RULE 506 BIOMASS EMISSION REDUCTION CREDITS AND BANKING

Adopted: 08-08-96

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100 GENERAL

101 PURPOSE:

- To provide a mechanism for open biomass burning sources to quantify, certify and deposit biomass emission reduction credits, including reductions in burning as part of the required phasedown of rice straw burning.
- To ensure that open biomass burning is prohibited for a parcel for which an Emission Reduction Credit exists.

102 APPLICABILITY OF THIS RULE:

This rule applies only to the quantification, certification, and deposit of Emission Reduction Credits (ERCs) from open biomass burning. Emission reductions which are not derived from the open burning of biomass are subject to Rule 504, EMISSION REDUCTION CREDITS. The use of emission reduction credits for offsets is subject to the requirements of Rule 502, NEW SOURCE REVIEW.

110 EXEMPTIONS, PUBLIC NOTICE REQUIREMENTS:

Biomass burning credits for applied for less than 7,500 pounds per quarter per pollutant (less than 49,500 pounds for Carbon Monoxide), or for parcels smaller than 500 acres are exempt from the public notice requirements of Section 402.6.

200 DEFINITIONS

- **201 ACTUAL EMISSIONS:** The measured or estimated emissions that most accurately represent the emissions from a parcel.
- **ACTUAL EMISSION REDUCTIONS:** A reduction in actual emissions from a parcel selected for banking. Actual emission reductions shall be calculated on a quarterly basis, pursuant to Section 405.7 of this rule and shall be expressed as pounds per calendar quarter.
- **AFFECTED POLLUTANT:** Reactive organic compounds (ROC), nitrogen oxides (NOx), sulfur oxides (SOx), particulate matter (PM10), carbon monoxide (CO), lead, vinyl chloride, sulfuric acid mist, hydrogen sulfide, total reduced sulfur, and reduced sulfur compounds, or any other pollutant or precursor for which an ambient air quality standard has been established by the U.S. Environmental Protection Agency (EPA) or the California Air Resources Board (ARB).
- **204 APPLICANT:** A person, entity, landowner or their designee applying for an ERC Certificate.
- **BANKING:** The system of quantifying, adjusting, certifying, recording, and storing ERCs for future use or transfer. This system shall be called the Emission Reduction Credit Bank (ERC Bank).
- **BIOMASS:** Material derived from the harvesting of crops or removal of vegetation, including timber, except for material from processed dimensional timber.
- **207 ENFORCEABLE:** Verifiable and legally binding.

- **208 EMISSION REDUCTION CREDITS (ERCs):** Actual Emission Reductions that are registered with the District in accordance with this rule. Reductions will be specified by pollutant, by location, and in units of pounds per calendar quarter.
- **209 ERC CERTIFICATE:** A document certifying title to defined quantity and type of emission reduction credits issued by the District to the owner(s) identified on the Certificate.
- 210 HISTORICAL ACTUAL EMISSIONS: For the purposes of this rule, historical actual emissions are those emissions which occurred during the baseline years (1988 through 1992).
- **MANUAL OF PROCEDURES:** A document which sets forth procedures relating to the application, calculation, review, registration, tracking and use of emission reduction credits arising from the reduction in open burning of biomass material as provided in this rule.
- **NO BURN LIST:** A list of parcels for which ERCs exist and which will not receive burn permits.
- **213 OFFSET:** The use of an emission reduction credit to compensate for an emission increase of an affected pollutant from a new or modified source subject to the requirements of Rule 502, NEW SOURCE REVIEW.
- **PARCEL:** For purposes of this rule, is a legally identifiable piece of land, or a portion of that land, as registered with the County Assessor's office for property tax purposes.
- **PERMANENT:** The quality associated with ERCs which endure for the life of the project utilizing said ERCs as offsets, or for the length of time such ERCs are certified in the District's Register. Only permanent reductions in emissions can qualify for emission reduction credit.
- **PRIORITY RESERVE BANK:** A depository for preserving emission reduction credits pursuant to Rule 505, PRIORITY RESERVE.
- **QUARTERLY:** Pertaining to any calendar quarter beginning in January, April, July, and October.
- **218 REAL:** Actually occurring, implemented, and not artificially devised.
- **219 REGISTER:** For purposes of this rule, the Register is the document that records all ERC applications, deposits, withdrawals, transfers, and other transactions including the claiming of open biomass burning offset credits by stationary sources existing prior to the adoption of this rule.
- **REGISTERED OWNER:** The person, entity, landowner or their designee in whose name the ERC Certificate is issued and listed in the Register.
- **SOURCE:** For purposes of this rule, open biomass burning on a parcel will be considered a source and such activity requires an annual burning permit issued by the District.
- **TRANSFER:** The change in ownership of an emission reduction credit from one person or legal entity to another.

