

REGIONAL GREENHOUSE GAS INITIATIVE MODEL RULE 1/5/07 final with corrections

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Subpart XX-1 CO₂ Budget Trading Program General Provisions

XX-1.1 Purpose.

This Part establishes the NAME OF RELEVANT RGGI STATE component of the CO₂ Budget Trading Program, which is designed to stabilize and then reduce anthropogenic emissions of CO₂, a greenhouse gas, from CO₂ budget sources in an economically efficient manner.

XX-1.2 Definitions.

(a) *Account number.* The identification number given by the REGULATORY AGENCY or its agent to each CO₂ Allowance Tracking System account.

(b) *Acid rain emissions limitation.* As defined in 40 CFR 72.2, a limitation on emissions of sulfur dioxide or nitrogen oxides under the Acid Rain Program under title IV of the Clean Air Act.

(c) *Administrator.* Administrator means the Administrator of the United States Environmental Protection Agency or the Administrator's authorized representative.

(d) *Allocate or allocation.* The determination by the REGULATORY AGENCY of the number of CO₂ allowances to be initially credited to a CO₂ budget unit, an allocation set-aside account, the consumer benefit or strategic energy purpose account, or the

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general account of the sponsor of an approved CO₂ emissions offset project. **[The reference to the consumer benefit or strategic energy purpose account illustrates how this account could be labeled and does not necessarily represent what an individual RGGI State will propose.]**

(e) *Allocation year.* A calendar year for which the REGULATORY AGENCY allocates or awards CO₂ allowances pursuant to Subparts XX-5 and XX-10. The allocation year of each CO₂ allowance is reflected in the unique identification number given to the allowance pursuant to subdivision XX-6.4(c).

(f) *Attribute.* A characteristic associated with electricity generated using a particular renewable fuel, such as its generation date, facility geographic location, unit vintage, emissions output, fuel, state program eligibility, or other characteristic that can be identified, accounted, and tracked.

(g) *Attribute credit.* An attribute credit represents the attributes related to one megawatt-hour of electricity generation.

(h) *Automated data acquisition and handling system or DAHS.* That component of the continuous emissions monitoring system, or other emissions monitoring system approved for use under Subpart XX-8, designed to interpret and convert individual output signals from pollutant concentration monitors, flow monitors, diluent gas monitors, and other component parts of the monitoring system to produce a continuous record of the measured parameters in the measurement units required by Subpart XX-8.

(i) *Billing meter.* To qualify as a billing meter, the measurement device must be used to measure electric or thermal output for commercial billing under a contract. The

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facility selling the electric or thermal output must have different owners from the owners of the party purchasing the electric or thermal output.

(j) *Boiler.* An enclosed fossil or other fuel-fired combustion device used to produce heat and to transfer heat to recirculating water, steam, or other medium.

(k) *CO₂ allowance.* A limited authorization by the REGULATORY AGENCY under the CO₂ Budget Trading Program to emit up to one ton of CO₂, subject to all applicable limitations contained in this Part. No provision of this regulation shall be construed to limit the authority of the REGULATORY AGENCY to terminate or limit such authorization to emit. This limited authorization does not constitute a property right.

(l) *CO₂ allowance deduction or deduct CO₂ allowances.* The permanent withdrawal of CO₂ allowances by the REGULATORY AGENCY or its agent from a CO₂ Allowance Tracking System compliance account to account for the number of tons of CO₂ emitted from a CO₂ budget source for a control period, determined in accordance with Subpart XX-8, or for the forfeit or retirement of CO₂ allowances as provided by this Part.

(m) *CO₂ allowance price.* The price for CO₂ allowances in the CO₂ Budget Trading Program for a particular time period as determined by the REGULATORY AGENCY or its agent, calculated based on a volume-weighted average of transaction prices reported to the REGULATORY AGENCY or its agent, and taking into account prices as reported publicly through reputable sources.

(n) *CO₂ allowances held or hold CO₂ allowances.* The CO₂ allowances recorded by the REGULATORY AGENCY or its agent, or submitted to the REGULATORY AGENCY

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or its agent for recordation, in accordance with Subparts XX-6 and XX-7, in a CO₂ Allowance Tracking System account.

(o) *CO₂ Allowance Tracking System.* The system by which the REGULATORY AGENCY or its agent records allocations, deductions, and transfers of CO₂ allowances under the CO₂ Budget Trading Program. The tracking system may also be used to track CO₂ emissions offset projects, CO₂ allowance prices and emissions from affected sources.

(p) *CO₂ Allowance Tracking System account.* An account in the CO₂ Allowance Tracking System established by the REGULATORY AGENCY or its agent for purposes of recording the allocation, holding, transferring, or deducting of CO₂ allowances.

(q) *CO₂ allowance transfer deadline.* Midnight of the March 1 occurring after the end of the relevant control period or, if that March 1 is not a business day, midnight of the first business day thereafter and is the deadline by which CO₂ allowances must be submitted for recordation in a CO₂ budget source's compliance account in order to meet the source's CO₂ budget emissions limitation for the control period immediately preceding such deadline.

(r) *CO₂ authorized account representative.* For a CO₂ budget source and each CO₂ budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO₂ budget units at the source, in accordance with Subpart XX-2, to represent and legally bind each owner and operator in matters pertaining to the CO₂ Budget Trading Program or, for a general account, the natural person who is authorized, under Subpart XX-6, to transfer or otherwise dispose of CO₂ allowances held in the general account.

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(s) *CO₂ budget emissions limitation.* For a CO₂ budget source, the tonnage equivalent of the CO₂ allowances required for compliance deduction for the source for a control period.

(t) *CO₂ budget permit.* The portion of the legally binding permit issued by the REGULATORY AGENCY pursuant to **[Insert Reference to State's Permitting Regulation(s)]** to a CO₂ budget source or CO₂ budget unit which specifies the CO₂ Budget Trading Program requirements applicable to the CO₂ budget source, to each CO₂ budget unit at the CO₂ budget source, and to the owners and operators and the CO₂ authorized account representative of the CO₂ budget source and each CO₂ budget unit.

(u) *CO₂ budget source.* A source that includes one or more CO₂ budget units.

(v) *CO₂ Budget Trading Program.* A multi-state CO₂ air pollution control and emissions reduction program established pursuant to this Part and corresponding regulations in other states as a means of reducing emissions of CO₂ from CO₂ budget sources.

(w) *CO₂ budget unit.* A unit that is subject to the CO₂ Budget Trading Program requirements under section XX-1.4.

(x) *CO₂ equivalent.* The quantity of a given greenhouse gas multiplied by its global warming potential (GWP).

(y) *CO₂ offset allowance.* A CO₂ allowance that is awarded to the sponsor of a CO₂ emissions offset project pursuant to section XX-10.7 and is subject to the relevant compliance deduction limitations of section XX-6.5(a)(3).

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(z) *Combined cycle system.* A system comprised of one or more combustion turbines, heat recovery steam generators, and steam turbines configured to improve overall efficiency of electricity generation or steam production.

(aa) *Combustion turbine.* An enclosed fossil or other fuel-fired device that is comprised of a compressor (if applicable), a combustor, and a turbine, and in which the flue gas resulting from the combustion of fuel in the combustor passes through the turbine, rotating the turbine.

(ab) *Commence commercial operation.* With regard to a unit that serves a generator, to have begun to produce steam, gas, or other heated medium used to generate electricity for sale or use, including test generation. For a unit that is a CO₂ budget unit under section XX-1.4 on the date the unit commences commercial operation, such date shall remain the unit's date of commencement of commercial operation even if the unit is subsequently modified, reconstructed, or repowered. For a unit that is not a CO₂ budget unit under section XX-1.4 on the date the unit commences commercial operation, the date the unit becomes a CO₂ budget unit under section XX-1.4 shall be the unit's date of commencement of commercial operation.

(ac) *Commence operation.* To begin any mechanical, chemical, or electronic process, including, with regard to a unit, start-up of a unit's combustion chamber. For a unit that is a CO₂ budget unit under section XX-1.4 on the date of commencement of operation, such date shall remain the unit's date of commencement of operation even if the unit is subsequently modified, reconstructed, or repowered. For a unit that is not a CO₂ budget unit under section XX-1.4 on the date of commencement of operation, the date the unit becomes a CO₂ budget unit under section XX-1.4 shall be the unit's date of

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commencemnt of operation

(ad) *Compliance account.* A CO₂ Allowance Tracking System account, established by the REGULATORY AGENCY or its agent for a CO₂ budget source under Subpart XX-6, in which the CO₂ allowance allocations for the source are initially recorded and in which are held CO₂ allowances available for use by the source for a control period for the purpose of meeting the source's CO₂ budget emissions limitation.

(ae) *Consumer benefit or strategic energy purpose account.* A general account established by the CONSUMER BENEFIT OR STRATEGIC ENERGY PURPOSE FUND ADMINISTRATOR from which allowances will be sold or distributed in order to provide funds to encourage and foster the following: promotion of energy efficiency measures, direct mitigation of electricity ratepayer impacts attributable to the implementation of the CO₂ Budget Trading Program, promotion of renewable or non-carbon-emitting energy technologies, stimulation or reward of investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or the administration of NAME OF RELEVANT RGGI STATE component of the CO₂ Budget Trading Program. **[This definition for the consumer benefit or strategic energy purpose account illustrates how this account could be defined and does not necessarily represent what an individual RGGI State will propose.]**

(af) *Continuous emissions monitoring system or CEMS.* The equipment required under Subpart XX-8 to sample, analyze, measure, and provide, by means of readings recorded at least once every 15 minutes (using an automated DAHS), a permanent record of stack gas volumetric flow rate, stack gas moisture content, and oxygen or carbon dioxide concentration (as applicable), in a manner consistent with 40 CFR Part 75 and Subpart XX-8. The following systems are the principal types of continuous emissions

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monitoring systems required under Subpart XX-8.

(1) A flow monitoring system, consisting of a stack flow rate monitor and an automated data acquisition and handling system and providing a permanent, continuous record of stack gas volumetric flow rate, in standard cubic feet per hour (scfh);

(2) A nitrogen oxides emissions rate (or NO_x-diluent) monitoring system, consisting of a NO_x pollutant concentration monitor, a diluent gas (CO₂ or O₂) monitor, and an automated data acquisition and handling system and providing a permanent, continuous record of NO_x concentration, in parts per million (ppm), diluent gas concentration, in percent CO₂ or O₂; and NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu);

(3) A moisture monitoring system, as defined in 40 CFR 75.11(b)(2) and providing a permanent, continuous record of the stack gas moisture content, in percent H₂O;

(4) A carbon dioxide monitoring system, consisting of a CO₂ pollutant concentration monitor (or an oxygen monitor plus suitable mathematical equations from which the CO₂ concentration is derived) and an automated data acquisition and handling system and providing a permanent, continuous record of CO₂ emissions, in percent CO₂; and

(5) An oxygen monitoring system, consisting of an O₂ concentration monitor and an automated data acquisition and handling system and providing a permanent, continuous record of O₂, in percent O₂.

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(ag) *Control period.* The control period is a three-calendar-year time period, unless extended to four years upon occurrence of a stage two trigger event. The first control period is from January 1, 2009 to December 31, 2011, inclusive, provided if a stage two trigger event occurs during the first control period, then the first control period will be extended one-year to December 31, 2012, inclusive. Each subsequent sequential three-calendar-year period is a separate control period that is subject to one one-year extension upon occurrence of a stage two trigger event during the control period. In no event may a control period be longer than four calendar years.

(ah) *Eligible biomass.* Eligible biomass includes sustainably harvested woody and herbaceous fuel sources that are available on a renewable or recurring basis (excluding old-growth timber), including dedicated energy crops and trees, agricultural food and feed crop residues, aquatic plants, unadulterated wood and wood residues, animal wastes, other clean organic wastes not mixed with other solid wastes, biogas, and other neat liquid biofuels derived from such fuel sources. Sustainably harvested will be determined by the REGULATORY AGENCY.

(ai) *Excess emissions.* Any tonnage of CO₂ emitted by a CO₂ budget source during a control period that exceeds the CO₂ budget emissions limitation for the source.

(aj) *Fossil fuel.* Natural gas, petroleum, coal, or any form of solid, liquid, or gaseous fuel derived from such material.

(ak) *Fossil fuel-fired.*

(1) With regard to a unit that commenced operation prior to January 1, 2005, the combustion of fossil fuel, alone or in combination with any other fuel, where the fossil fuel

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combusted comprises, or is projected to comprise, more than 50 percent of the annual heat input on a Btu basis during any year.

(2) With regard to a unit that commences operation on or after January 1, 2005, the combustion of fossil fuel, alone or in combination with any other fuel, where the fossil fuel combusted comprises, or is projected to comprise, more than 5 percent of the annual heat input on a Btu basis during any year.

(al) *General account.* A CO₂ Allowance Tracking System account, established under Subpart XX-6, that is not a compliance account.

(am) *Global warming potential (GWP).* A measure of the radiative efficiency (heat-absorbing ability) of a particular gas relative to that of carbon dioxide (CO₂) after taking into account the decay rate of each gas (the amount removed from the atmosphere over a given number of years) relative to that of CO₂. Global warming potentials used in this Part are consistent with the values used in the Intergovernmental Panel on Climate Change, Third Assessment Report.

(an) *Gross generation.* The electrical output (in MWe) at the terminals of the generator.

(ao) *Life-of-the-unit contractual arrangement.* A unit participation power sales agreement under which a customer reserves, or is entitled to receive, a specified amount or percentage of nameplate capacity and/or associated energy from any specified unit pursuant to a contract:

(1) for the life of the unit;

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(2) for a cumulative term of no less than 25 years, including contracts that permit an election for early termination; or

(3) for a period equal to or greater than 20 years or 70 percent of the economic useful life of the unit determined as of the time the unit is built, with option rights to purchase or release some portion of the nameplate capacity and associated energy generated by the unit at the end of the period.

(ap) *Market settling period.* The first fourteen months of any control period.

(aq) *Maximum design heat input.* The ability of a unit to combust a stated maximum amount of fuel per hour on a steady state basis, as determined by the physical design and physical characteristics of the unit.

(ar) *Maximum potential hourly heat input.* An hourly heat input used for reporting purposes when a unit lacks certified monitors to report heat input. If the unit intends to use appendix D of 40 CFR Part 75 to report heat input, this value should be calculated, in accordance with 40 CFR Part 75, using the maximum fuel flow rate and the maximum gross calorific value. If the unit intends to use a flow monitor and a diluent gas monitor, this value should be reported, in accordance with 40 CFR Part 75, using the maximum potential flowrate and either the maximum carbon dioxide concentration (in percent CO₂) or the minimum oxygen concentration (in percent O₂).

(as) *Monitoring system.* Any monitoring system that meets the requirements of Subpart XX-8, including a continuous emissions monitoring system, an excepted

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monitoring system, or an alternative monitoring system.

