

Texas International Trading Rules

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TCEQ

History

- Senate Bill 7, 76th Legislature, 1999
 - Allowed the use of emission reductions from Ciudad Juarez to be used in lieu of allowances under a state cap & trade program from “grandfathered” electric generating units
- Senate Bill 1561, 77th Legislature, 2001
 - Allowed the use of reductions from outside the United States to satisfy otherwise applicable requirements
 - Allowed reductions in one air contaminant to satisfy the requirements of another air contaminant

Trading Programs

- Emission Reduction Credits (ERC)
- Discrete Emission Reduction Credits (DERC)
- Emissions Banking and Trading of Allowances (SB7)

Emission Reduction Credits

- Applicable in nonattainment areas only
- Any criteria pollutant or precursor
- Long-term credit; measured in tons per year
- Reductions must be real, surplus, quantifiable, permanent, and enforceable
- Traditionally used to satisfy offsetting requirements for nonattainment new source review

Discrete Emission Reduction Credits

- Applicable in both attainment and nonattainment areas
- Any criteria pollutant or precursor
- Short-term, retrospective credit; measured in tons
- Reductions must be real, surplus at the time of generation, and quantifiable
- Traditionally used to temporarily comply with an emission reduction requirement

Emissions Banking and Trading of Allowances

- State cap and trade program for “grandfathered” electric generating units
- Established caps on NO_x and SO_2 emissions
- Three trading regions: East, West, and El Paso
 - May only trade allowances within each trading region
 - El Paso region consists of only El Paso County

Use of International Reductions

- Reductions generated outside the U.S. may be used in lieu of an ERC, DERC, or EBTA allowances
 - TCEQ does not provide a bank for international reductions
- Must meet the same certification requirements applicable to each program
 - ERC - real, surplus, quantifiable, enforceable, permanent
 - DERC – real, surplus, quantifiable
 - EBTA – real, surplus, quantifiable, enforceable

Use of International Reductions continued

- Trade must provide a greater health benefit to the area
- Use of the reduction must not cause localized health impacts
- User must be located within 100 kilometers of the Texas - Mexico border
- Trades are subject to TCEQ and EPA approval

Surplus

- Reduction must be surplus to applicable international, federal, state, or local laws
- In using reductions for federal requirements, the source generating the reduction must have been included in State Implementation Plan (SIP) modeling
 - Nonattainment new source review offsets
 - Alternative compliance with SIP required reductions

Enforceable

- Enforceability requirements placed on user
- Enforcement mechanisms:
 - Permit condition requiring third party contractor to perform inspections
 - Require user to maintain records
 - Require submittal of quarterly reports by user
- User is ultimately liable for ensuring reductions outside the U.S. are occurring

Health Benefit

- Determination made on a case-by-case basis
- Health benefit determination will take into account:
 - Amount of air contaminant removed
 - Frequency an air contaminant has exceeded the national ambient air quality standard
 - Existing State Implementation Plan demonstrations
 - Air quality index
 - Air dispersion modeling

Interpollutant Trades

- International reductions may involve interpollutant trades
- Reductions in one air contaminant for which an area is designated as nonattainment may be substituted for reductions in another air contaminant for which the area is also designated as nonattainment
- Substitution must result in greater overall health benefit to the area

Additional Information

- Report to the 78th Texas Legislature on implementing Senate Bill 1561
 - http://www.tceq.state.tx.us/assets/public/comm_exec/pubs/sfr/080.pdf
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