300 STANDARDS

301 ELIGIBILITY OF EMISSIONS REDUCTIONS FOR CREDITS:

Only actual emission reductions as defined in Section 202 of this rule, will be eligible for credits. Such reductions will be deemed to have occurred when such parcel(s) has been put onto the no burn list. The District may claim emission reductions not applied for as ERCs under this rule, from any source, and use such emission reductions toward attainment of air quality standards or deposit the emission reductions into the Priority Reserve Bank. Emission reductions shall be real, enforceable, quantifiable, and permanent.

302 TRANSFER AND USE OF EMISSION REDUCTION CREDITS:

Except as provided below, registration and transfer of emission reduction credits shall be pursuant to Section 410 of Rule 504, EMISSION REDUCTION CREDITS and the Manual of Procedures.

Nothing in this rule prevents the lease or temporary transfer, in whole or in part, of ERCs certified pursuant to this rule. However, no leases or transfers of ERCs shall be made until application is made to the District and approval given by the APCO.

400 ADMINISTRATIVE REQUIREMENTS

401 APPLICATION PROCEDURES:

- 401.1 Any person, entity, landowner, or authorized agent, who is eligible for an emission reduction which has occurred, or will occur, may apply for an ERC Certificate in accordance with the requirements of this rule. If the applicant is not the landowner, written authorization from the landowner must be included with the application for an ERC Certificate.
- The person or entity requesting the ERC Certificate shall make an application on forms supplied by the District.
- The application may be for reductions in one or more affected pollutants. The application shall contain sufficient information to allow for adequate evaluation of actual emission reductions. The application for an ERC Certificate may include more than one parcel but must have separate emission calculations for each parcel or portion of a parcel covered in the application.
- 401.4 In accordance with applicable provisions of the Federal Clean Air Act, California Government Code, and the California Health and Safety Code applicants may claim confidentiality of information contained in the application.
- 401.5 Initial applications for emission reduction credits from historical actual emissions shall be submitted by December 1, 1996.
- Subsequent applications for reductions in open biomass burning must be submitted by May 1 of each year. The application may be submitted for any burning reductions occurring in the previous or current calendar year ending December 31.
- 401.7 At the time of application, the applicant for ERCs must provide information to the District on the disposition of the biomass.

401.8 Verification of actual emission reductions, including historic actual emission reductions, shall be in accordance with Section 405 and the Manual of Procedures.

402 ADMINISTRATIVE PROCEDURES AND TIMETABLE:

- 402.1 The APCO shall determine whether an ERC application is complete no later than thirty (30) calendar days following receipt of the application, or after a longer time period agreed upon in writing by both the applicant and the APCO.
- 402.2 Upon determination that the application is complete, the APCO shall notify the applicant in writing. Thereafter, only information to clarify, correct, or otherwise supplement the information submitted in the application may be requested by the District. No notification regarding application completeness need be made if the District determines that the ERC may be issued within fifteen (15) calendar days of the receipt of an original or a revised application, and the issuance of ERC Certificate(s) will serve notice of application completeness.
- 402.3 If the APCO determines that the application is not complete, the applicant shall be notified, in writing, of the decision, specifying the additional information that is required. The applicant shall have sixty (60) days, or a longer time period agreed upon in writing by both the applicant and the APCO, to submit the requested information. Upon receipt of additional information, the APCO shall have another thirty (30) days to determine completeness. If no information is submitted or the application is still incomplete, the APCO may cancel the application with written notification to applicant.
- 402.4 Withdrawal of a ERC application by an applicant shall result in cancellation of the application. Any re-submittal will be processed as a new application.
- 402.5 Upon determination that an application is complete, the APCO shall have 180 calendar days to take final action. During this time period, the District shall follow the public notification procedures in Subsections 402.6 and 402.7.
- 402.6 Except as provided in Section 110, upon completion of the preliminary evaluation of the application, the APCO shall provide written notice of such to the applicant and shall also provide written notice to the ARB and the EPA and publish notice in a local newspaper of general circulation. The notice shall specify the applicant, the quantity of emission reduction credits requested and a copy of the preliminary evaluation.
- 402.7 Publication of the notice required in Subsection 402.6 shall commence a thirty (30) day public comment period during which the APCO shall accept written comments on the merits of the preliminary evaluation. Upon conclusion of this thirty (30) day period, the APCO shall have another thirty (30) days to render a final decision to approve, conditionally approve, or deny the application taking into consideration all written comments. This final decision shall be provided in writing to the applicant.
- 402.8 The applicant or any other party may appeal the APCO's final decision following provisions specified in Regulation 7, PROCEDURE BEFORE THE HEARING BOARD.