(at) *NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program Base Budget.* The annual amount of CO₂ tons available in NAME OF RELEVANT RGGI STATE for allocation in a given allocation year, in accordance with the CO₂ Budget Trading Program. CO₂ offset allowances allocated to project sponsors are separate from and additional to CO₂ allowances allocated from the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program Base Budget.

(au) *Nameplate capacity.* The maximum electrical output (in MWe) that a generator can sustain over a specified period of time when not restricted by seasonal or other deratings as measured in accordance with the United States Department of Energy standards.

(av) *Operator.* Any person who operates, controls, or supervises a CO₂ budget unit or a CO₂ budget source and shall include, but not be limited to, any holding company, utility system, or plant manager of such a unit or source.

(aw) *Owner.* Any of the following persons:

(1) any holder of any portion of the legal or equitable title in a CO₂ budget unit; or

(2) any holder of a leasehold interest in a CO₂ budget unit, other than a passive lessor, or a person who has an equitable interest through such lessor, whose rental payments are not based, either directly or indirectly, upon the revenues or income from the CO₂ budget unit; or

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(3) any purchaser of power from a CO₂ budget unit under a life-of-the-unit contractual arrangement in which the purchaser controls the dispatch of the unit; or

(4) with respect to any general account, any person who has an ownership interest with respect to the CO₂ allowances held in the general account and who is subject to the binding agreement for the CO₂ authorized account representative to represent that person's ownership interest with respect to the CO₂ allowances.

(ax) *Participating state.* A state that has established a corresponding regulation as part of the CO₂ Budget Trading Program.

(ay) *Receive or receipt of.* When referring to the REGULATORY AGENCY or its agent, to come into possession of a document, information, or correspondence (whether sent in writing or by authorized electronic transmission), as indicated in an official correspondence log, or by a notation made on the document, information, or correspondence, by the REGULATORY AGENCY or its agent in the regular course of business.

(az) *Recordation, record, or recorded.* With regard to CO₂ allowances, the movement of CO₂ allowances by the REGULATORY AGENCY or its agent from one CO₂ Allowance Tracking System account to another, for purposes of allocation, transfer, or deduction.

(ba) *Serial number.* When referring to CO₂ allowances, the unique identification number assigned to each CO₂ allowance by the REGULATORY AGENCY or its agent

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under section XX-6.4(c).

(bb) *Source.* Any governmental, institutional, commercial, or industrial structure, installation, plant, building, or facility that emits or has the potential to emit any air pollutant. A “source,” including a “source” with multiple units, shall be considered a single “facility.”

(bc) *Stage one threshold price.* The monetary amount, established as of the first day of each calendar year, derived annually from use of the following formula:

$$S1TP(2005+n) = S1TP(2005) \times [1 + (CPI(2005+n) - CPI(2005)) / CPI(2005)]$$

where:

“S1TP” is the stage one threshold price;

“S1TP(2005)” is \$7;

“n” is the number of years since 2005; and

“CPI” means, for purposes of the CO₂ Budget Trading Program, the U.S.

Department of Labor, Bureau of Labor Statistics unadjusted Consumer Price Index for All Urban Consumers for the U.S. city average, for All Items on the latest reference base, or if such index is no longer published, such other index as the REGULATORY AGENCY determines is appropriate. The CPI for any calendar year is the twelve-month average of the CPI published by the United States Department of Labor, as of the close of the twelve-month period ending on August thirty-first of each calendar year.

(bd) *Stage one trigger event.* The occurrence of any twelve month period that completely transpires following the market settling period and is characterized by an average CO₂ allowance price that is equal to or greater than the stage one threshold price.

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(be) *Stage two threshold price.* The monetary amount, established as of the first day of each calendar year, derived annually from use of the following formula:

$$S2TP(2005+n) = [S2TP(2005+(n-1)) \times \left[\frac{CPI(2005+(n-1)) - CPI(2005+(n-2))}{CPI(2005+(n-2))} + 0.02 \right] + S2TP(2005+(n-1))$$

where:

"S2TP" is the stage two threshold price;

"S2TP(2005)" is \$10; and

"n" is the number of years since 2005.

"CPI" means, for purposes of the CO₂ Budget Trading Program, the U.S.

Department of Labor, Bureau of Labor Statistics unadjusted Consumer Price Index for All Urban Consumers for the U.S. city average, for All Items on the latest reference base, or if such index is no longer published, such other index as the REGULATORY AGENCY determines is appropriate. The CPI for any calendar year is the twelve-month average of the CPI published by the United States Department of Labor, as of the close of the twelve-month period ending on August thirty-first of each calendar year.

(bf) *Stage two trigger event.* The occurrence of any twelve month period that completely transpires following the market settling period and is characterized by an average CO₂ allowance price that is equal to or greater than the stage two threshold price.

(bg) *State.* A State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa and includes the Commonwealth of the Northern Mariana Islands.

(bh) *Submit or serve.* To send or transmit a document, information, or correspondence to the person specified in accordance with the applicable regulation:

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- (1) in person;
- (2) by United States Postal Service; or
- (3) by other means of dispatch or transmission and delivery.

Compliance with any “submission,” “service,” or “mailing” deadline shall be determined by the date of dispatch, transmission, or mailing and not the date of receipt.

(bi) *Ton or tonnage.* Any “short ton”, or 2,000 pounds. For the purpose of determining compliance with the CO₂ budget emissions limitation, total tons for a control period shall be calculated as the sum of all recorded hourly emissions (or the tonnage equivalent of the recorded hourly emissions rates) in accordance with Subpart XX-8, with any remaining fraction of a ton equal to or greater than 0.50 ton deemed to equal one ton and any fraction of a ton less than 0.50 ton deemed to equal zero tons. A short ton is equal to 0.9072 metric tons.

(bj) *Twelve month period.* A period of twelve consecutive months determined on a rolling basis where a new twelve month period begins on the first day of each calendar month.

(bk) *Unit.* A fossil fuel-fired stationary boiler, combustion turbine, or combined cycle system.

(bl) *Unit operating day.* A calendar day in which a unit combusts any fuel.

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(bm) *Voluntary renewable energy purchase.* A purchase of electricity from renewable energy generation or renewable energy attribute credits by a retail electricity customer on a voluntary basis. Renewable energy includes electricity generated from biomass, wind, solar thermal, photovoltaic, geothermal, hydroelectric facilities certified by the Low Impact Hydropower Institute, wave and tidal action, and fuel cells powered by renewable fuels. The renewable energy generation or renewable energy attribute credits related to such purchases may not be used by the generator or purchaser to meet any regulatory mandate, such as a renewable portfolio standard.

[The above subdivision is an optional definition that complements the optional voluntary renewable energy market set-aside provision at XX-5.3(d).]

XX-1.3 Measurements, abbreviations and acronyms.

Measurements, abbreviations, and acronyms used in this Part are defined as follows:

- (a) *CO₂-carbon dioxide.*
- (b) *hr-hour.*
- (c) *lb-pounds.*
- (d) *MWe-megawatt electrical.*

XX-1.4 Applicability.

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(a) *Units.* Any unit that, at any time on or after January 1, 2005, serves an electricity generator with a nameplate capacity equal to or greater than 25 MWe shall be a CO₂ budget unit, and any source that includes one or more such units shall be a CO₂ budget source, subject to the requirements of this Part.

[The following subdivision is optional. The text of this subdivision illustrates how a participating state might provide for an exemption for units with electrical output to the electric grid restricted by permit conditions. Upon exemption, the tons attributable to sources in a state's initial inventory shall be removed the state's budget under Section XX-5.3.]

(b) *Limited exemption for units with electrical output to the electric grid restricted by permit conditions.*

(1) *Applicability.* Notwithstanding subdivision (a) of this section, a unit under subdivision (a) of this section that has a permit containing a condition restricting the supply of the unit's annual electrical output to the electric grid to less than or equal to 10 percent of the annual gross generation of the unit, and which complies with the provisions in paragraph (b)(3) of this section, shall be exempt from the requirements of this Part, except for the provisions of this section, section XX-1.2, section XX-1.3, section XX-1.6 and, if applicable because of the allocation of CO₂ allowances during the pre-exemption time period, Subparts XX-5, XX-6 and XX-7.

(2) *Effective date.* The exemption under paragraph (b)(1) of this section shall become effective as of the January 1 that is on or after the date on which the restriction on the percentage of annual gross generation that may be supplied to the

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electric grid and the provisions in the permit required under paragraph (b)(1) of this section become final.

(3) *Compliance.*

(i) A unit exempt under paragraph (b)(1) of this section shall comply with the restriction on percentage of annual gross generation that may be supplied to the electric grid described in paragraph (b)(1) of this section.

(ii) A unit exempt under paragraph (b)(1) shall report to the REGULATORY AGENCY the amount of annual gross generation and the amount of annual gross generation supplied to the electric grid during the year by the following February 1.

(iii) For a period of 10 years from the date the records are created, the owners and operators of a unit exempt under paragraph (b)(1) of this section shall retain, at the source that includes the unit, records demonstrating that the conditions of the permit under paragraph (b)(1) of this section were met. The 10-year period for keeping records may be extended for cause, at any time prior to the end of the period, in writing by the REGULATORY AGENCY. The owners and operators bear the burden of proof that the unit met the restriction on the percentage of annual gross generation that may be supplied to the electric grid.

(iv) The owners and operators and, to the extent applicable, the CO₂ authorized account representative of a unit exempt under paragraph (b)(1) of this section shall comply with all the requirements of this Part concerning all time periods for

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which the exemption is not in effect, even if such requirements arise, or must be complied with, after the exemption takes effect.

(v) On the earlier of the following dates, a unit exempt under paragraph (b)(1) of this section shall lose its exemption:

(a) the date on which the restriction on the percentage of annual gross generation that may be supplied to the electric grid described in paragraph (b)(1) of this section is removed from the unit's permit or otherwise becomes no longer applicable in any year that commences on or after January 1, 2009; or

(b) the first date on which the unit fails to comply, or on which the owners and operators fail to meet their burden of proving that the unit is complying, with the restriction on the percentage of annual gross generation that may be supplied to the electric grid described in paragraph (b)(1) of this section during any year that commences on or after January 1, 2009.

(vi) A unit that loses its exemption in accordance with subparagraph (b)(3)(v) of this section shall be subject to the requirements of this Part. For the purpose of applying permitting requirements under Subpart XX-3, allocating allowances under Subpart XX-5, and applying monitoring requirements under Subpart XX-8, the unit shall be treated as commencing operation on the date the unit loses its exemption.

(4) *Deduction of tons from NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program limited industrial exemption set-aside account.* In the event that the REGULATORY AGENCY grants an exemption under this subdivision to a CO₂ source,

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with one or more units that on January 1, 2005, serves an electricity generator with a nameplate capacity equal to or greater than 25 MWe, the REGULATORY AGENCY shall retire for each subsequent allocation year the number of CO₂ tons equal to the exempt source's average annual emissions over the most recent three calendar years for which data are available. The retired tons shall be taken from the set-aside established for such purpose under section XX-5.3.

XX-1.5 Standard requirements.

(a) *Permit requirements.* **[Each state's text for this subdivision will likely be different because the states have unique permitting requirements. The text below illustrates how this subdivision could be drafted and does not necessarily represent what an individual RGGI state will propose.]**

(1) The CO₂ authorized account representative of each CO₂ budget source required to have an operating permit pursuant to **[Insert Reference to state's Permitting Regulation(s)]** of this Title and each CO₂ budget unit required to have an operating permit pursuant to **[Insert Reference to state's Permitting Regulation(s)]** of this Title shall:

(i) submit to the REGULATORY AGENCY a complete CO₂ budget permit application under section XX-3.3 in accordance with the deadlines specified in section XX-3.2; and

(ii) submit in a timely manner any supplemental information that the REGULATORY AGENCY determines is necessary in order to review the CO₂ budget permit application and issue or deny a CO₂ budget permit.

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(2) The owners and operators of each CO₂ budget source required to have an operating permit pursuant to **[Insert Reference to state's Permitting Regulation(s)]** of this Title and each CO₂ budget unit required to have an operating permit pursuant to **[Insert Reference to state's Permitting Regulation(s)]** of this Title for the source shall have a CO₂ budget permit and operate the CO₂ budget source and the CO₂ budget unit at the source in compliance with such CO₂ budget permit.

(b) *Monitoring requirements.*

(1) The owners and operators and, to the extent applicable, the CO₂ authorized account representative of each CO₂ budget source and each CO₂ budget unit at the source shall comply with the monitoring requirements of Subpart XX-8.

(2) The emissions measurements recorded and reported in accordance with Subpart XX-8 shall be used to determine compliance by the unit with the CO₂ budget emissions limitation under subdivision (c) of this section.

(c) *CO₂ requirements.*

(1) The owners and operators of each CO₂ budget source and each CO₂ budget unit at the source shall hold CO₂ allowances available for compliance deductions under section XX-6.5, as of the CO₂ allowance transfer deadline, in the source's compliance account in an amount not less than the total CO₂ emissions for the control period from all CO₂ budget units at the source, as determined in accordance with Subparts XX-6 and XX-8.

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(2) Each ton of CO₂ emitted in excess of the CO₂ budget emissions limitation shall constitute a separate violation of this Part and applicable state law.

(3) A CO₂ budget unit shall be subject to the requirements under paragraph (c)(1) of this section starting on the later, of January 1, 2009 or the date on which the unit commences operation.

(4) CO₂ allowances shall be held in, deducted from, or transferred among CO₂ Allowance Tracking System accounts in accordance with Subparts XX-5, XX-6, and XX-7, and section XX-10.7.

(5) A CO₂ allowance shall not be deducted, in order to comply with the requirements under paragraph (c)(1) of this section, for a control period that ends prior to the year for which the CO₂ allowance was allocated. A CO₂ offset allowance shall not be deducted, in order to comply with the requirements under paragraph (c)(1) of this section, beyond the applicable percent limitations set out in paragraph XX-6.5(a)(3).

(6) A CO₂ allowance allocated by the REGULATORY AGENCY under the CO₂ Budget Trading Program is a limited authorization to emit one ton of CO₂ in accordance with the CO₂ Budget Trading Program. No provision of the CO₂ Budget Trading Program, the CO₂ budget permit application, or the CO₂ budget permit or any provision of law shall be construed to limit the authority of the State to terminate or limit such authorization.

(7) A CO₂ allowance allocated by the REGULATORY AGENCY under the CO₂ Budget Trading Program does not constitute a property right.

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(d) *Excess emissions requirements.* The owners and operators of a CO₂ budget source that has excess emissions in any control period shall:

(1) forfeit the CO₂ allowances required for deduction under paragraph XX-6.5(d)(1), provided CO₂ offset allowances may not be used to cover any part of such excess emissions; and

(2) pay any fine, penalty, or assessment or comply with any other remedy imposed under paragraph XX-6.5(d)(2).

