



BLUESCAPE
ENVIRONMENTAL

The South Coast AQMD Moratorium on Permits

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Webinar Agenda

- Importance of offsets, a.k.a. emission reduction credits (ERCs)
- Describe the Permit Moratorium Situation
 - Recently issued Permits to Construct (P/Cs)
 - Pending and new P/C applications
- Strategies to Go Forward
 - Analysis factors to consider
 - Permitting strategies
 - ERC Market strategies
- Questions and Comments

About BlueScape

- Air quality permitting & compliance
- New Source Review; CA and national
- Air quality modeling tools; ISCST3, AERMOD, HARP
- ERC applications and market strategies
- Greenhouse gas management, AB32, registries, carbon life-cycle analysis
- 20 years experience with industries in South Coast
- High-level regulatory strategies to move business forward

See www.bluescapeinc.com/about/index.html for more information.

Role of Offsets / ERCs in Permitting

- New Source Review (NSR) - Regulation XIII
 - Rule 1303 requires offsets for nonattainment pollutants
 - District policy, emission increases 0.5 lb/day and greater
- Rule 1304 exemptions
 - Facility exemption
 - Identical replacement
- Rule 1309.1 offset bank (Priority Reserve) for essential projects
- Exemptions previously funded by the District offset Bank
- Market Supply & Prices (*please call us for current pricing*)

The Situation

- LA Superior Court Ruling (BS110792)
 - NRDC et. al v. SCAQMD
 - Challenged Rule 1315, Offsets Tracking
 - Failure to comply with CEQA
- Rule 1309.1 Priority Reserve no longer available
- Rule 1304 exemptions no longer available
- Ruling is potentially retroactive, invalidating already issued P/Cs
 - P/Cs after Aug. 3, 2007 (current Rule 1315 date)
 - Also may impact P/Cs after Sep. 8, 2006 (date of rescinded Rule 1315)

What Does it Mean?

- Certain existing P/Cs could be revoked without ERCs
- Certain new P/Cs won't be issued without ERCs
- Market ERCs not be a viable option for many applicants – ERC cost may exceed equipment cost
- Potential impacts:
 - Every segment of the Southland economy
 - From backup diesel engines to the largest power plants
 - Remedies may exist but will take careful analysis and hard work by stakeholders
 - *Impossible situation? Something has to give!*

District Remedies

- Initial District approach with facilities
- Court appeal, stay on invalidating existing P/Cs only
- Program that addresses court decision
- New District Bank Rules: 9-12 months to develop
- Rule 1309.1 amendments will not be adopted
- Uncertain what will happen with large, essential projects
- District NSR stakeholder workshop, Jan 21 1 PM

Analysis: Factors to Consider

- Applicability - Does this situation apply?
 - Relied on the District Bank for offset exemptions?
 - P/C Granted after Sep. 8, 2006
 - P/C Pending or New P/C Application?
 - Permit actions not subject to the moratorium
- Need, can you *afford* to wait to act?
 - Permit process length and difficulty
 - ERC scarcity and market direction
 - Business opportunity
- Costs, to purchase market ERCs versus other options

P/Cs Already Issued - Strategies

- SCAQMD court appeal succeeds, maybe no problem
- SCAQMD fails the court appeal
 - P/C may be revoked unless offsets procured
 - District may file enforcement action
 - Time may be limited to obtain offsets
 - Will new remedies be developed?
- What is your Game Plan?
 - Continue forward with capital investments, or stop construction / operation?
 - Re-permit now to reduce ERC cost? Or, have a re-permitting strategy ready in case the appeal fails?
 - Buy offsets now, or wait until the District notifies you?
 - Other options?

New and Pending P/Cs - Strategies

Examples from the District fact sheet:

- New or Modified Equipment – keep emissions to below 0.5 lb/day increase per pollutant**

***Beware cumulative increases!*

- Equipment Modifications – permit with no increase in emissions
- Stay under existing facility VOC emissions cap

ERC Market Strategies

- Buy or use ERCs if no other option
 - Buy or use ERCs now
 - Buy ERCs later if you can wait
 - Risks either way
- Imperfect market, shop around
- Use brokers and attorneys, understand risks
 - Pricing
 - Due diligence; location, validity
 - Contracts and escrow

Conclusions

- Not a good situation – *“could create substantial hardships for many facilities.”*
- Analyze your business exposure, decide what to do
- Monitor the developing situation
- Get help – experienced consultants, ERC brokers, and AQMD staff
- BlueScape will help you:
 - Review your permit situation, business goals and other factors
 - Develop and analyze various options
 - Go forward

Questions?

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