double counting or inappropriate granting of reductions.” Specifics would need to be included in each protocol to define what is appropriate to consider for extra reductions. It is not the intent of this rule to exclude reduction generation opportunities from counties subject to local government ordinances or agency policies designed to achieve voluntary GHG reductions. However, explicit authorization needs to be express in order to qualify for reduction generation.

Rule 2701 – SoCal Climate Solutions Exchange

The purpose of this rule is to establish a voluntary program to encourage, quantify, and certify voluntary, high quality, greenhouse gas reductions in the District. The rule applies to projects in the District that follow pre-approved quantification protocols regardless of whether the project involves equipment or a facility that is required to have a District permit. Projects in other parts of California may also be allowed provided the project follows a protocol pursuant to Rule 2700 paragraph (a)(9) and there is an agreement between AQMD and another local air district that they will act as verifiers. Any party may purchase certified emission reductions created pursuant to the regulations. There are no restrictions from the District regarding use of certified reductions generated pursuant to an approved protocol.

The proposed rule specifies requirements for the generation, issuance, and use of certified GHG emission reductions. It also includes elements for registration and tracking of reductions, public information and an approval report. These are briefly described below.

Generation of Certified GHG Emission Reduction

Reductions could be generated by any party, following a protocol that has been pre-approved by the Governing Board. A Plan would be submitted with specific information on the project, including the protocol that will be followed, the nature of the reductions, (such as the GHGs involved and the projected amount of reductions) the funding source, the protocol that will be followed, the date that the reductions are projected to start occurring, the location of the project or activity, the length of time the project or activity is anticipated to continue, the responsible party, and the initial owner of the certified emission reductions once reductions have been verified and certified by AQMD staff. The party doing the project would notify the District and submit information required under the applicable protocol each year so reductions can be quantified. Records would be kept for at least five years and be available for AQMD upon request.

Issuance of Certified GHG Emission Reductions

Staff will evaluate complete Plan submittals within 60 days. Certified emission reductions will also be issued in a timely manner (within 90 days) of receiving complete information. Emission reduction certificates will be issued to the nearest metric ton and be given a unique tracking number. Ownership will be issued to the party or agency funding the reductions, unless the District receives authorization to another party.

Any co-benefits that result from implementing projects to reduce GHGs under this rule will be used for SIP purposes of the environment, unless the underlying GHG protocol includes a mechanism to quantify the reductions and enables the project proponent to obtain reductions other than GHGs. If public funding is involved in a project, the agency providing the funding can specify if the reductions or any portion of the reduction could be registered with another entity.

Use of Certified Emission Reductions

It is envisioned that certified greenhouse gas emission reductions generated pursuant to Proposed Rule 2701 could be beneficial for use in CEQA or other mitigations, retirement to reduce a carbon footprint (by an individual, household, facility, corporation, community, city, or other group), as a gift, or other uses, if authorized. For example, if a California, Western Climate Initiative or national program includes offsets in a future cap-and-trade program for greenhouse gases, perhaps certified emission reductions from this proposed rule would be useful for those programs. Similarly, the EU Emission Trading Scheme allows offsets from all over the world, provided certain criteria are met. That program could authorize use of the reductions generated through this proposed rule.

Registration of Certified Emission Reductions

Once certified greenhouse gas emission reductions are issued, AQMD will list them on an electronic bulletin board, which will be public information. Certificates, once issued, will not be transferable unless the transfer is recorded by AQMD. Any sales, transfers or retirements

must be reported within 5 business days of the transaction. The electronic bulletin board will be updated quickly to keep the information as current as possible.

Public Information and Program Annual Report

Public hearings will be used for pre-approval of protocols to help ensure a good public process. Staff plans to bring protocols to the Governing Board from a variety of sources, including AQMD and other air districts, CARB, and CCAR. Staff will seek CARB concurrence on protocols before bring them to the Board for approval.

Information on projects and the use of certified emission reductions will be public information. An annual report will go to the Board each year to describe what protocols have been adopted and used, as well as detailing information on the types and locations of projects and the greenhouse gases reduced. Third-party audits will also be conducted on program implementation.

Rule 2702 – Greenhouse Gas Air Quality Investment Program (GHG AQIP)

The purpose of this rule is to create a Greenhouse Gas Air Quality Investment Program (GHG AQIP) for greenhouse gas reductions in the District. Projects funded through this program will also have benefits in other pollutants that can help local and regional air quality. This rule applies to any party participating in funding for GHG reduction projects and use of certified GHG reductions are not limited by the District. The uses may include, but are not limited to, CEQA or other mitigation, retirement to reduce or eliminate a carbon footprint by an individual, household, facility, corporation, community, city, or other group, as a gift, or any other use authorized by a local, state, federal or international program.