(e) *Recordkeeping and reporting requirements.*

(1) Unless otherwise provided, the owners and operators of the CO₂ budget source and each CO₂ budget unit at the source shall keep on site at the source each of the following documents for a period of 10 years from the date the document is created. This period may be extended for cause, at any time prior to the end of 10 years, in writing by the REGULATORY AGENCY.

(i) The account certificate of representation for the CO₂ authorized account representative for the source and each CO₂ budget unit at the source and all documents that demonstrate the truth of the statements in the account certificate of representation, in accordance with section XX-2.4, provided that the certificate and documents shall be retained on site at the source beyond such 10-year period until such documents are superseded because of the submission of a new account certificate of representation changing the CO₂ authorized account representative.

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(ii) All emissions monitoring information, in accordance with Subpart XX-8.

(iii) Copies of all reports, compliance certifications, and other submissions and all records made or required under the CO₂ Budget Trading Program.

(iv) Copies of all documents used to complete a CO₂ budget permit application and any other submission under the CO₂ Budget Trading Program or to demonstrate compliance with the requirements of the CO₂ Budget Trading Program.

(2) The CO₂ authorized account representative of a CO₂ budget source and each CO₂ budget unit at the source shall submit the reports and compliance certifications required under the CO₂ Budget Trading Program, including those under Subpart XX-4.

(f) *Liability.*

(1) No permit revision shall excuse any violation of the requirements of the CO₂ Budget Trading Program that occurs prior to the date that the revision takes effect.

(2) Any provision of the CO₂ Budget Trading Program that applies to a CO₂ budget source (including a provision applicable to the CO₂ authorized account representative of a CO₂ budget source) shall also apply to the owners and operators of such source and of the CO₂ budget units at the source.

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(3) Any provision of the CO₂ Budget Trading Program that applies to a CO₂ budget unit (including a provision applicable to the CO₂ authorized account representative of a CO₂ budget unit) shall also apply to the owners and operators of such unit.

(g) *Effect on other authorities.*

(1) No provision of the CO₂ Budget Trading Program, a CO₂ budget permit application, or a CO₂ budget permit, shall be construed as exempting or excluding the owners and operators and, to the extent applicable, the CO₂ authorized account representative of a CO₂ budget source or CO₂ budget unit from compliance with any other provisions of applicable State and federal law and regulations.

XX-1.6 Computation of time.

(a) Unless otherwise stated, any time period scheduled, under the CO₂ Budget Trading Program, to begin on the occurrence of an act or event shall begin on the day the act or event occurs.

(b) Unless otherwise stated, any time period scheduled, under the CO₂ Budget Trading Program, to begin before the occurrence of an act or event shall be computed so that the period ends the day before the act or event occurs.

(c) Unless otherwise stated, if the final day of any time period, under the CO₂ Budget Trading Program, falls on a weekend or a State or Federal holiday, the time period shall be extended to the next business day.

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XX-1.7 Severability.

If any provision of this Part, or its application to any particular person or circumstances, is held invalid, the remainder of this Part, and the application thereof to other persons or circumstances, shall not be affected thereby.

Subpart XX-2 CO₂ Authorized Account Representative for CO₂ Budget Sources

XX-2.1 Authorization and responsibilities of the CO₂ authorized account representative.

(a) Except as provided under section XX-2.2, each CO₂ budget source, including all CO₂ budget units at the source, shall have one and only one CO₂ authorized account representative, with regard to all matters under the CO₂ Budget Trading Program concerning the source or any CO₂ budget unit at the source.

(b) The CO₂ authorized account representative of the CO₂ budget source shall be selected by an agreement binding on the owners and operators of the source and all CO₂ budget units at the source.

(c) Upon receipt by the REGULATORY AGENCY or its agent of a complete account certificate of representation under section XX-2.4, the CO₂ authorized account representative of the source shall represent and, by his or her representations, actions, inactions, or submissions, legally bind each owner and operator of the CO₂ budget source represented and each CO₂ budget unit at the source in all matters pertaining to the CO₂ Budget Trading Program, notwithstanding any agreement between the CO₂ authorized account representative and such owners and operators. The owners and operators shall be bound by any decision or order issued to the CO₂ authorized account representative by the REGULATORY AGENCY or a court regarding the source or unit.

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(d) No CO₂ budget permit shall be issued, and no CO₂ Allowance Tracking System account shall be established for a CO₂ budget source, until the REGULATORY AGENCY or its agent has received a complete account certificate of representation under section XX-2.4 for a CO₂ authorized account representative of the source and the CO₂ budget units at the source.

(e) Each submission under the CO₂ Budget Trading Program shall be submitted, signed, and certified by the CO₂ authorized account representative for each CO₂ budget source on behalf of which the submission is made. Each such submission shall include the following certification statement by the CO₂ authorized account representative: "I am authorized to make this submission on behalf of the owners and operators of the CO₂ budget sources or CO₂ budget units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment."

(f) The REGULATORY AGENCY or its agent will accept or act on a submission made on behalf of owners or operators of a CO₂ budget source or a CO₂ budget unit only if the submission has been made, signed, and certified in accordance with subdivision (e) of this section.

XX-2.2 Alternate CO₂ authorized account representative.

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(a) An account certificate of representation may designate one and only one alternate CO₂ authorized account representative who may act on behalf of the CO₂ authorized account representative. The agreement by which the alternate CO₂ authorized account representative is selected shall include a procedure for authorizing the alternate CO₂ authorized account representative to act in lieu of the CO₂ authorized account representative.

(b) Upon receipt by the REGULATORY AGENCY or its agent of a complete account certificate of representation under section XX-2.4, any representation, action, inaction, or submission by the alternate CO₂ authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO₂ authorized account representative.

(c) Except in this section and subdivision XX-2.1(a), section XX-2.3, section XX-2.4, and section XX-6.2, whenever the term “CO₂ authorized account representative” is used in this Part, the term shall be construed to include the alternate CO₂ authorized account representative.

XX-2.3 Changing the CO₂ authorized account representative and the alternate CO₂ authorized account representative; changes in the owners and operators.

(a) *Changing the CO₂ authorized account representative.* The CO₂ authorized account representative may be changed at any time upon receipt by the REGULATORY AGENCY or its agent of a superseding complete account certificate of representation under section XX-2.4. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous CO₂ authorized account representative prior to the time and date when the REGULATORY AGENCY or its agent receives the

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superseding account certificate of representation shall be binding on the new CO₂ authorized account representative and the owners and operators of the CO₂ budget source and the CO₂ budget units at the source.

(b) *Changing the alternate CO₂ authorized account representative.* The alternate CO₂ authorized account representative may be changed at any time upon receipt by the REGULATORY AGENCY or its agent of a superseding complete account certificate of representation under section XX-2.4. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous alternate CO₂ authorized account representative prior to the time and date when the REGULATORY AGENCY or its agent receives the superseding account certificate of representation shall be binding on the new alternate CO₂ authorized account representative and the owners and operators of the CO₂ budget source and the CO₂ budget units at the source.

(c) *Changes in the owners and operators.*

(1) In the event a new owner or operator of a CO₂ budget source or a CO₂ budget unit is not included in the list of owners and operators submitted in the account certificate of representation, such new owner or operator shall be deemed to be subject to and bound by the account certificate of representation, the representations, actions, inactions, and submissions of the CO₂ authorized account representative and any alternate CO₂ authorized account representative of the source or unit, and the decisions, orders, actions, and inactions of the REGULATORY AGENCY, as if the new owner or operator were included in such list.

(2) Within 30 days following any change in the owners and operators of a CO₂ budget source or a CO₂ budget unit, including the addition of a new owner or

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operator, the CO₂ authorized account representative or alternate CO₂ authorized account representative shall submit a revision to the account certificate of representation amending the list of owners and operators to include the change.

XX-2.4 Account certificate of representation.

(a) A complete account certificate of representation for a CO₂ authorized account representative or an alternate CO₂ authorized account representative shall include the following elements in a format prescribed by the REGULATORY AGENCY or its agent:

(1) identification of the CO₂ budget source and each CO₂ budget unit at the source for which the account certificate of representation is submitted;

(2) the name, address, e-mail address, telephone number, and facsimile transmission number of the CO₂ authorized account representative and any alternate CO₂ authorized account representative;

(3) a list of the owners and operators of the CO₂ budget source and of each CO₂ budget unit at the source;

(4) the following certification statement by the CO₂ authorized account representative and any alternate CO₂ authorized account representative: "I certify that I was selected as the CO₂ authorized account representative or alternate CO₂ authorized account representative, as applicable, by an agreement binding on the owners and operators of the CO₂ budget source and each CO₂ budget unit at the source. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO₂ Budget Trading Program on behalf of the owners and operators of the CO₂ budget source

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and of each CO₂ budget unit at the source and that each such owner and operator shall be fully bound by my representations, actions, inactions, or submissions and by any decision or order issued to me by the REGULATORY AGENCY or a court regarding the source or unit.”; and

(5) the signature of the CO₂ authorized account representative and any alternate CO₂ authorized account representative and the dates signed.

(b) Unless otherwise required by the REGULATORY AGENCY or its agent, documents of agreement referred to in the account certificate of representation shall not be submitted to the REGULATORY AGENCY or its agent. Neither the REGULATORY AGENCY nor its agent shall be under any obligation to review or evaluate the sufficiency of such documents, if submitted.

XX-2.5 Objections concerning the CO₂ authorized account representative.

(a) Once a complete account certificate of representation under section XX-2.4 has been submitted and received, the REGULATORY AGENCY and its agent will rely on the account certificate of representation unless and until the REGULATORY AGENCY or its agent receives a superseding complete account certificate of representation under section XX-2.4.

(b) Except as provided in subdivision XX-2.3(a) or (b), no objection or other communication submitted to the REGULATORY AGENCY or its agent concerning the authorization, or any representation, action, inaction, or submission of the CO₂ authorized account representative shall affect any representation, action, inaction, or submission of

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the CO₂ authorized account representative or the finality of any decision or order by the REGULATORY AGENCY or its agent under the CO₂ Budget Trading Program.

(c) Neither the REGULATORY AGENCY nor its agent will adjudicate any private legal dispute concerning the authorization or any representation, action, inaction, or submission of any CO₂ authorized account representative, including private legal disputes concerning the proceeds of CO₂ allowance transfers.

XX-2.6 Delegation by CO₂ authorized account representative and alternate CO₂ authorized account representative

(a) A CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the REGULATORY AGENCY or its agent under this Part.

(b) An alternate CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the REGULATORY AGENCY or its agent under this part.

(c) In order to delegate authority to make an electronic submission to the REGULATORY AGENCY or its agent in accordance with subdivision (a) and (b) of this section, the CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, must submit to the REGULATORY AGENCY or its agent a notice of delegation, in a format prescribed by the REGULATORY AGENCY that includes the following elements:

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(1) The name, address, e-mail address, telephone number, and facsimile transmission number of such CO₂ authorized account representative or alternate CO₂ authorized account representative;

(2) The name, address, e-mail address, telephone number and facsimile transmission number of each such natural person, herein referred to as the “electronic submission agent”;

(3) For each such natural person, a list of the type of electronic submissions under subdivision (a) or (b) of this section for which authority is delegated to him or her; and

(4) The following certification statements by such CO₂ authorized account representative or alternate CO₂ authorized account representative:

(i) “I agree that any electronic submission to the REGULATORY AGENCY or its agent that is by a natural person identified in this notice of delegation and of a type listed for such electronic submission agent in this notice of delegation and that is made when I am a CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, and before this notice of delegation is superseded by another notice of delegation under subdivision XX-2.6(d) shall be deemed to be an electronic submission by me.”

(ii) “Until this notice of delegation is superseded by another notice of delegation under subdivision XX-2.6(d), I agree to maintain an e-mail account and to notify the REGULATORY AGENCY or its agent immediately of any change in my e-mail address unless all delegation authority by me under section XX-2.6 is terminated.”

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(d) A notice of delegation submitted under subdivision (c) of this section shall be effective, with regard to the CO₂ authorized account representative or alternate CO₂ authorized account representative identified in such notice, upon receipt of such notice by the REGULATORY AGENCY or its agent and until receipt by the REGULATORY AGENCY or its agent of a superseding notice of delegation by such CO₂ authorized account representative or alternate CO₂ authorized account representative as appropriate. The superseding notice of delegation may replace any previously identified electronic submission agent, add a new electronic submission agent, or eliminate entirely any delegation of authority.

(e) Any electronic submission covered by the certification in subparagraph (c)(4)(i) of this section and made in accordance with a notice of delegation effective under subdivision (d) of this section shall be deemed to be an electronic submission by the CO₂ authorized account representative or alternate CO₂ authorized account representative submitting such notice of delegation.

Subpart XX-3 Permits

[Each state's text for this Subpart will likely be different because states have unique permitting requirements. The text below illustrates how this Subpart could be drafted and does not necessarily represent what an individual RGGI state will propose.]

XX-3.1 General CO₂ budget permit requirements.

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(a) Each CO₂ budget source must have a permit issued by the REGULATORY AGENCY pursuant to **[Insert Reference to State's Permitting Regulation(s)]** of this Title.

(b) Each CO₂ budget permit shall contain all applicable CO₂ Budget Trading Program requirements and shall be a complete and distinguishable portion of the permit under subdivision (a) of this section.

XX-3.2 Submission of CO₂ budget permit applications.

For any CO₂ budget source, the CO₂ authorized account representative shall submit a complete CO₂ budget permit application under section XX-3.3 covering such CO₂ budget source to the REGULATORY AGENCY by the later of January 1, 2009 or 12 months before the date on which the CO₂ budget source, or a new unit at the source, commences operation.

XX-3.3 Information requirements for CO₂ budget permit applications.

(a) A complete CO₂ budget permit application shall include the following elements concerning the CO₂ budget source for which the application is submitted, in a format prescribed by the REGULATORY AGENCY:

(1) identification of the CO₂ budget source, including plant name and the ORIS (Office of Regulatory Information Systems) or facility code assigned to the source by the Energy Information Administration of the United States Department of Energy, if applicable;

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- (2) identification of each CO₂ budget unit at the CO₂ budget source; and
- (3) the standard requirements under section XX-1.5.

Subpart XX-4 Compliance Certification

XX-4.1 Compliance certification report.

(a) *Applicability and deadline.* For each control period in which a CO₂ budget source is subject to the CO₂ budget emissions limitation, the CO₂ authorized account representative of the source shall submit to the REGULATORY AGENCY by the March 1 following the relevant control period, a compliance certification report.

