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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Office of Air Quality Planning and Standards
Research Triangle Park, North Carolina 27711

MEMORANDUM:

DATE: May 22, 1986

SUBJECT: Use of Banked Emission Reduction Credits (ERC's) as Both
External Offsets and Reasonable Further Progress (RFP) Reductions

FROM: Darryl D. Tyler, Director
Control Programs Development Division (MD-15)

TO: David P. Howekamp, Director
Air Management Division, Region IX

This is in response to your memo of April 29, 1986, in which you asked whether a source can use a banked emission reduction to comply with the offset requirement if this ERC had been relied upon to demonstrate RFP. This question has been surfaced by a source which is located in the South Coast Air Quality Management District (SCAQMD). This source wishes to use a banked emission credit for a future emissions trade when the district listed this particular reduction in the 1983 RFP report as an emission decrease to show RFP towards attainment.

From the new source review prospective, the answer to the question posed by you is at 40 CFR 51.13(j)(3)(ii)(g). This provision states that "Credit for an emission reduction can be claimed to the extent that the reviewing authority has not relied on it demonstrating attainment or RFP." Since the reviewing authority, the SCAQMD, stated in the 1983 RFP report that this ERC was to be credited towards RFP and if this 1983 RFP report is still accepted by EPA as valid, this emission reduction is not available for offsetting purposes. This "double counting" issue is just as valid for existing source bubbles, as discussed in the emissions trading policy. Also, current air quality levels in the SCAQMD greatly exceed the health-based ozone national ambient air quality standard. Further, the SIP for the area does not demonstrate attainment. It is, therefore, my opinion that the ERC at issue is also not available for SIP relaxations.