The proposed rule includes the following key elements:

- Purpose
 - The purpose of this rule is to create a Greenhouse Gas Air Quality Investment Program (GHG AQIP) for greenhouse gas emission reductions in the District.
- Applicability
 - The applicability of this rule refers to participation in funding and authorized use of certified reductions. There are no limitations on participation. Anticipated uses of the reductions include CEQA or other mitigations, reducing a carbon footprint, as a gift, or to retire to benefit the environment. Other programs may recognize these certified GHG emission reductions and allow their use, as well.
- Requests to Use GHG AQIP
 - Requests to participate in this program are dependent on submittal of applications, participation fees, and approval by the Executive Officer.
- GHG AQIP
 - The Executive Officer will solicit proposals and select projects with Governing Board approval. This will occur within two years unless the Governing Board approves an extension. If there are excess emission reductions compared to requested amounts, the excess may be deposited into the Reserve. Staff is seeking input on the price per metric ton of CO₂E.

Certified emission reductions will be sold on a first-come, first-served basis with priority for in-Basin needs. Up to 5 percent of the fees collected may be used for AQMD administrative costs.

- Program Review
 - The Executive Officer will submit a report to the Governing Board no later than March 2009 and every 12 months thereafter.
 - The report will include comprehensive list: the amount of emission reductions that have been generated over the past 12 months, that have been obtained, and that remain in the Reserve; the number and types of facilities and parties, including locations, that have participated in the AQIP; description of the types of emission reduction control strategy projects that have been or are being implemented; the GHG criteria and toxic pollutants that have been reduced; location of the emission reduction control strategy projects; benefits of projects in Environmental Justice areas; and evaluation of the participation fee.
- Remedies
 - The proposed rule specifies consequences if a project cannot deliver the reductions that were committed. Within 12 months (or a shorter time if specified by the Executive Officer), the project proponent would have to make up the shortfall, plus 10 percent.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Pursuant to the California Environmental Quality Act (CEQA), the SCAQMD is the Lead Agency and will review the proposed project pursuant to CEQA Guidelines §15002 (k)(1). Public input is being sought to identify any potential environmental impacts resulting from implementation of these proposed rules.

SOCIOECONOMIC ASSESSMENT

A socioeconomic assessment will be conducted for Proposed Rules 2700, 2701, and 2702. Staff is seeking comment on the potential economic costs associated with the proposal.

DRAFT FINDINGS

Health and Safety Code Section 40727 requires the AQMD to adopt written findings of necessity, authority, clarity, consistency, non-duplication and reference.

Necessity

A need exists to adopt Proposed Rules 2700, 2701, 2702 to incentivize the early reduction of Green House Gases to assist in the achieving additional (surplus) early emission reductions by providing a consistent mechanism to general reductions that are real, additional, quantifiable, verifiable, permanent and enforceable.

Authority

The AQMD Governing Board obtains its authority to adopt, amend, or repeal rules and regulations from California Health & Safety Code Sections 40000, 40001, 40702, and 40725 through 40728, inclusive.

Clarity

The proposed rules have been written or displayed so that its meaning can be easily understood by persons directly affected by it.

Consistency

The proposed rules are in harmony with and not in conflict with or contrary to, existing statutes, court decisions or state or federal regulations.

Non-Duplication

The proposed rules do not impose the same requirements as any state or federal regulations. The adoption is necessary and proper to execute the powers and duties granted to, and imposed upon, AQMD.

Reference

By adopting the proposed rules, the AQMD Governing Board will be implementing, interpreting, and making specific the provisions of the California Health & Safety Code Section 40001 (rules to achieve ambient air quality standards).

AQMP/LEGAL MANDATES

Rules 2700, 2701, and 2702 under Regulation XXVII – Climate Change are being proposed as a result of a directive by the District Governing Board at its June 2008 meeting. The proposed rules are not the result of a control measure of the 2007 AQMP and there are no legal mandates to implement the program; however, the proposed rules are intended to create a mechanism to incentivize the generation of additional (surplus) early reduction of Green House Gases.

REFERENCES

SoCal Climate Solutions Exchange White Paper, South Coast Air Quality Management District, June 2008