(b) *Contents of report.* The CO₂ authorized account representative shall include in the compliance certification report under subdivision (a) of this section the following elements, in a format prescribed by the REGULATORY AGENCY:

- (1) identification of the source and each CO₂ budget unit at the source;
- (2) at the CO₂ authorized account representative's option, the serial numbers of the CO₂ allowances that are to be deducted from the source's compliance account under section XX-6.5 for the control period, including the serial numbers of any CO₂ offset allowances that are to be deducted subject to the limitations of paragraph XX-6.5(a)(3); and
- (3) the compliance certification under subdivision (c) of this section.

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(c) *Compliance certification.* In the compliance certification report under subdivision (a) of this section, the CO₂ authorized account representative shall certify, based on reasonable inquiry of those persons with primary responsibility for operating the source and the CO₂ budget units at the source in compliance with the CO₂ Budget Trading Program, whether the source and each CO₂ budget unit at the source for which the compliance certification is submitted was operated during the calendar years covered by the report in compliance with the requirements of the CO₂ Budget Trading Program , including:

(1) whether the source was operated in compliance with the CO₂ budget emissions limitation;

(2) whether the monitoring plan applicable to each unit at the source has been maintained to reflect the actual operation and monitoring of the unit, and contains all information necessary to attribute CO₂ emissions to the unit, in accordance with Subpart XX-8;

(3) whether all the CO₂ emissions from the units at the source were monitored or accounted for through the missing data procedures and reported in the quarterly monitoring reports, including whether conditional data were reported in the quarterly reports in accordance with Subpart XX-8. If conditional data were reported, the owner or operator shall indicate whether the status of all conditional data has been resolved and all necessary quarterly report resubmissions have been made;

(4) whether the facts that form the basis for certification under Subpart XX-8 of each monitor at each unit at the source, or for using an excepted monitoring

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method or alternative monitoring method approved under Subpart XX-8, if any, have changed; and

(5) if a change is required to be reported under paragraph (c)(4) of this section, specify the nature of the change, the reason for the change, when the change occurred, and how the unit's compliance status was determined subsequent to the change, including what method was used to determine emissions when a change mandated the need for monitor recertification.

XX-4.2 REGULATORY AGENCY's action on compliance certifications.

(a) The REGULATORY AGENCY or its agent may review and conduct independent audits concerning any compliance certification or any other submission under the CO₂ Budget Trading Program and make appropriate adjustments of the information in the compliance certifications or other submissions.

(b) The REGULATORY AGENCY or its agent may deduct CO₂ allowances from or transfer CO₂ allowances to a source's compliance account based on the information in the compliance certifications or other submissions, as adjusted under subdivision (a) of this section.

Subpart XX-5 CO₂ Allowance Allocations

XX-5.1 NAME OF RELEVANT RGGI STATE CO₂ trading program base budget.

(a) For the 2009 through 2014 allocation years, the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget is _____ tons.

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(b) For the 2015 allocation year, the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget is _____ tons.

(c) For the 2016 allocation year, the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget is _____ tons.

(d) For the 2017 allocation year, the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget is _____ tons.

(e) For the 2018 allocation year and each succeeding allocation year, the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget is _____ tons.

XX-5.2 Timing requirements for CO₂ allowance allocations.

(a) By January 1, 2009, the REGULATORY AGENCY will determine the CO₂ allowance allocations under subdivisions XX-5.3(a) and (b) for the 2009, 2010, 2011, and 2012 allocation years.

(b) By January 1, 2010 and January 1 of each year thereafter, the REGULATORY AGENCY will allocate CO₂ allowances under subdivisions XX-5.3(a) and (b) for the allocation year that commences in the year that is three years after the applicable deadline for allocation under this subdivision.

XX-5.3 CO₂ allowance allocations.

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(a) *General allocations.* **[Allocation provisions will vary from state to state, provided at least 25% of the allocations will go to a consumer benefit or strategic energy purpose].**

(b) *Consumer benefit or strategic energy purpose allocation.* The REGULATORY AGENCY will allocate a minimum of twenty-five percent of the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program base budget to the consumer benefit or strategic energy purpose set-aside account. **[The reference to the consumer benefit or strategic energy purpose account illustrates how this account could be labeled and does not necessarily represent what an individual RGGI state will propose.]**

(c) *Early reduction CO₂ allowances.* The REGULATORY AGENCY may award early reduction CO₂ allowances (ERAs) to a CO₂ budget source for reductions in the CO₂ budget source's CO₂ emissions (inclusive of all emissions from CO₂ budget units at the CO₂ budget source) that are achieved by the source during the early reduction period (2006, 2007, and 2008), subject to the requirements of this subdivision. Total facility shutdowns shall not be eligible for ERAs.

(1) The CO₂ budget source must submit its application for the award of ERAs by May 1, 2009.

(2) The CO₂ budget source must demonstrate that all CO₂ budget units that existed at the source during the baseline period (2003, 2004, and 2005) are included as CO₂ budget units for the early reduction period. New CO₂ budget units added at the CO₂ budget source must also be accounted for during the early reduction period.

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(3) The REGULATORY AGENCY will calculate the number of ERAs to be awarded to a particular CO₂ budget source for the early reduction period pursuant to the following methodology:

(i) If total heat input to all CO₂ budget units at the CO₂ budget source during the early reduction period is less than or equal to the total heat input to all the CO₂ budget units at the CO₂ budget source during the baseline period, then:

(a) ERAs shall be calculated as follows:

$$\text{ERAs} = ((\text{AEER}_{\text{BASELINE}} - \text{AEER}_{\text{ERP}}) \times (\text{EO}_{\text{ERP}} + (\text{TO}_{\text{ERP}} / 3.413)) / 2000$$

where:

“AEER_{BASELINE}” is the average CO₂ emissions rate resulting from electric energy output and thermal energy output for all of the CO₂ budget units at the CO₂ budget source during the baseline period (in pounds of CO₂/MWh_{th+e});

“AEER_{ERP}” is the average CO₂ emissions rate resulting from electric energy output and thermal energy output for all of the CO₂ budget units at the CO₂ budget source during the early reduction period (in pounds of CO₂/ MWh_{th+e});

“EO_{ERP}” is the total electric energy output from all CO₂ budget units at the CO₂ budget source during the early reduction period (in MWh_e);

“TO_{ERP}” is the total useful thermal energy output from all CO₂ budget units at the CO₂ budget source during the early reduction period (in MMBtu);

(b) For the purposes of this section, thermal energy output will be converted to units of MWh by the conversion factor 1 MWh = 3.413 MMBtu.

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(c) For the purposes of this section, output shall be monitored in accordance with Subpart XX-8.

(ii) If total heat input to all CO₂ budget units at the CO₂ budget source during the early reduction period is greater than or equal to the total heat input to all the CO₂ budget units at the CO₂ budget source during the baseline period, then:

$$\text{ERAs} = E_{\text{BASELINE}} - E_{\text{ERP}}$$

where:

“E_{BASELINE}” are total CO₂ emissions from the all of the CO₂ budget units at the CO₂ budget source during the baseline period (in tons); and

“E_{ERP}” are total CO₂ emissions from the all of the CO₂ budget units at the CO₂ budget source during the early reduction period (in tons).

(4) The CO₂ budget source must demonstrate that the data submitted in support of the early reduction application was recorded in compliance with the requirements of Subpart XX-8 for all of the baseline years and the early reduction years for which the CO₂ budget source was required to report CO₂ data pursuant to 40 CFR part 75. A CO₂ budget source that was not required to submit CO₂ data pursuant to 40 CFR part 75 for any of the years contained in the baseline period or early reduction period may petition the REGULATORY AGENCY as part of its application under this Subpart for the use of an alternative data source or sources for the calculation of early reduction allowances.

(5) Once the REGULATORY AGENCY confirms a CO₂ budget source’s early reductions of CO₂ emissions, it will allocate the ERAs to the CO₂ budget source’s compliance account by December 31, 2009.

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[The following subdivision is an optional voluntary renewable energy market set-aside provision. It represents one way a state could implement such a set-aside.]

(d) *Voluntary renewable energy market set-aside allocation.* For each control period, the REGULATORY AGENCY shall allocate to the voluntary renewable energy market set-aside account a certain number of tons, calculated as set forth in this subdivision, from the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program base budget set forth in section XX-5.1, as applicable. The REGULATORY AGENCY shall administer the voluntary renewable energy set-aside in accordance with this subdivision.

(1) The REGULATORY AGENCY will open and manage a general account for the voluntary renewable energy market set-aside for each control period.

(2) The number of tons that will be allocated to the voluntary renewable energy market set-aside account in a specific control period will be determined as set out in this paragraph.

(i) Any person may submit data to the REGULATORY AGENCY documenting purchases of voluntary renewable energy that meet the requirements of this subdivision by no later than the July 30 prior to the beginning of a control period. Such data must be from reputable sources, which may include retail electricity providers, organizations that certify renewable energy products, and other parties as determined by the REGULATORY AGENCY. To be considered, data must be verifiable and document the following for voluntary renewable energy purchases.

(a) Documentation of voluntary renewable energy or renewable energy attribute credit purchases by retail customers, by customer class, in the

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State during the most recent three-year period for which data are available.

(b) Documentation that the renewable energy or renewable energy attributes related to voluntary renewable energy or renewable energy attribute credit sales was procured by the retail provider.

(c) Time period when the retail purchase(s) was made.

(d) State where the electricity was generated or the renewable energy attribute credit was created, including documentation of facility name, unique generator identification number, and fuel type.

(e) Time period when the electricity was generated or the renewable energy attribute credit was created.

(ii) Subject to the timely receipt of adequate data pursuant to subparagraph (i) of this paragraph, and based on such data, the REGULATORY AGENCY shall project the voluntary renewable energy purchases in the State during a control period that represents renewable energy generation in one or more participating states. The megawatt-hours (MWh) of projected voluntary renewable energy purchases in a control period shall be multiplied by the marginal CO₂ emissions rate (lbs. CO₂/MWh) in the control area where the generation occurred, as determined by the REGULATORY AGENCY. If data to determine the marginal emissions rate is unavailable, the average emissions rate shall be used, as determined by the REGULATORY AGENCY.

(iii) The CO₂ tons to be allocated to the voluntary renewable energy set-aside account shall be calculated as follows:

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$$\text{CO}_2 \text{ tons} = \text{MP} \times \text{EF}$$

where:

CO₂ tons, rounded down to the nearest whole ton, is the number of allowances to be placed in the reserve account.

MP is the projected MWh of voluntary renewable energy purchases in the State during the future control period that meets the requirements of this subdivision.

EF is the CO₂ emissions factor for the control area where the electricity represented by the sale was generated.

(iv) If following the end of a control period, the number of CO₂ allowances allocated to the voluntary renewable energy set-aside account is less than the number of CO₂ tons represented by the actual MWh of voluntary renewable energy purchases during the control period, the REGULATORY AGENCY will add the difference between CO₂ tons represented by actual purchases, as calculated in accordance with subparagraph (iii) of this paragraph, and CO₂ allowances held in the set-aside account to the projection for the following control period, pursuant to paragraph (2) of this subdivision. If following the end of a control period, the number of CO₂ allowances allocated to the voluntary renewable energy set-aside account is greater than the number of CO₂ tons represented by the actual MWh of voluntary renewable energy purchases during the control period, the REGULATORY AGENCY will subtract the difference between CO₂ tons represented by actual purchases, as calculated in accordance with subparagraph (iii) of this paragraph, and CO₂ allowances held in the set-aside account from the projection for the following control period, pursuant to paragraph (2) of this subdivision. In no event shall the size of the voluntary renewable set-aside exceed _____ tons.

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(3) As of the December 31 that is after the end of a control period for which an allocation has been made to the voluntary renewable energy set-aside account, the REGULATORY AGENCY shall determine the actual MWh of voluntary renewable energy purchases that occurred during the control period. The REGULATORY AGENCY shall retire CO₂ allowances in the voluntary renewable energy set-aside account in an amount up to the number of tons of CO₂ represented by actual voluntary renewable energy purchases, based on actual MWh purchases and the emissions factor determined pursuant to paragraph (2) of this subdivision.

[The following subdivision is an optional set-aside provision for states that adopt the optional subdivision XX-1.4(b). It represents one way a state could implement such a set-aside.]

(e) *Limited industrial exemption set-aside allocation.* The limited industrial exemption set-aside allocation will consist of _____ tons from the NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program base budget set forth in section XX-5.1, as applicable. For each control period, the REGULATORY AGENCY will determine CO₂ allowance allocations in accordance with the following procedures.

(1) The REGULATORY AGENCY will open and manage a general account for the limited exemption set-aside for each control period.

(2) As of the January 1 that is after the date that an exemption under subdivision XX-1.4(b) has been granted, for each allocation year the REGULATORY AGENCY will retire CO₂ allowances in the limited industrial exemption set-aside general

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account as determined pursuant to paragraph XX-1.4(b)(4).

(3) After retirement of allowances pursuant to paragraph (2) of this subdivision, the REGULATORY AGENCY will determine whether any CO₂ allowances remain in the limited industrial exemption set-aside general account for the control period. The REGULATORY AGENCY will transfer any such remaining CO₂ allowances from the limited industrial exemption set-aside allocation general account to the compliance account of each CO₂ budget source that was allocated allowances pursuant to subdivision (a) of this section using the following methodology:

Existing CO₂ budget unit's share of the CO₂ allowances remaining in the limited industrial exemption set-aside general account = Total CO₂ allowances remaining in the limited industrial exemption set-aside general account x (The individual CO₂ budget unit's CO₂ allowance allocation determined in accordance with subdivision (a) of this section ÷ The NAME OF RELEVANT RGGI STATE CO₂ Budget Trading Program annual base budget, as applicable)

where:

"Total CO₂ allowances remaining in the limited industrial exemption set-aside allocation general account" is the total number of CO₂ allowances remaining in the limited industrial exemption set-aside allocation general account (established under paragraph

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(e)(1) of this section) for the particular control period to which the limited industrial exemption set-aside allocation applies; and

“The individual CO₂ budget unit’s CO₂ allowance allocation” is the number of CO₂ allowances allocated under subdivision (a) of this section to the individual CO₂ budget unit for the control period to which the limited industrial exemption set-aside allocation applies.

The REGULATORY AGENCY will only transfer CO₂ allowances in whole ton increments. The REGULATORY AGENCY will continue to hold any fractional shares of CO₂ allowances in the name of the CO₂ budget unit as banked CO₂ allowances until they may be combined with other fractional shares of CO₂ allowances in future years and then transferred as whole ton increments.

Subpart XX-6 CO₂ Allowance Tracking System

XX-6.1 CO₂ Allowance Tracking System accounts.

(a) *Nature and function of compliance accounts.* Consistent with subdivision XX-6.2(a), the REGULATORY AGENCY or its agent will establish one compliance account for each CO₂ budget source. Allocations of CO₂ allowances pursuant to Subpart XX-5 and deductions or transfers of CO₂ allowances pursuant to sections XX-4.2, XX-6.5, XX-6.7, or Subpart XX-7 will be recorded in the compliance accounts in accordance with this Subpart.

