

Agenda Date: May 21, 2009  
Agenda Placement: Admin  
Estimated Time: N/A  
Continued Item: No

## **Board Agenda Item**

**TO:** Air Pollution Control District Board

**FROM:** Terry Dressler, Air Pollution Control Officer

**CONTACT:** Brian Shafritz (961-8823)

**SUBJECT:** Transfer of Emission Reduction Credits from Santa Barbara County for use in San Luis Obispo County

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### **RECOMMENDATION**

Adopt a resolution approving the use of emission reduction credits (“ERCs”) from Santa Barbara County to offset emissions increases in San Luis Obispo County.

### **DISCUSSION**

The Santa Barbara County Air Pollution Control District (APCD) issued ERC Certificate No. 0116-0709 to E&B Natural Resources Management Corporation on July 8, 2004. E&B obtained the ERCs by electrifying a gas compressor engine at the E&B South Cuyama stationary source subject to Santa Barbara APCD permit. The certificate qualified 9.80 tons per quarter reactive organic compound (ROC) emission credits.

E&B submitted a request to use a portion of the ROC credits (0.10 tons per quarter) to mitigate a project at E&B’s Russell Ranch Unit Oilfield in San Luis Obispo County. Inter-district use of ERCs is allowed by the California Health and Safety Code, contingent on approval by the Board of Directors of the district where the ERC was generated and approved (see below).

## HEALTH AND SAFETY CODE REQUIREMENTS

Section 40709.6 of the Health and Safety Code authorizes a district to allow use of emission reduction credits from another district within the same air basin. That section also requires the credit to be approved by resolution by the governing board of each district and that each governing board consider the impact of such offsets on air quality, public health and the regional economy.

Listed below are the applicable sections of the Health and Safety Code and how each requirement has been addressed:

**“40709.6.(a) Increases in emissions of air pollutants at a stationary source located in a district may be offset by emission reductions credited to a stationary source located in another district if both stationary sources are located in the same air basin...”**

*Both San Luis Obispo County and Santa Barbara County APCD's are within the same air basin.*

**“(b) The district, in which the stationary source to which emission reductions are credited is located, shall determine the type and quantity of the emission reductions to be credited.”**

*The Santa Barbara County Air Pollution Control Officer issued ERC certificate 0116-0709 in accordance with APCD Rule 806, and qualified 9.80 tons per quarter of ROCs.*

**“(c) The district, in which the stationary source at which there are emission increases to be offset is located, shall do both of the following:**

**(1) Determine the impact of those emission reductions in mitigation of the emission increases in the same manner and to the same extent as the district would do so for fully credited emission reductions from sources located within its boundaries.**

**(2) Adopt a rule or regulation to discount the emission reductions credited to the stationary source in the other district. The discount shall be not less than the emission reduction for offsets from comparable sources located within the district boundaries.”**

*We are advised that the San Luis Obispo County APCD has evaluated the use of these emission reduction credits to the same extent and manner as those reductions which originate within the San Luis Obispo County APCD. The San Luis Obispo County APCD advises us that they have determined that the impact of using these emission reduction credits should be insignificant. In addition, the San Luis Obispo permit for the emission increase includes an option to use Santa Barbara County generated ERCs.*

*The San Luis Obispo County Air Pollution Control District adopted a revised banking rule in November 1991 which allows for discounting emission reductions from areas outside the San Luis APCD to the same extent as those within that district.*

**“(d) Any offset credited pursuant to subdivision (a) shall be approved by a resolution adopted by the governing board of the upwind district and the governing board of the downwind district. In adopting a resolution pursuant to this subdivision, each governing board shall consider the impact of the offset on air quality, public health and the regional economy.”**

*The San Luis Obispo County APCD required ATC permit #4688 (issued 8/20/2008) for the Russell Ranch Oilfield which needs the subject offsets. The San Luis Obispo permit (Condition 2) allowed for the use of the Santa Barbara ERCs after concluding that the project emissions, which will be offset by ERCs, will have an insignificant impact on air quality or public health. The ERCs are being used to offset ROC emissions, which are precursors to ozone, a regional pollutant. The ERC provider source and the ERC recipient source are both located in the Cuyama Valley, and no ozone impacts in either county will result from the offsets.*