403 REGISTRATION OF EMISSION REDUCTION CREDITS:

- 403.1 The District shall maintain a Register, which shall consist of the following:
 - a. A record of all deposits, withdrawals, and other transactions with regard to the District's banking system.
 - b. A record of all emission reduction credits derived from reduced burning within the District which are claimed by stationary sources existing prior to the adoption of this rule (pre-existing source).
- In the event that emission reduction credits are claimed by a pre-existing stationary source and obtained from outside the District, the District shall report the claiming of such credits to the District of origin of the biomass material.
- In the event that emission reduction credits are claimed by a new or modified stationary source as offsets and obtained from outside the District, the District shall report the claiming of such credits to the District of origin of the biomass material.
- The APCO may grant an ERC Certificate only after the parcel which will have the ERCs is placed on the no burn list.
- When all the requirements of this rule have been satisfied and the parcel is on the no burn list, the APCO shall issue the ERC Certificate. After granting an ERC Certificate, title to such Certificate shall be entered into the Register. Such information may be made available for public inspection.
- All ERC Certificate information concerning titles, interests, liens, restrictions, encumbrances, and other changes of record shall be identified in the District's Register until the Certificate is canceled or nullified by operation of law.
- 403.7 Each ERC Certificate shall be numbered, bear the date of issuance, be signed by the APCO, bear the seal of the District, and contain information regarding the quantity and type of ERCs. One copy of the ERC Certificate shall be retained by the District and the original shall be delivered to the applicant. Transmittal of the ERC Certificate to the owner shall be accomplished in person or by registered mail. The person accepting the ERC Certificate shall sign a receipt therefor and provide such proof of identity as the APCO may require.
- 403.8 At the option of joint owners of ERCs, such joint owners may receive one ERC Certificate for the entirety or separate ERC Certificates reflecting each proportional share. The District's register shall reflect the consolidation or separation of the ERCs.
- Title to an ERC Certificate shall be deemed registered at the time the required information concerning the ERC is entered into the Register. The title for ERC's will be vested with the landowner or the landowner's designee and shall inure to the benefit of his or her heirs.
- 403.10 All dealings with ERCs and all liens, restrictions, encumbrances, and changes subsequent to the first registration shall be deemed to be subject to the terms of this rule, and to such amendments and alterations as may hereafter be made.

The APCO may reissue lost or destroyed ERC Certificates after the owner certifies in writing that the original has been lost or destroyed.

404 ADJUSTMENTS TO EMISSION REDUCTION CREDITS:

- 404.1 Except as provided in Subsection 404.2, below, the District shall place five percent (5%) of the emissions reductions before ERCs are granted in the Priority Reserve Bank pursuant to Rule 505, PRIORITY RESERVE.
- An applicant may restrict use of the ERCs only for applicant's own future use, at the same parcel or site, in which case the District will not adjust the ERCs pursuant to Subsection 404.1. The applicant may have the restriction removed by the District upon payment of costs incurred by the District to re-issue an unrestricted ERC Certificate.
- Deposits are permanent until used by the depositor or any party to whom the ERC Certificate has been transferred. After issuance of the Certificate, subsequent changes in the District's Rules and Regulations to require the type of emission reduction which has been banked shall not reduce or eliminate the ERC.
- Owners of ERC Certificates may donate their ERCs to the District for purposes of assisting the District towards attainment of the air quality standards.

405 OPEN BIOMASS BURNING ERC CALCULATIONS:

The Manual of Procedures contains emission factors (EF), fuel loading factors (FL), default historical burn fractions (HBF), and default quarterly burn fractions (QBF). Default HBFs and QBFs shall be used to calculate the ERCs. An alternative use of parcel specific HBFs and QBFs may be used after a methodology is developed and receives written ARB concurrence. The alternative method is to address specific geographic areas with specific air quality problems. The following information will be used in the calculation of ERCs, however when using default HBF and QBF factors, paragraphs 405.3 and 405.4 below do not apply:

- Basic information: The applicant shall provide data on the crop type, exact location of the parcel including assessor's parcel number and other information regarding parcel location required in the Manual of Procedures, acreage burned (AB), and date(s) of open biomass burning within the historical actual emissions period. The applicant shall use District burn permit/authorization records or other verifiable records to validate the information as specified in the Manual of Procedures.
- Acreage Burned (AB): The applicant for emission reductions credits shall provide the acreage burned for each parcel(s) of land for which ERCs are applied. Acreage must have been burned for at least one of the five (5) years from 1988 through 1992. The applicant shall use District burn permit/authorization records or other verifiable records to determine the acreage.
- Historical Burn Fraction (HBF): The applicant shall provide data on historical biomass burn percentage, set forth in the Manual of Procedures, for the parcel(s) during the five (5) baseline years of 1988 through 1992. The historical burn fraction (0-1) is an adjustment to the amount of ERC available. The applicant may use District burn permit/authorization records or other