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(b) *Nature and function of general accounts.* Consistent with subdivision XX-6.2(b), the REGULATORY AGENCY or its agent will establish, upon request, a general account for any person. Transfers of CO₂ allowances pursuant to Subpart XX-7 will be recorded in the general account in accordance with this Subpart.

XX-6.2 Establishment of accounts.

(a) *Compliance accounts.* Upon receipt of a complete account certificate of representation under section XX-2.4, the REGULATORY AGENCY or its agent will establish a compliance account for each CO₂ budget source for which the account certificate of representation was submitted.

(b) *General accounts.*

(1) *Application for general account.* Any person may apply to open a general account for the purpose of holding and transferring CO₂ allowances. An application for a general account may designate one and only one CO₂ authorized account representative and one and only one alternate CO₂ authorized account representative who may act on behalf of the CO₂ authorized account representative. The agreement by which the alternate CO₂ authorized account representative is selected shall include a procedure for authorizing the alternate CO₂ authorized account representative to act in lieu of the CO₂ authorized account representative. A complete application for a general account shall be submitted to the REGULATORY AGENCY or its agent and shall include the following elements in a format prescribed by the REGULATORY AGENCY or its agent:

(i) name, address, e-mail address, telephone number, and facsimile transmission number of the CO₂ authorized account representative and any

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alternate CO₂ authorized account representative;

(ii) at the option of the CO₂ authorized account representative, organization name and type of organization;

(iii) a list of all persons subject to a binding agreement for the CO₂ authorized account representative or any alternate CO₂ authorized account representative to represent their ownership interest with respect to the CO₂ allowances held in the general account;

(iv) the following certification statement by the CO₂ authorized account representative and any alternate CO₂ authorized account representative: "I certify that I was selected as the CO₂ authorized account representative or the CO₂ alternate authorized account representative, as applicable, by an agreement that is binding on all persons who have an ownership interest with respect to CO₂ allowances held in the general account. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO₂ Budget Trading Program on behalf of such persons and that each such person shall be fully bound by my representations, actions, inactions, or submissions and by any order or decision issued to me by the REGULATORY AGENCY or its agent or a court regarding the general account.";

(v) the signature of the CO₂ authorized account representative and any alternate CO₂ authorized account representative and the dates signed; and

(vi) unless otherwise required by the REGULATORY AGENCY or its agent, documents of agreement referred to in the application for a general account shall not be submitted to the REGULATORY AGENCY or its agent. Neither the REGULATORY

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AGENCY nor its agent shall be under any obligation to review or evaluate the sufficiency of such documents, if submitted.

(2) *Authorization of CO₂ authorized account representative.*

(i) Upon receipt by the REGULATORY AGENCY or its agent of a complete application for a general account under paragraph (b)(1) of this section:

(a) The REGULATORY AGENCY or its agent will establish a general account for the person or persons for whom the application is submitted.

(b) The CO₂ authorized account representative and any alternate CO₂ authorized account representative for the general account shall represent and, by his or her representations, actions, inactions, or submissions, legally bind each person who has an ownership interest with respect to CO₂ allowances held in the general account in all matters pertaining to the CO₂ Budget Trading Program, notwithstanding any agreement between the CO₂ authorized account representative or any alternate CO₂ authorized account representative and such person. Any such person shall be bound by any order or decision issued to the CO₂ authorized account representative or any alternate CO₂ authorized account representative by the REGULATORY AGENCY or its agent or a court regarding the general account.

(c) Any representation, action, inaction, or submission by any alternate CO₂ authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO₂ authorized account representative.

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(ii) Each submission concerning the general account shall be submitted, signed, and certified by the CO₂ authorized account representative or any alternate CO₂ authorized account representative for the persons having an ownership interest with respect to CO₂ allowances held in the general account. Each such submission shall include the following certification statement by the CO₂ authorized account representative or any alternate CO₂ authorized account representative: "I am authorized to make this submission on behalf of the persons having an ownership interest with respect to the CO₂ allowances held in the general account. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment."

(iii) The REGULATORY AGENCY or its agent will accept or act on a submission concerning the general account only if the submission has been made, signed, and certified in accordance with subparagraph (b)(2)(ii) of this section.

(3) *Changing CO₂ authorized account representative and alternate CO₂ authorized account representative; changes in persons with ownership interest.*

(i) The CO₂ authorized account representative for a general account may be changed at any time upon receipt by the REGULATORY AGENCY or its agent of a superseding complete application for a general account under paragraph (b)(1) of this section. Notwithstanding any such change, all representations, actions, inactions,

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and submissions by the previous CO₂ authorized account representative prior to the time and date when the REGULATORY AGENCY or its agent receives the superseding application for a general account shall be binding on the new CO₂ authorized account representative and the persons with an ownership interest with respect to the CO₂ allowances in the general account.

(ii) The alternate CO₂ authorized account representative for a general account may be changed at any time upon receipt by the REGULATORY AGENCY or its agent of a superseding complete application for a general account under paragraph (b)(1) of this section. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous alternate CO₂ authorized account representative prior to the time and date when the REGULATORY AGENCY or its agent receives the superseding application for a general account shall be binding on the new alternate CO₂ authorized account representative and the persons with an ownership interest with respect to the CO₂ allowances in the general account.

(iii) In the event a new person having an ownership interest with respect to CO₂ allowances in the general account is not included in the list of such persons in the application for a general account, such new person shall be deemed to be subject to and bound by the application for a general account, the representations, actions, inactions, and submissions of the CO₂ authorized account representative and any alternate CO₂ authorized account representative, and the decisions, orders, actions, and inactions of the REGULATORY AGENCY or its agent, as if the new person were included in such list.

(iv) Within 30 days following any change in the persons having an ownership interest with respect to CO₂ allowances in the general account, including the addition of persons, the CO₂ authorized account representative or any alternate CO₂

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authorized account representative shall submit a revision to the application for a general account amending the list of persons having an ownership interest with respect to the CO₂ allowances in the general account to include the change.

(4) *Objections concerning CO₂ authorized account representative.*

(i) Once a complete application for a general account under paragraph (b)(1) of this section has been submitted and received, the REGULATORY AGENCY or its agent will rely on the application unless and until a superseding complete application for a general account under paragraph (b)(1) of this section is received by the REGULATORY AGENCY or its agent.

(ii) Except as provided in subparagraphs (b)(3)(i) and (ii) of this section, no objection or other communication submitted to the REGULATORY AGENCY or its agent concerning the authorization, or any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂ authorized account representative for a general account shall affect any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂ authorized account representative or the finality of any decision or order by the REGULATORY AGENCY or its agent under the CO₂ Budget Trading Program.

(iii) Neither the REGULATORY AGENCY nor its agent will adjudicate any private legal dispute concerning the authorization or any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂ authorized account representative for a general account, including private legal disputes concerning the proceeds of CO₂ allowance transfers.

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(5) *Delegation by CO₂ authorized account representative and alternate CO₂ authorized account representative.*

(i) A CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the REGULATORY AGENCY or its agent provided for under Subparts XX-6 and XX-7.

(ii) An alternate CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the REGULATORY AGENCY or its agent provided for under Subparts XX-6 and XX-7.

(iii) In order to delegate authority to make an electronic submission to the REGULATORY AGENCY or its agent in accordance with subparagraphs (i) and (ii) of this paragraph, the CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, must submit to the REGULATORY AGENCY or its agent a notice of delegation, in a format prescribed by the REGULATORY AGENCY that includes the following elements:

(a) The name, address, e-mail address, telephone number, and facsimile transmission number of such CO₂ authorized account representative or alternate CO₂ authorized account representative;

(b) The name, address, e-mail address, telephone number and facsimile transmission number of each such natural person, herein referred to as “electronic submission agent”;

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(c) For each such natural person, a list of the type of electronic submissions under subdivision (a) or (b) of this section for which authority is delegated to him or her; and

(d) The following certification statements by such CO₂ authorized account representative or alternate CO₂ authorized account representative:

(1) “I agree that any electronic submission to the REGULATORY AGENCY or its agent that is by a natural person identified in this notice of delegation and of a type listed for such electronic submission agent in this notice of delegation and that is made when I am a CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, and before this notice of delegation is superseded by another notice of delegation under subparagraph XX-6.2(b)(5)(iv) shall be deemed to be an electronic submission by me.”

(2) “Until this notice of delegation is superseded by another notice of delegation under subparagraph XX-6.2(b)(5)(iv), I agree to maintain an e-mail account and to notify the REGULATORY AGENCY or its agent immediately of any change in my e-mail address unless all delegation authority by me under paragraph XX-6.2(b)(5) is terminated.”

(iv) A notice of delegation submitted under subparagraph (iii) of this paragraph shall be effective, with regard to the CO₂ authorized account representative or alternate CO₂ authorized account representative identified in such notice, upon receipt of such notice by the REGULATORY AGENCY or its agent and until receipt by the REGULATORY AGENCY or its agent of a superseding notice of delegation by such CO₂ authorized account representative or alternate CO₂ authorized account representative as

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appropriate. The superseding notice of delegation may replace any previously identified electronic submission agent, add a new electronic submission agent, or eliminate entirely any delegation of authority.

(v) Any electronic submission covered by the certification in subclause (iii)(d)(1) of this paragraph and made in accordance with a notice of delegation effective under subparagraph (iv) of this paragraph shall be deemed to be an electronic submission by the CO₂ authorized account representative or alternate CO₂ authorized account representative submitting such notice of delegation.

(c) *Account identification.* The REGULATORY AGENCY or its agent will assign a unique identifying number to each account established under subdivisions (a) or (b) of this section.

XX-6.3 CO₂ Allowance Tracking System responsibilities of CO₂ authorized account representative.

Following the establishment of a CO₂ Allowance Tracking System account, all submissions to the REGULATORY AGENCY or its agent pertaining to the account, including, but not limited to, submissions concerning the deduction or transfer of CO₂ allowances in the account, shall be made only by the CO₂ authorized account representative for the account.

XX-6.4 Recordation of CO₂ allowance allocations.

(a) By January 1, 2009, the REGULATORY AGENCY or its agent will record in the following accounts the CO₂ allowances for the allocation years of 2009, 2010, 2011,

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and 2012:

(i) in each CO₂ budget source's compliance account, the CO₂ allowances allocated for CO₂ budget units at the source (if any) under subdivision XX-5.3(a); and

(ii) the CO₂ allowances allocated for the consumer benefit or strategic energy purpose account under subdivision XX-5.3(b).

[Should states wish to establish other set-aside allocations (for new sources, for example), they would be referred to (at least generically) in the above subdivision.]

(b) Each year the REGULATORY AGENCY or its agent will record CO₂ allowances, as allocated to the unit under Subpart XX-5, in the compliance account for the year after the last year for which CO₂ allowances were previously allocated to the compliance account. Each year, the REGULATORY AGENCY or its agent will also record CO₂ allowances, as allocated under Subpart XX-5, in an allocation set-aside for the year after the last year for which CO₂ allowances were previously allocated to an allocation set-aside.

(c) *Serial numbers for allocated CO₂ allowances.* When allocating CO₂ allowances to and recording them in an account, the REGULATORY AGENCY or its agent will assign each CO₂ allowance a unique identification number that will include digits identifying the year for which the CO₂ allowance is allocated.

XX-6.5 Compliance.

(a) *Allowances available for compliance deduction.* CO₂ allowances that meet

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the following criteria are available to be deducted for compliance with a CO₂ budget source's CO₂ budget emissions limitation for a control period.

(1) The CO₂ allowances, other than CO₂ offset allowances, are of allocation years that fall within a prior control period or the same control period for which the allowances will be deducted.

(2) The CO₂ allowances are held in the CO₂ budget source's compliance account as of the CO₂ allowance transfer deadline for that control period or are transferred into the compliance account by a CO₂ allowance transfer correctly submitted for recordation under section XX-7.1 by the CO₂ allowance transfer deadline for that control period.

(3) For CO₂ offset allowances, the number of CO₂ offset allowances that are available to be deducted for compliance with a CO₂ budget source's CO₂ budget emissions limitation for a control period may not exceed the number of tons representing the following percentages of the CO₂ budget source's CO₂ emissions for that control period, as determined in accordance with Subparts XX-6 and XX-8:

(i) unless the provisions of subparagraphs (ii) or (iii) of this paragraph apply, 3.3 percent;

(ii) if the REGULATORY AGENCY determines that there has been a stage one trigger event, 5 percent;

(iii) if the REGULATORY AGENCY determines that there has been a stage two trigger event, 10 percent.

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(4) The CO₂ allowances are not necessary for deductions for excess emissions for a prior control period under subdivision (d) of this section.

(b) *Deductions for compliance.* Following the recordation, in accordance with section XX-7.2, of CO₂ allowance transfers submitted for recordation in the CO₂ budget source's compliance account by the CO₂ allowance transfer deadline for a control period, the REGULATORY AGENCY or its agent will deduct CO₂ allowances available under subdivision (a) of this section to cover the source's CO₂ emissions (as determined in accordance with Subpart XX-8) for the control period, as follows:

(1) until the amount of CO₂ allowances deducted equals the number of tons of total CO₂ emissions, less any CO₂ emissions attributable to the burning of eligible biomass, determined in accordance with Subpart XX-8, from all CO₂ budget units at the CO₂ budget source for the control period; or

(2) if there are insufficient CO₂ allowances to complete the deductions in paragraph (b)(1) of this section, until no more CO₂ allowances available under subdivision (a) of this section remain in the compliance account.

(c) *Identification of available CO₂ allowances by serial number; default compliance deductions.*

(1) The CO₂ authorized account representative for a source's compliance account may request that specific CO₂ allowances, identified by serial number, in the compliance account be deducted for emissions or excess emissions for a control period in accordance with subdivision (b), or (d) of this section. Such identification shall be made in

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the compliance certification report submitted in accordance with section XX-4.1.

(2) The REGULATORY AGENCY or its agent will deduct CO₂ allowances for a control period from the CO₂ budget source's compliance account, in the absence of an identification or in the case of a partial identification of available CO₂ allowances by serial number under paragraph (c)(1) of this section, in the following descending order:

(i) any CO₂ allowances, other than CO₂ offset allowances, that are available for deduction under subdivision (a) of this section and were allocated to the units at the source, in the order of recordation; and then

(ii) any CO₂ allowances, other than CO₂ offset allowances, that are available for deduction under subdivision (a) of this section and were allocated other than to units at the source and transferred and recorded in the compliance account pursuant to Subpart XX-7, in the order of recordation; and then

(iii) subject to the relevant compliance deduction limitations under paragraph XX-6.5(a)(3), any CO₂ offset allowances transferred and recorded in the compliance account pursuant to Subpart XX-7, in the order of recordation.