*The Santa Barbara County APCD Staff have analyzed the use of these ERCs and recommends that the Board adopt a resolution finding that this inter-district ERC transaction does not result in any adverse impacts to the regional economy. E&B both owns ERCs and will use the ERCs, The use of the ERCs will accommodate the enhancements to E&B's Russell Ranch Oilfield (which is located along the border of both counties).*

Attachments:

- 1) Resolution (Inter-district use of ERCs)
- 2) San Luis Obispo County APCD ATC Permit (8/20/08)
- 3) San Luis Obispo County APCD E-mail (4/30/2009)

**RESOLUTION OF THE  
AIR POLLUTION CONTROL DISTRICT BOARD  
OF THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA**

|                            |   |                      |
|----------------------------|---|----------------------|
| IN THE MATTER OF           | ) | RESOLUTION No. _____ |
|                            | ) |                      |
| INTER-DISTRICT USE OF      | ) |                      |
| EMISSION REDUCTION CREDITS | ) |                      |

**RECITALS**

1. WHEREAS, E&B Natural Resources Management Corporation (E&B) has proposed to offset emission increases from the installation of a new gas injection compressor at the Russell Ranch Oilfield in San Luis Obispo County with Santa Barbara County Air Pollution Control District ("Santa Barbara County APCD") certified emission reductions from electrification of a gas compressor engine at the E&B South Cuyama Unit in Santa Barbara County; and
2. WHEREAS, Section 40709.6 of the Health and Safety Code authorizes the use of emission reduction credits between air pollution control districts within the same air basin; and
3. WHEREAS, the San Luis Obispo County Air Pollution Control District (San Luis Obispo County APCD) and the Santa Barbara County APCD are within the same South Central Coast Air Basin; and
4. WHEREAS, Section 40709.6(b) of the Health and Safety Code requires the district, in which the emission reduction occurs, to determine the type and quantity of the emission reductions to be credited; and
5. WHEREAS, Section 40709.6(c) of the Health and Safety Code requires the district in which there are emission increases to be offset to: (1) determine the impact of the emission reductions in the same manner and to the same extent as the district would for emission reductions from sources located within its boundaries, and (2) adopt a rule or regulation to discount the emission reductions credited to the stationary source in the district in which the emission reductions occur; and
6. WHEREAS, the San Luis Obispo County APCD has determined and considered the impacts of these emission reductions and provides for the discounting of emission reductions through San Luis Obispo County APCD Rule 211; and

7. WHEREAS, Section 40709.6(d) of the Health and Safety Code requires the offset credits to be approved by resolution by the governing boards of both districts, and further requires that each governing board consider the impact of such offset on air quality, public health and the regional economy; and

8. WHEREAS, the emission reduction credit transfer will be approved through Resolution by the San Luis Obispo County APCD prior to transfer.

**NOW, THEREFORE, IT IS HEREBY RESOLVED**, as follows:

1. It is hereby determine that the type and quantity of emission reduction credits are to be as follows: 0.4 tons per year (0.10 tons per quarter) of reactive organic compounds; and

2. It is hereby determined that the use of the emission reductions listed in paragraph 1 above are approved as offsets for E&B's Russell Ranch Oilfield in San Luis Obispo County.

3. The Directors have considered such impacts pursuant to the Health and Safety Code and find that these offsets will have a beneficial effect on air quality and public health and will not adversely affect the regional economy.

**PASSED AND ADOPTED** by the Air Pollution Control District Board of the County of Santa Barbara, State of California, this \_\_\_ day of \_\_\_\_\_, 2009, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Chair, Santa Barbara County  
Air Pollution Control District Board

**ATTEST:**

TERENCE E. DRESSLER  
Clerk of the Board

**APPROVED AS TO FORM**

DENNIS MARSHALL  
Santa Barbara County Counsel

By \_\_\_\_\_  
Deputy

By \_\_\_\_\_  
Deputy