

RULE 516
RICE STRAW BURNING ERCs
FREQUENTLY ASKED QUESTIONS

Why is this rule being promulgated?

District Rule 506, BIOMASS EMISSION REDUCTION CREDITS, has been utilized to issue some rice straw burning ERCs in the past, but these ERCs have not been recognized by the U. S. Environmental Protection Agency (EPA) for use as offsets on major sources of air pollution. This has severely limited the value of the ERCs. The District, along with other air districts in the area, have been working with EPA for over seven years to draft a rule that meets all EPA criteria for use on major source projects. This new Rule 516 meets EPA's criteria. Holders of existing ERCs generated under old Rule 506 will be able to re-apply under this new rule. Growers who do not currently hold ERCs will also be able to apply under the new rule.

Who is eligible to file for rice burning ERCs?

Growers who planted rice and burned rice straw in Placer County any time during the years of 1988 through 1992 are eligible to file for rice burning ERCs. Applicants must be able to show documentation of which parcels were used for growing rice and the acres of rice straw burned on those parcels. Applicants must be able and willing to provide a deed restriction on the property to limit future burning.

What is acceptable documentation to show rice growing and burning?

Acceptable documentation includes, but is not limited to copies of District agricultural burn permits, log books, and/or pictures. The District may be able to help with this documentation. The District still has its daily burn logs for four of the five years in the baseline period. These logs show date burned, grower, location, and acres burned.

Do I need to have burned during all five years of the baseline period?

A grower only has to document burning rice straw in one of the five years of the baseline period on a particular parcel to qualify for ERCs on that parcel.

If I have a field of 1,000 acres that I burned during the baseline period, how many acres worth of ERCs can I obtain?

Rule 516 applies to the State mandated phase-down portion of rice straw burning. Since the phase-down was 75%, the grower in this example can obtain ERCs on 750 acres. The grower would still be able to burn 250 acres after obtaining ERCs on the 1,000 acre field.

Is there a limit on the total amount of ERCs the District can issue?

Rule 516 limits the District to issuing ERCs on 10,303 acres. This is the annual average number of acres burned during the baseline period.

What happens if the District receives valid applications for more the 10,303 acres?

If the District receives verified applications for more than 10,303 acres, the applications will be prorated to adjust down to 10,303. If a grower has previously obtained rice burning ERCs in accordance with Rule 506, and he re-applies pursuant to Rule 516, then he will receive the full 75% acreage. All other applications will be adjusted downward by the same percentage required to obtain a total of 10,303 acres.

For a 1,000 acre field, what quantity of ERCs can I obtain?

Rice burning emissions are calculated using California Air Resources Board (CARB) approved factors (sometimes referred to as Jenkins II emission factors). For a 1,000 acre field, ERCs would be (in tons per year): NOx; 5.5, VOC; 5.0, PM-10; 6.7, CO; 61.3, and SOx; 1.2.

Does the District take a share of these ERCs?

The District takes 5% of calculated ERCs for its Priority Reserve Bank. The above example for 1,000 acres has been reduced by the transfer to the Priority Reserve Bank.

How are the ERCs divided among quarters of the year?

The ERCs are divided up by quarter according to historical averages. These allocations by quarter come from the Manual of Procedures (part of Rule 506). For Placer County, the percentages are: First Quarter; 24%, Second Quarter; 21%, Third Quarter; 12%, and Fourth Quarter; 43%.

What about a deed restriction on future burning?

Prior to issuance of an ERC, a deed restriction must be placed on the parcel by the property owner. The application for ERCs must be accompanied by a statement of intent to file a deed restriction limiting agricultural burning to 25% of the total acres. A final copy of the deed restriction must be submitted to the District before the ERCs are issued.

What is the restricted burn list?

Prior to the issuance of an ERC, the District will place the parcel on a restricted burn list. In each calendar year, no agricultural burn permit may be issued for greater than 25% of the acreage of any parcel listed on the restricted burn list.

What is the application filing period?

If Rule 516 is adopted by the Board on February 19, 2009, a six-month filing period will end on August 19, 2009. Applications submitted after this date will not be eligible for ERCs under this rule.

What records will I need to keep after I obtain ERCs?

The initial ERC holder or current land owner needs to keep records of the amount of acres, crop type and burning that occurs on a parcel that has obtained ERCs. These records must be kept for five years.

When will the District issue the ERC certificates?

Rule 516 allows the District 180 days after the application filing deadline to issue the ERCs.

What will this cost me?

A grower can include all parcels in a single application. The application fee is currently \$226.50. The application fee will be adjusted by the California Consumer Price Index (CPI), for applications received on or after July 1, 2009. The District intends to recover actual costs for reviewing applications, verifying burning information, calculating ERC values, and issuing ERCs. These costs will be accumulated and divided evenly among the applicants. These costs will be billed at the time the ERCs are issued. It is estimated that each grower will be billed on the order of \$1,000.

What is the value of these new ERCs?

There is an open market for ERCs. Past value is no guarantee of future value. However, in the Sacramento region there currently is almost no supply of NOx and HC ERCs which has driven up the price for the few transactions that have taken place in the past few years. CARB provides data on ERC transactions on their website, with 2006 the most recent data. For the Sacramento region, average sale prices for 2006 year transactions were:

- NOx: \$29,276 per ton
- HC: \$20,113 per ton
- PM-10: \$4,658 per ton
- SOx: \$11,924 per ton
- CO: \$3,975 per ton

Why are ERCs needed?

When an existing stationary source of air emissions wants to expand, or a new source is required to obtain an air emission permit, emissions over a threshold level trigger “offsets”. This means that the permit applicant must provide Emission Reduction Credits to the Air District to offset the increased emissions. The distance between the location of the ERCs and the new emission source is an important factor. The greater this distance, the more offset pounds of pollutant required to be provided. The distance formula is found in District Rule 502, NEW SOURCE REVIEW.

Is there a limited area for use of ERCs?

In general practice, ERCs are used in the air basin where they are generated. ERCs generated in Placer County may be used in Placer County, Sacramento County, Yolo County, the Eastern part of Solano County, the Southern Part of Sutter County, and the Western part of El Dorado County. There are some exceptions where the ERCs can be used in other areas.

Who needs ERCs?

In recent years, the electric utility companies with new or expanded power plants have purchased ERCs. The utilities require a large amount of ERCs when they build a new power plant.