(d) *Deductions for excess emissions.*

(1) After making the deductions for compliance under subdivision (b) of this section, the REGULATORY AGENCY or its agent will deduct from the CO₂ budget source's compliance account a number of CO₂ allowances, allocated for allocation years that occur after the control period in which the source has excess emissions, equal to three times the number of the source's excess emissions. In the event that a source has

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insufficient CO₂ allowances to cover three times the number of the source's excess emissions, the source shall be required to immediately transfer sufficient allowances into its compliance account. No CO₂ offset allowances may be deducted to account for the source's excess emissions.

(2) Any CO₂ allowance deduction required under paragraph (d)(1) of this section shall not affect the liability of the owners and operators of the CO₂ budget source or the CO₂ units at the source for any fine, penalty, or assessment, or their obligation to comply with any other remedy, for the same violation, as ordered under applicable State law. The following guidelines will be followed in assessing fines, penalties or other obligations.

(i) For purposes of determining the number of days of violation, if a CO₂ budget source has excess emissions for a control period, each day in the control period constitutes a day in violation unless the owners and operators of the unit demonstrate that a lesser number of days should be considered.

(ii) Each ton of excess emissions is a separate violation.

(3) The propriety of the REGULATORY AGENCY's determination that a CO₂ budget source had excess emissions and the concomitant deduction of CO₂ allowances from that CO₂ budget source's account may be later challenged in the context of the initial administrative enforcement, or any civil or criminal judicial action arising from or encompassing that excess emissions violation. The commencement or pendency of any administrative enforcement, or civil or criminal judicial action arising from or encompassing that excess emissions violation will not act to prevent the REGULATORY AGENCY or its agent from initially deducting the CO₂ allowances resulting from the

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REGULATORY AGENCY's original determination that the relevant CO₂ budget source has had excess emissions. Should the REGULATORY AGENCY's determination of the existence or extent of the CO₂ budget source's excess emissions be revised either by a settlement or final conclusion of any administrative or judicial action, the REGULATORY AGENCY will act as follows.

(i) In any instance where the REGULATORY AGENCY's determination of the extent of excess emissions was too low, the REGULATORY AGENCY will take further action under paragraphs (d)(1) and (2) of this section to address the expanded violation.

(ii) In any instance where the REGULATORY AGENCY's determination of the extent of excess emissions was too high, the REGULATORY AGENCY will distribute to the relevant CO₂ budget source a number of CO₂ allowances equaling the number of CO₂ allowances deducted which are attributable to the difference between the original and final quantity of excess emissions. Should such CO₂ budget source's compliance account no longer exist, the CO₂ allowances will be provided to a general account selected by the owner or operator of the CO₂ budget source from which they were originally deducted.

(e) The REGULATORY AGENCY or its agent will record in the appropriate compliance account all deductions from such an account pursuant to subdivisions (b) and (d) of this section.

(f) *Action by the REGULATORY AGENCY on submissions.*

(1) The REGULATORY AGENCY may review and conduct independent

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audits concerning any submission under the CO₂ Budget Trading Program and make appropriate adjustments of the information in the submissions.

(2) The REGULATORY AGENCY may deduct CO₂ allowances from or transfer CO₂ allowances to a source's compliance account based on information in the submissions, as adjusted under paragraph (f)(1) of this section.

XX-6.6 Banking.

Each CO₂ allowance that is held in a compliance account or a general account will remain in such account unless and until the CO₂ allowance is deducted or transferred under section XX-4.2, section XX-6.5, section XX-6.7, or Subpart XX-7.

XX-6.7 Account error.

The REGULATORY AGENCY or its agent may, at its sole discretion and on his or her own motion, correct any error in any CO₂ Allowance Tracking System account. Within 10 business days of making such correction, the REGULATORY AGENCY or its agent will notify the CO₂ authorized account representative for the account.

XX-6.8 Closing of general accounts.

(a) A CO₂ authorized account representative of a general account may instruct the REGULATORY AGENCY or its agent to close the account by submitting a statement requesting deletion of the account from the CO₂ Allowance Tracking System and by correctly submitting for recordation under section XX-7.1 a CO₂ allowance transfer of all CO₂ allowances in the account to one or more other CO₂ Allowance Tracking System

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accounts.

(b) If a general account shows no activity for a period of six years or more and does not contain any CO₂ allowances, the REGULATORY AGENCY or its agent may notify the CO₂ authorized account representative for the account that the account will be closed in the CO₂ Allowance Tracking System 20 business days after the notice is sent. The account will be closed after the 20-day period unless before the end of the 20-day period the REGULATORY AGENCY or its agent receives a correctly submitted transfer of CO₂ allowances into the account under section XX-7.1 or a statement submitted by the CO₂ authorized account representative demonstrating to the satisfaction of the REGULATORY AGENCY or its agent good cause as to why the account should not be closed.

Subpart XX-7 CO₂ Allowance Transfers

XX-7.1 Submission of CO₂ allowance transfers.

The CO₂ authorized account representatives seeking recordation of a CO₂ allowance transfer shall submit the transfer to the REGULATORY AGENCY or its agent. To be considered correctly submitted, the CO₂ allowance transfer shall include the following elements in a format specified by the REGULATORY AGENCY or its agent:

- (a) the numbers identifying both the transferor and transferee accounts;
- (b) a specification by serial number of each CO₂ allowance to be transferred;
- (c) the printed name and signature of the CO₂ authorized account representative

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of the transferor account and the date signed;

(d) the date of the completion of the last sale or purchase transaction for the allowance, if any; and

(e) the purchase or sale price of the allowance that is the subject of a sale or purchase transaction under subdivision (d) of this section.

XX-7.2 Recordation.

(a) Within 5 business days of receiving a CO₂ allowance transfer, except as provided in subdivision (b) of this section, the REGULATORY AGENCY or its agent will record a CO₂ allowance transfer by moving each CO₂ allowance from the transferor account to the transferee account as specified by the request, provided that:

(1) the transfer is correctly submitted under section XX-7.1; and

(2) the transferor account includes each CO₂ allowance identified by serial number in the transfer.

(b) A CO₂ allowance transfer that is submitted for recordation following the CO₂ allowance transfer deadline and that includes any CO₂ allowances that are of allocation years that fall within a control period prior to or the same as the control period to which the CO₂ allowance transfer deadline applies will not be recorded until after completion of the process of recordation of CO₂ allowance allocations in subdivision XX-6.4(b).

(c) Where a CO₂ allowance transfer submitted for recordation fails to meet the

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requirements of subdivision (a) of this section, the REGULATORY AGENCY or its agent will not record such transfer.

XX-7.3 Notification.

(a) *Notification of recordation.* Within 5 business days of recordation of a CO₂ allowance transfer under section XX-7.2, the REGULATORY AGENCY or its agent will notify each party to the transfer. Notice will be given to the CO₂ authorized account representatives of both the transferor and transferee accounts.

(b) *Notification of non-recordation.* Within 10 business days of receipt of a CO₂ allowance transfer that fails to meet the requirements of subdivision XX-7.2(a), the REGULATORY AGENCY or its agent will notify the CO₂ authorized account representatives of both accounts subject to the transfer of:

- (1) a decision not to record the transfer, and
- (2) the reasons for such non-recordation.

(c) Nothing in this section shall preclude the submission of a CO₂ allowance transfer for recordation following notification of non-recordation.

Subpart XX-8 Monitoring and Reporting

XX-8.1 General requirements.

The owners and operators, and to the extent applicable, the CO₂ authorized account

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representative of a CO₂ budget unit, shall comply with the monitoring, recordkeeping and reporting requirements as provided in this Subpart and all applicable sections of 40 CFR part 75. For purposes of complying with such requirements, the definitions in section XX-1.2 and in 40 CFR 72.2 shall apply, and the terms “affected unit,” “designated representative,” and “continuous emissions monitoring system” (or “CEMS”) in 40 CFR part 75 shall be replaced by the terms “CO₂ budget unit,” “CO₂ authorized account representative,” and “continuous emissions monitoring system” (or “CEMS”), respectively, as defined in section XX-1.2.

(a) *Requirements for installation, certification, and data accounting.* The owner or operator of each CO₂ budget unit must meet the following requirements.

(1) Install all monitoring systems required under this Subpart for monitoring CO₂ mass emissions. This includes all systems required to monitor CO₂ concentration, stack gas flow rate, O₂ concentration, heat input, and fuel flow rate, as applicable, in accordance with 40 CFR 75.13, 75.71 and 75.72 and all portions of appendix G of 40 CFR part 75, except for equation G-1 in 40 CFR Part 75. Equation G-1 in Appendix G shall not be used to determine CO₂ emissions under this Part.

(2) Successfully complete all certification tests required under section XX-8.2 and meet all other requirements of this Subpart and 40 CFR part 75 applicable to the monitoring systems under paragraph (a)(1) of this section.

(3) Record, report and quality-assure the data from the monitoring systems under paragraph (a)(1) of this section.

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(b) *Compliance dates.* The owner or operator shall meet the monitoring system certification and other requirements of paragraphs (a)(1) through (a)(3) of this section on or before the following dates. The owner or operator shall record, report and quality-assure the data from the monitoring systems under paragraph (a)(1) of this section on and after the following dates.

(1) The owner or operator of a CO₂ budget unit, except for a CO₂ budget unit under paragraph (b)(2) of this section, that commences commercial operation before July 1, 2008, must comply with the requirements of this Subpart by January 1, 2009.

(2) The owner or operator of a CO₂ budget unit that commences commercial operation on or after July 1, 2008 must comply with the requirements of this Subpart by the later of the following dates:

(i) January 1, 2009; or

(ii) the earlier of:

(a) 90 unit operating days after the date on which the unit commences commercial operation; or

(b) 180 calendar days after the date on which the unit commences commercial operation.

(3) For the owner or operator of a CO₂ budget unit for which construction of a new stack or flue installation is completed after the applicable deadline under paragraph (b)(1) or (b)(2) of this section by the earlier of:

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(i) 90 unit operating days after the date on which emissions first exit to the atmosphere through the new stack or flue; or

(ii) 180 calendar days after the date on which emissions first exit to the atmosphere through the new stack or flue.

(c) *Reporting data.*

(1) Except as provided in paragraph (c)(2) of this section, the owner or operator of a CO₂ budget unit that does not meet the applicable compliance date set forth in paragraphs (b)(1), (b)(2) and (b)(3) of this section for any monitoring system under paragraph (a)(1) of this section shall, for each such monitoring system, determine, record, and report maximum potential (or as appropriate minimum potential) values for CO₂ concentration, CO₂ emissions rate, stack gas moisture content, fuel flow rate and any other parameter required to determine CO₂ mass emissions and heat input in accordance with 40 CFR 75.31(b)(2) or (c)(3), section 2.4 of appendix D of 40 CFR part 75 or section 2.5 of appendix F of 40 CFR part 75 as applicable.

(2) The owner or operator of a CO₂ budget unit that does not meet the applicable compliance date set forth in paragraph (b)(3) of this section for any monitoring system under paragraph (a)(1) of this section shall, for each such monitoring system, determine, record, and report substitute data using the applicable missing data procedures in Subpart D, or appendix D or appendix E of 40 CFR part 75, in lieu of the maximum potential (or as appropriate minimum potential) values for a parameter if the owner or operator demonstrates that there is continuity between the data streams for that parameter before and after the construction or installation under paragraph (b)(3) of this section.

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(d) *Prohibitions.*

(1) No owner or operator of a CO₂ budget unit or a non-CO₂ budget unit monitored under 40 CFR 75.72(b)(2)(ii) shall use any alternative monitoring system, alternative reference method, or any other alternative for the required continuous emissions monitoring system without having obtained prior written approval in accordance with section XX-8.6.

(2) No owner or operator of a CO₂ budget unit or a non-CO₂ budget unit monitored under 40 CFR 75.72(b)(2)(ii) shall operate the unit so as to discharge, or allow to be discharged, CO₂ emissions to the atmosphere without accounting for all such emissions in accordance with the applicable provisions of this Subpart and 40 CFR part 75.

(3) No owner or operator of a CO₂ budget unit or a non-CO₂ budget unit monitored under 40 CFR 75.72(b)(2)(ii) shall disrupt the continuous emissions monitoring system, any portion thereof, or any other approved emissions monitoring method, and thereby avoid monitoring and recording CO₂ mass emissions discharged into the atmosphere, except for periods of recertification or periods when calibration, quality assurance testing, or maintenance is performed in accordance with the applicable provisions of this Subpart and 40 CFR part 75.

(4) No owner or operator of a CO₂ budget unit or a non-CO₂ budget unit monitored under 40 CFR 75.72(b)(2)(ii) shall retire or permanently discontinue use of the continuous emissions monitoring system, any component thereof, or any other approved emissions monitoring system under this Subpart, except under any one of the following circumstances:

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(i) The owner or operator is monitoring emissions from the unit with another certified monitoring system approved, in accordance with the applicable provisions of this Subpart and 40 CFR part 75, by the REGULATORY AGENCY for use at that unit that provides emissions data for the same pollutant or parameter as the retired or discontinued monitoring system; or

(ii) The CO₂ authorized account representative submits notification of the date of certification testing of a replacement monitoring system in accordance with subparagraph XX-8.2(d)(3)(i).

XX-8.2 Initial certification and recertification procedures.

(a) The owner or operator of a CO₂ budget unit shall be exempt from the initial certification requirements of this section for a monitoring system under paragraph XX-8.1(a)(1) if the following conditions are met:

(1) The monitoring system has been previously certified in accordance with 40 CFR part 75; and

(2) The applicable quality-assurance and quality-control requirements of 40 CFR 75.21 and appendix B, appendix D and appendix E of 40 CFR part 75 are fully met for the certified monitoring system described in paragraph (a)(1) of this section.

(b) The recertification provisions of this section shall apply to a monitoring system under paragraph XX-8.1(a)(1) exempt from initial certification requirements under subdivision (a) of this section.

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(c) If the Administrator has previously approved a petition under 40 CFR 75.17(a) or (b) for apportioning the CO₂ emissions rate measured in a common stack or a petition under 40 CFR 75.66 of this chapter for an alternative requirement in 40 CFR 75.12, 40 CFR 75.17 or Subpart H of 40 CFR part 75, the CO₂ authorized account representative shall resubmit the petition to the Administrator under subdivision XX-8.6(a) to determine whether the approval applies under this program.

(d) Except as provided in subdivision (a) of this section, the owner or operator of a CO₂ budget unit shall comply with the following initial certification and recertification procedures for a continuous emissions monitoring system and an excepted monitoring system under appendices D and E of 40 CFR part 75 and under paragraph XX-8.1(a)(1). The owner or operator of a unit that qualifies to use the low mass emissions excepted monitoring methodology in 40 CFR 75.19 or that qualifies to use an alternative monitoring system under Subpart E of 40 CFR part 75 shall comply with the procedures in subdivision (e) or (f) of this section, respectively.