- verifiable records to determine the amounts of prior burning. For rice straw burning a historical burn fraction of one (1) will be used for the parcel(s).
- 405.4 Quarterly Burn Fraction (QBF): The applicant shall provide available data on quarterly biomass burning, set forth in the Manual of Procedures, for the parcel(s) during the five (5) baseline years of 1988 through 1992. The QBF represents the quarterly distribution of historical burning for the baseline years. The applicant may use District burn permit/authorization records or other verifiable records to determine the date(s) of burning.
- The biomass Fuel Loading (FL) and Emission Factors (EF) set forth in the Manual of Procedures shall be used for the crops indicated. Alternatively, the applicant may propose, and the District shall select, the appropriate biomass fuel loading and emission factors to be used in the calculations from the Annual Agricultural Burning Plan for the Sacramento Valley Air Basin or the applicant may propose other best available data which is acceptable to the APCO.
- by the ERC Certificate to allow for continued burning of a portion of the total acreage of the parcel. This reduction will be reflected in the emission reduction credits applicable to the parcel(s). The portion of the parcel withheld from the ERC calculation (i.e. the acreage eligible for a burn permit) must be clearly identified. This portion will not be allowed to change without prior District notification and approval.
- The District will determine a quarterly ERC value for each pollutant based on the following calculation:

405.8 Stationary sources which have applied for an Authority to Construct prior to the date of adoption of this rule, and which thereafter apply for ERC(s), may utilize the calculation procedures contained in the Manual of Procedures on the date of first adoption of this rule.

406 REVISION OR CANCELLATION OF ERC CERTIFICATES:

Revision or cancellation of ERC Certificates at the request of the registered owner to allow burning of a parcel(s) for which ERCs have been granted may be handled as follows, with prior written approval from the APCO:

- The registered owner may request that the District reduce the quantities of the emissions covered by the ERC Certificate by the amount of emissions associated with the reduced acreage requested. After the District revises the ERC Certificate that portion of the parcel may be burned in accordance with current agricultural burning regulations. The portion of the parcel that is covered by the discount acreage (i.e. the acreage eligible for a burn permit) must be clearly identified. This portion will not be allowed to change without prior District notification and approval.
- The registered owner may surrender the ERC Certificate to the District for cancellation and burn the parcel(s) pursuant to current agricultural burning regulations. Priority Reserve ERCs acreage may not be burned.

407 DISTRICT ENFORCEMENT CONSIDERATIONS:

District enforcement considerations related to ERCs are the following:

- 407.1 To meet the requirement of enforceability, a contract, permit conditions, no burn list, and/or other means shall be utilized.
 - a. The primary means of ensuring that biomass ERCs are permanent will be by placing the parcels on a no burn list. No burn permit will be issued for a parcel if an ERC is currently in effect for that parcel unless the registered owner applies for cancellation, modification or substitution of the ERC under Section 406.
 - b. To further ensure the enforceability of ERCs and offsets from open biomass burning, an owner of a parcel with ERCs who is preparing to sell that property shall either:
 - 1. Place a restriction on the parcel title, prior to sale, foregoing all open biomass burning on the parcel, or
 - 2. Submit an application for transfer of ownership of the ERCs to the new landowner, within 14 days after the transfer of title to the parcel, consistent with the transfer procedures of this rule. The ERCs shall automatically terminate 15 days after transfer of the land to a new owner unless the registered owner has complied with either of the two options in this Subsection (2).
 - 3. Emission reduction credits used to offset project emissions in another district shall be implemented through an interdistrict agreement to ensure their enforceability and permanence.
- To further ensure enforceability of this rule refer to the Manual of Procedures which contains ERC and offset tracking, open biomass burn permitting, and other procedures related to the implementation of the rule.

500 RECORDS AND MONITORING

501 RECORDKEEPING:

The owner or operator of any project which claims open burning emission reduction credits pursuant to Health & Safety Code Sections 41605.5 or 42314.5 must keep a daily log of biomass received by type, origin, quantity, and date.

- 501.1 Biomass cogeneration or resource recovery facilities shall be required to prepare, and submit to the District, a quarterly report on their emissions and corresponding biomass offsets.
- 501.2 Biomass cogeneration or resource recovery facilities shall provide an annual status report on biomass contracts for the following year prior to the annual renewal of the Permit to Operate.