(1) *Requirements for initial certification.* The owner or operator shall ensure that each continuous emissions monitoring system required under paragraph XX-8.1(a)(1) (which includes the automated data acquisition and handling system) successfully completes all of the initial certification testing required under 40 CFR 75.20 by the applicable deadlines specified in subdivision XX-8.1(b). In addition, whenever the owner or operator installs a monitoring system in order to meet the requirements of this Subpart in a location where no such monitoring system was previously installed, initial certification in accordance with 40 CFR 75.20 is required.

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(2) *Requirements for recertification.* Whenever the owner or operator makes a replacement, modification, or change in a certified continuous emissions monitoring system under paragraph XX-8.1(a)(1) that the Administrator or the REGULATORY AGENCY determines significantly affects the ability of the system to accurately measure or record CO₂ mass emissions or heat input or to meet the quality-assurance and quality-control requirements of 40 CFR 75.21 or appendix B to 40 CFR part 75, the owner or operator shall recertify the monitoring system according to 40 CFR 75.20(b). Furthermore, whenever the owner or operator makes a replacement, modification, or change to the flue gas handling system or the unit's operation that the Administrator or the REGULATORY AGENCY determines to significantly change the flow or concentration profile, the owner or operator shall recertify the continuous emissions monitoring system according to 40 CFR 75.20(b). Examples of changes which require recertification include: replacement of the analyzer, change in location or orientation of the sampling probe or site, or changing of flow rate monitor polynomial coefficients.

(3) *Approval process for initial certifications and recertification.* Subparagraphs (d)(3)(i) through (iv) of this section apply to both initial certification and recertification of a monitoring system under paragraph XX-8.1(a)(1). For recertifications, replace the words "certification" and "initial certification" with the word "recertification," replace the word "certified" with "recertified," and follow the procedures in 40 CFR 75.20(b)(5) and (g)(7) in lieu of the procedures in subparagraph (d)(3)(v) of this section.

(i) *Notification of certification.* The CO₂ authorized account representative shall submit to the REGULATORY AGENCY or its agent, the appropriate EPA Regional Office and the Administrator a written notice of the dates of certification in accordance with section XX-8.4.

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(ii) *Certification application.* The CO₂ authorized account representative shall submit to the REGULATORY AGENCY or its agent a certification application for each monitoring system. A complete certification application shall include the information specified in 40 CFR 75.63.

(iii) *Provisional certification data.* The provisional certification date for a monitor shall be determined in accordance with 40 CFR 75.20(a)(3). A provisionally certified monitor may be used under the CO₂ budget Trading Program for a period not to exceed 120 days after receipt by the REGULATORY AGENCY of the complete certification application for the monitoring system or component thereof under subparagraph (d)(3)(ii) of this section. Data measured and recorded by the provisionally certified monitoring system or component thereof, in accordance with the requirements of 40 CFR part 75, will be considered valid quality-assured data (retroactive to the date and time of provisional certification), provided that the REGULATORY AGENCY does not invalidate the provisional certification by issuing a notice of disapproval within 120 days of receipt of the complete certification application by the REGULATORY AGENCY.

(iv) *Certification application approval process.* The REGULATORY AGENCY will issue a written notice of approval or disapproval of the certification application to the owner or operator within 120 days of receipt of the complete certification application under subparagraph (d)(3)(ii) of this section. In the event the REGULATORY AGENCY does not issue such a notice within such 120-day period, each monitoring system which meets the applicable performance requirements of 40 CFR part 75 and is included in the certification application will be deemed certified for use under the CO₂ Budget Trading Program.

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(a) *Approval notice.* If the certification application is complete and shows that each monitoring system meets the applicable performance requirements of 40 CFR part 75, then the REGULATORY AGENCY will issue a written notice of approval of the certification application within 120 days of receipt.

(b) *Incomplete application notice.* If the certification application is not complete, then the REGULATORY AGENCY will issue a written notice of incompleteness that sets a reasonable date by which the CO₂ authorized account representative must submit the additional information required to complete the certification application. If the CO₂ authorized account representative does not comply with the notice of incompleteness by the specified date, then the REGULATORY AGENCY may issue a notice of disapproval under clause (d)(3)(iv)(c) of this section. The 120 day review period shall not begin before receipt of a complete certification application

(c) *Disapproval notice.* If the certification application shows that any monitoring system or component thereof does not meet the performance requirements of 40 CFR part 75, or if the certification application is incomplete and the requirement for disapproval under clause (d)(3)(iv)(b) of this section is met, then the REGULATORY AGENCY will issue a written notice of disapproval of the certification application. Upon issuance of such notice of disapproval, the provisional certification is invalidated by the REGULATORY AGENCY and the data measured and recorded by each uncertified monitoring system or component thereof shall not be considered valid quality assured data beginning with the date and hour of provisional certification. The owner or operator shall follow the procedures for loss of certification in subparagraph (d)(3)(v) of this section for each monitoring system or component thereof, which is disapproved for initial certification.

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(d) *Audit decertification.* The REGULATORY AGENCY may issue a notice of disapproval of the certification status of a monitor in accordance with subdivision XX-8.3(b).

(v) *Procedures for loss of certification.* If the REGULATORY AGENCY issues a notice of disapproval of a certification application under clause (d)(3)(iv)(c) of this section or a notice of disapproval of certification status under clause (d)(3)(iv)(d) of this section, then:

(a) The owner or operator shall substitute the following values for each disapproved monitoring system, for each hour of unit operation during the period of invalid data beginning with the date and hour of provisional certification and continuing until the time, date, and hour specified under 40 CFR 75.20(a)(5)(i) or 40 CFR 75.20(g)(7):

(1) for units using or intending to monitor for CO₂ mass emissions using heat input or for units using the low mass emissions excepted methodology under 40 CFR 75.19, the maximum potential hourly heat input of the unit; or

(2) for units intending to monitor for CO₂ mass emissions using a CO₂ pollutant concentration monitor and a flow monitor, the maximum potential concentration of CO₂ and the maximum potential flow rate of the unit under section 2.1 of appendix A of 40 CFR part 75.

(b) The CO₂ authorized account representative shall submit a notification of certification retest dates and a new certification application in accordance with subparagraphs (d)(3)(i) and (ii) of this section; and

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(c) The owner or operator shall repeat all certification tests or other requirements that were failed by the monitoring system, as indicated in the REGULATORY AGENCY's notice of disapproval, no later than 30 unit operating days after the date of issuance of the notice of disapproval.

(e) *Initial certification and recertification procedures for low mass emissions units using the excepted methodologies under 40 CFR 75.19.* The owner or operator of a unit qualified to use the low mass emissions excepted methodology under 40 CFR 75.19 shall meet the applicable certification and recertification requirements of 40 CFR 75.19(a)(2), 40 CFR 75.20(h) and section XX-8.2. If the owner or operator of such a unit elects to certify a fuel flow meter system for heat input determinations, the owner or operator shall also meet the certification and recertification requirements in 40 CFR 75.20(g).

(f) *Certification/recertification procedures for alternative monitoring systems.* The CO₂ authorized account of each unit for which the owner or operator intends to use an alternative monitoring system approved by the Administrator and, if applicable, the REGULATORY AGENCY under Subpart E of 40 CFR part 75 shall comply with the applicable notification and application procedures of 40 CFR 75.20(f).

XX-8.3 Out-of-control periods.

(a) Whenever any monitoring system fails to meet the quality assurance and quality control requirements or data validation requirements of 40 CFR part 75, data shall be substituted using the applicable procedures in Subpart D, appendix D, or appendix E of 40 CFR part 75.

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(b) *Audit decertification.* Whenever both an audit of a monitoring system and a review of the initial certification or recertification application reveal that any monitoring system should not have been certified or recertified because it did not meet a particular performance specification or other requirement under section XX-8.2 or the applicable provisions of 40 CFR part 75 , both at the time of the initial certification or recertification application submission and at the time of the audit, the REGULATORY AGENCY or Administrator will issue a notice of disapproval of the certification status of such monitoring system. For the purposes of this paragraph, an audit shall be either a field audit or an audit of any information submitted to the REGULATORY AGENCY or the Administrator. By issuing the notice of disapproval, the REGULATORY AGENCY or Administrator revokes prospectively the certification status of the monitoring system. The data measured and recorded by the monitoring system shall not be considered valid quality-assured data from the date of issuance of the notification of the revoked certification status until the date and time that the owner or operator completes subsequently approved initial certification or recertification tests for the monitoring system. The owner or operator shall follow the initial certification or recertification procedures in section XX-8.2 for each disapproved monitoring system.

XX-8.4 Notifications.

The CO₂ authorized account representative for a CO₂ budget unit shall submit written notice to the REGULATORY AGENCY and the Administrator in accordance with 40 CFR 75.61.

XX-8.5 Recordkeeping and reporting.

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(a) *General provisions.* The CO₂ authorized account representative shall comply with all recordkeeping and reporting requirements in this section, the applicable record keeping and reporting requirements under 40 CFR 75.73 and with the requirements of subdivision XX-2.1(e).

(b) *Monitoring plans.* The owner or operator of a CO₂ budget unit shall comply with requirements of 40 CFR 75.62.

(c) *Certification applications.* The CO₂ authorized account representative shall submit an application to the REGULATORY AGENCY within 45 days after completing all initial certification or recertification tests required under section XX-8.2 including the information required under CFR 75.63 and 40 CFR 75.73 (c) and (e) .

(d) *Quarterly reports.* The CO₂ authorized account representative shall submit quarterly reports, as follows:

(1) The CO₂ authorized account representative shall report the CO₂ mass emissions data and heat input data for the CO₂ budget unit, in an electronic format prescribed by the Administrator for each calendar quarter beginning with:

(i) for a unit that commences commercial operation before July 1, 2008, the calendar quarter covering January 1, 2009 through March 31, 2009; or

(ii) for a unit commencing commercial operation on or after July 1, 2008, the calendar quarter corresponding to, the earlier of the date of provisional certification or the applicable deadline for initial certification under subdivision XX-8.1(b) or,

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unless that quarter is the third or fourth quarter of 2008, in which case reporting shall commence in the quarter covering January 1, 2009 through March 31, 2009.

(2) The CO₂ authorized account representative shall submit each quarterly report to the REGULATORY AGENCY or its agent within 30 days following the end of the calendar quarter covered by the report. Quarterly reports shall be submitted in the manner specified in Subpart H of 40 CFR part 75 and 40 CFR 75.64. Quarterly reports shall include all of the data and information required in Subpart H of 40 CFR part 75 for each CO₂ budget unit (or group of units using a common stack) as well as information required in Subpart G of 40 CFR part 75, except for opacity and SO₂ provisions.

(3) *Compliance certification.* The CO₂ authorized account representative shall submit to the REGULATORY AGENCY or its agent a compliance certification in support of each quarterly report based on reasonable inquiry of those persons with primary responsibility for ensuring that all of the unit's emissions are correctly and fully monitored. The certification shall state that:

(i) the monitoring data submitted were recorded in accordance with the applicable requirements of this Subpart and 40 CFR part 75, including the quality assurance procedures and specifications;

(ii) for a unit with add-on CO₂ emissions controls and for all hours where data are substituted in accordance with 40 CFR 75.34(a)(1), the add-on emissions controls were operating within the range of parameters listed in the quality assurance/quality control program under appendix B of 40 CFR part 75 and the substitute values do not systematically underestimate CO₂ emissions; and

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(iii) the CO₂ concentration values substituted for missing data under Subpart D of 40 CFR part 75 do not systematically underestimate CO₂ emissions.

XX-8.6 Petitions.

(a) Except as provided in subdivision (c) of this section, the CO₂ authorized account representative of a CO₂ budget unit that is subject to an Acid Rain emissions limitation may submit a petition under 40 CFR 75.66 to the Administrator requesting approval to apply an alternative to any requirement of this Subpart. Application of an alternative to any requirement of this Subpart is in accordance with this Subpart only to the extent that the petition is approved in writing by the Administrator, in consultation with the REGULATORY AGENCY.

(b) The CO₂ authorized account representative of a CO₂ budget unit that is not subject to an Acid Rain emissions limitation may submit a petition under 40 CFR 75.66 to the Administrator requesting approval to apply an alternative to any requirement of this Subpart. Application of an alternative to any requirement of this Subpart is in accordance with this Subpart only to the extent that the petition is approved in writing by both the REGULATORY AGENCY and the Administrator.

(c) The CO₂ authorized account representative of a CO₂ budget unit that is subject to an Acid Rain emissions limitation may submit a petition under 40 CFR 75.66 to the Administrator requesting approval to apply an alternative to a requirement concerning any additional CEMS required under the common stack provisions of 40 CFR 75.72 or a CO₂ concentration CEMS used under 40 CFR 75.71(a)(2). Application of an alternative to any requirement of this Subpart is in accordance with this Subpart only to the extent the petition is approved in writing by both the REGULATORY AGENCY and the Administrator.

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XX-8.7 CO₂ budget units that co-fire eligible biomass.

(a) The CO₂ authorized account representative of a CO₂ budget unit that co-fires eligible biomass as a compliance mechanism under this Part, shall report the following information to the REGULATORY AGENCY or its agent for each calendar quarter:

- (1) chemical analysis of eligible biomass fired, including carbon content and heating value;
- (2) moisture content of eligible biomass for each shipment received for firing at the CO₂ budget unit;
- (3) total eligible biomass fuel input (in units of mass or volume, as appropriate) to the CO₂ budget unit;
- (4) total eligible biomass heat input on an as-fired basis to the CO₂ budget unit (MMBtu);
- (5) heat input rate of eligible biomass to the CO₂ budget unit (MMBtu/hr);
- (6) fuel feed rate of eligible biomass to the CO₂ budget unit (in units of mass or volume per hour, as appropriate);
- (7) total operating hours for which eligible biomass was fired;

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(8) CO₂ tons emitted from the CO₂ budget unit due to firing of eligible biomass;

(9) description and documentation of fuel sampling frequency and methodology; and

(10) description and documentation of monitoring technology employed.

(b) An owner or operator of a CO₂ budget unit shall calculate and submit to the REGULATORY AGENCY or its agent on a quarterly basis the as-fired biomass CO₂ emissions factor for the CO₂ budget unit for each distinct type of eligible biomass fired during the reporting quarter, represented as CO₂ lbs./MMBtu of biomass heat input. The as-fired CO₂ emissions factor shall be the lower of the following:

(1) as measured and recorded by the continuous emissions monitor during all periods when firing eligible biomass alone; or

(2) for solid fuel, as determined as follows:

$$\text{CO}_2 \text{ lbs./MMBtu} = ((C \times F_{\text{IN}})/\text{HI}) (44/12)$$

where:

C = Carbon content of biomass (percent by dry weight) for distinct fuel type

F_{IN} = Total biomass fuel input (lbs.) for distinct fuel type

HI = Heat input, as-fired, (MMBtu) derived as follows:

$$\text{HI} = \sum_{i=1}^n (\text{HHV}_{\text{DRY}} (1 - \text{MCW}_{\text{AS-FIRED-}i}) \times F_{\text{IN-}i}$$

where:

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fired $HHV_{\text{DRY}} = \text{Btu/lb. (higher heating value) dry basis for distinct fuel type}$

i fired $MCW_{\text{AS-FIRED-}i} = \text{Moisture content wet basis (percent) for each shipment}$

$F_{\text{IN-}i} = \text{Biomass fuel input (lbs.) for each shipment } i \text{ fired}$

(3) for gaseous fuel, as determined as follows:

$$\text{CO}_2 \text{ lbs./MMBtu} = (C \times (F_{\text{IN}} \times D))/\text{HI} \quad (44/12)$$

where:

type $C = \text{Carbon content of biogas (percent by weight) for distinct fuel}$

$F_{\text{IN}} = \text{Total biogas fuel input (scf) for distinct fuel type}$

$D = \text{Density of biogas (lb./scf) for distinct fuel type}$

$\text{HI} = \text{Total heat input (MMBtu), derived as follows:}$

$$\text{HI} = \text{HHV} \times F_{\text{IN}}$$

$\text{HHV} = \text{Btu/scf (higher heating value) for distinct fuel type}$

$F_{\text{IN}} = \text{Biogas fuel input (scf)}$

(c) CO_2 emissions due to firing of eligible biomass shall be determined as follows:

$$\text{CO}_2 \text{ tons} = \sum_{i=1}^n (B_{\text{HI-}i} \times B_{\text{EF-}i} \times B_{\text{OF-}i})/2000$$

where:

quarter $\text{CO}_2 \text{ tons} = \text{CO}_2 \text{ emissions due to firing of eligible biomass for the reporting}$

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B_{HI-i} = Eligible biomass heat input on an as-fired basis (MMBtu) for the reporting quarter for each distinct type i of eligible biomass fired

B_{EF-i} = Eligible biomass emissions factor for the reporting quarter (lbs. CO₂/MMBtu) for each distinct type i of eligible biomass fired

B_{OF-i} = Eligible biomass oxidation factor for each distinct type i of eligible biomass fired, derived for solid fuels based on the ash content of the eligible biomass fired and the carbon content of this ash, as determined pursuant to paragraph (a)(1) of this section; for gaseous biomass fuels, a default oxidation factor of 0.995 may be used

(d) Fuel sampling methods and fuel sampling technology shall be consistent with the New York State Renewable Portfolio Standard Biomass Guidebook, May 2006.

XX-8.8 Additional requirements to provide output data.

(a) A CO₂ budget unit in a state that requires the use of information submitted to the Independent System Operator (ISO) to document megawatt-hours (MWh) the CO₂ budget unit shall submit to the REGULATORY AGENCY or its agent the same MWh value submitted to the ISO and a statement certifying that the MWh of electrical output reported reflects the total actual electrical output for all CO₂ budget units at the facility used by the ISO to determine settlement resources of energy market participants.

(b) A CO₂ budget unit in a state that requires gross output to be used that also reports gross hourly MW to the Administrator, shall use the same electronic data report (EDR) gross output (in MW), as submitted to the Administrator, for the hour times operating time in the hour, added for all hours in a year. A CO₂ budget unit that does not report gross hourly MW to the Administrator shall submit to the REGULATORY AGENCY or its agent information in accordance with paragraph XX-8.8(e)(1).

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(c) A CO₂ budget unit in a state that requires net electrical output, shall submit to the REGULATORY AGENCY or its agent information in accordance with paragraph XX-8.8(e)(1). A CO₂ budget source whose electrical output is not used in ISO energy market settlement determinations shall propose to the REGULATORY AGENCY a method for quantification of net electrical output.

(d) CO₂ budget sources selling steam should use billing meters to determine net steam output. A CO₂ budget source whose steam output is not measured by billing meters or whose steam output is combined with output from a non-CO₂ budget unit prior to measurement by the billing meter shall propose to the REGULATORY AGENCY an alternative method for quantification of net steam output. If data for steam output is not available, the CO₂ budget source may report heat input providing useful steam output as a surrogate for steam output.

(e) *Monitoring.* The owner or operator of each CO₂ budget unit, in a state that requires the CO₂ budget unit's net output, must meet the following requirements. Each CO₂ budget source must submit an output monitoring plan. The output monitoring plan must include a description and diagram as stated below.

(1) Submit a diagram of the electrical and/or steam system for which output is being monitored, specifically including the following.

(i) If the CO₂ budget unit monitors net electric output, the diagram should contain all CO₂ budget units and all generators served by each CO₂ budget unit and the relationship between CO₂ budget units and generators. If a generator served by a CO₂ budget unit is also served by a non-affected unit, the non-affected unit and its relationship

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to each generator should be indicated on the diagram as well. The diagram should indicate where the net electric output is measured and should include all electrical inputs and outputs to and from the plant. If net electric output is determined using a billing meter, the diagram should show each billing meter used to determine net sales of electricity and should show that all electricity measured at the point of sale is generated by the CO₂ budget units.

(ii) If the CO₂ budget unit monitors net thermal output, the diagram should include all steam or hot water coming into the net steam system, including steam from CO₂ budget units and non-affected units, and all exit points of steam or hot water from the net steam system. In addition, each input and output stream will have an estimated temperature, pressure and phase indicator, and an enthalpy in Btu/lb. The diagram of the net steam system should identify all useful loads, house loads, parasitic loads, any other steam loads and all boiler feedwater returns. The diagram will represent all energy losses in the system as either usable or unusable losses. The diagram will also indicate all flow meters, temperature or pressure sensors or other equipment used to calculate gross thermal output. If a sales agreement is used to determine net thermal output, the diagram should show the monitoring equipment used to determine the sales of steam.

(2) Submit a description of each output monitoring system. The description of the output monitoring system should include a written description of the output system and the equations used to calculate output. For net thermal output systems descriptions and justifications of each useful load should be included.

(3) Submit a detailed description of all quality assurance/quality control activities that will be performed to maintain the output system in accordance with subdivision XX-8.8(g).

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(4) Submit documentation supporting any output value(s) to be used as a missing data value should there be periods of invalid output data. The missing data output value must be either zero or an output value that is likely to be lower than a measured value and that is approved as part of the monitoring plan required under this subdivision.

(f) *Initial certification.* A certification statement must be submitted by the CO₂ authorized account representative stating that either the output monitoring system consists entirely of billing meters or that the output monitoring system meets one of the accuracy requirements for non-billing meters at paragraph (2) of this subdivision. This statement may be submitted with the certification application required under subdivision XX-8.5(c).

(1) *Billing meters.* The billing meter must record the electric or thermal output. Any electric or thermal output values that the facility reports must be the same as the values used in billing for the output. Any output measurement equipment used as a billing meter in commercial transactions requires no additional certification or testing.

(2) *Non-billing meters.* For non-billing meters, the output monitoring system must either meet an accuracy of within 10% of the reference value, or each component monitor for the output system must meet an accuracy of within 3% of the full scale value, whichever is less stringent.

(i) *System approach to accuracy.* The system approach to accuracy must include a determination of how the system accuracy of 10% is achieved using the individual components in the system and should include data loggers and any wattmeters used to calculate the final net electric output data and/or any flowmeters for

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steam or condensate, temperature measurement devices, absolute pressure measurement devices, and differential pressure devices used for measuring thermal energy.

(ii) *Component approach to accuracy.* If testing a piece of output measurement equipment shows that the output readings are not accurate to within 3.0 percent of the full scale value, then the equipment should be repaired or replaced to meet that requirement. Data shall remain invalid until the output measurement equipment passes an accuracy test or is replaced with another piece of equipment that passes the accuracy test.

(g) *Ongoing QA/QC.* Ongoing quality assurance/quality control activities must be performed in order to maintain the output system.

(1) *Billing meters.* In the case where billing meters are used to determine output, no QA/QC activities beyond what are already performed are required.

(2) *Non-billing meters.* Certain types of equipment such as potential transformers, current transformers and the primary element of an orifice plate only require an initial certification of calibration and do not require periodic recalibration unless the equipment is physically changed. However, the pressure and temperature transmitters accompanying an orifice plate will require periodic retesting. For other types of equipment, either recalibrate or re-verify the meter accuracy at least once every two years (i.e., every eight calendar quarters), unless a consensus standard allows for less frequent calibrations or accuracy tests. For non-billing meters, the output monitoring system must either meet an accuracy of within 10% of the reference value, or each component monitor for the output system must meet an accuracy of within 3% of the full scale value, whichever is less stringent. If testing a piece of output measurement equipment shows that the output

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readings are not accurate to within 3.0 percent of the full scale value, then the equipment should be repaired or replaced to meet that requirement.

(3) *Out-of-control periods.* If testing a piece of output measurement equipment shows that the output readings are not accurate to the certification value, data remain invalid until the output measurement equipment passes an accuracy test or is replaced with another piece of equipment that passes the accuracy test. All invalid data shall be replaced by either zero or an output value that is likely to be lower than a measured value and that is approved as part of the monitoring plan required under subdivision XX-8.8(e).

(h) *Recordkeeping and reporting.*

(1) *General provisions.* The CO₂ authorized account representative shall comply with all recordkeeping and reporting requirements in this section and with the requirements of subdivisions XX-1.5(e) and XX-2.1(e).

(2) *Recordkeeping.* Facilities shall retain data used to monitor, determine, or calculate net generation for ten years.

(3) *Annual reports.* The CO₂ authorized account representative shall submit annual output reports, as follows. The data must be sent both electronically and in hardcopy by March 1 for the immediately preceding calendar year to the REGULATORY AGENCY or its agent. The annual report shall include unit level MWh, all useful steam output and a certification statement from the CO₂ authorized account representative stating the following, "I am authorized to make this submission on behalf of the owners and operators of the CO₂ budget sources or CO₂ budget units for which the submission is

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made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment.”

Subpart XX-9 **RESERVED**

Subpart XX-10 **CO₂ Emissions Offset Projects**

XX-10.1 **Purpose**

The REGULATORY AGENCY will provide for the award of CO₂ offset allowances to sponsors of CO₂ emissions offset projects or CO₂ emissions credit retirements that have reduced or avoided atmospheric loading of CO₂, CO₂ equivalent or sequestered carbon as demonstrated in accordance with the applicable provisions of this Subpart. The requirements of this Subpart seek to ensure that CO₂ offset allowances awarded represent CO₂ equivalent emission reductions or carbon sequestration that are real, additional, verifiable, enforceable, and permanent within the framework of a standards-based approach. Subject to the relevant compliance deduction limitations of paragraph XX-6.5(a)(3), CO₂ offset allowances may be used by any CO₂ budget source for compliance purposes.

XX-10.2 **Definitions**

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- (a) *Anaerobic digester*. A device that promotes the decomposition of organic material to simple organics and gaseous biogas products, usually accomplished by means of controlling temperature and volume, and including a methane recovery system.
- (b) *Anaerobic digestion*. The degradation of organic material including manure brought about through the action of microorganisms in the absence of elemental oxygen.
- (c) *Anaerobic storage*. Storage of organic material in an oxygen-free environment, or under oxygen-free conditions, including but not limited to, holding tanks, ponds, and lagoons.
- (d) *ANSI*. American National Standards Institute.
- (e) *ASHRAE*. American Society of Heating, Refrigerating and Air-Conditioner Engineers.
- (f) *Biogas*. Gas resulting from the decomposition of organic matter under anaerobic conditions. The principle constituents are methane and carbon dioxide.
- (g) *Boiler (commercial)*. A self contained, low-pressure appliance for supplying steam or hot water to a commercial building.
- (h) *Boiler (residential)*. A self contained, low-pressure appliance for supplying steam or hot water to a residential building.
- (i) *Building envelope*. The elements of a building that separate conditioned space from unconditioned space, or that enclose semi-heated space, through which

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thermal energy may be transferred to or from the exterior, unconditioned space, or conditioned space. Includes all elements that separate the interior of a building from the outdoor environment, including walls, windows, foundation, basement slab, ceiling, roof, and insulation.

(j) **CO₂e.** CO₂e means carbon dioxide equivalent.

(k) **Commercial building.** A building to which the provisions of ANSI/ASHRAE/IESNA Standard 90.1 apply, which includes buildings except low-rise residential buildings. Low-rise residential buildings include single family homes, multifamily structures of three stories or fewer above grade, and manufactured homes (modular and mobile).

(l) **Conflict of interest.** A situation that may arise with respect to an individual in relation to any specific project sponsor, CO₂ emissions offset project or category of offset projects, such that the individual's other activities or relationships with other persons or organizations render or may render the individual incapable of providing an impartial certification opinion, or otherwise compromise the individual's objectivity in performing certification functions.

(m) **Condensing mode.** The design and operation of furnaces or boilers in a mode that leads to the production of condensate in flue gases.

(n) **Cooperating regulatory agency.** A regulatory agency in a state or United States jurisdiction that is not a participating state that has entered into a memorandum of understanding with the REGULATORY AGENCY to carry out certain obligations relative to CO₂ emissions offset projects in that state or United States jurisdiction, including but not

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limited to the obligation to perform audits of offset project sites, and report violations of this Subpart.

(o) *Energy conservation measure (ECM) or energy efficiency measure (EEM).* A set of activities designed to increase the energy efficiency of a building or improve the management of energy demand. An ECM/EEM may involve one or more of the following: physical changes to facility equipment, modifications to a building, revisions to operating and maintenance procedures, software changes, or new means of training or managing users of the building or operations and maintenance staff.

(p) *Energy performance.* A measure of the relative energy efficiency of a building, building equipment, or building components, as measured by the amount of energy required to provide building services. For building equipment and components, a relative measure of the impact of equipment or components on building energy usage.

(q) *Energy services.* Provision of useful services to building occupants, such as heating and hot water, cooling, and lighting.

(r) *Forested condition.* Land shall be deemed to be in a forested condition if it is:

(1) at least 1.0 acre in size and 120.0 feet wide measured stem-to-stem from the outer-most edge. Forested strips must be 120.0 feet wide for a continuous length of at least 363.0 feet in order to meet the acre threshold; and

(2) meets at least one of the two following stocking criteria:

(i) the condition is at least 10-percent stocked by trees of any size

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or has been at least 10-percent stocked in the past, and the condition is not subject to non-forest use(s) that prevent normal tree regeneration and succession such as regular mowing, intensive grazing, or recreation activities; or

(ii) in several western woodland species where stocking cannot be determined, the condition has at least 5-percent crown cover by trees of any size, or has had at least 5-percent cover in the past, and the condition is not subject to non-forest use that prevents normal regeneration and succession such as regular mowing, chaining, or recreation activities.

(s) *Furnace (residential)*. A self-contained, indirect-fired appliance that supplies heated air to a residential building through ducts to conditioned spaces and that has a heat input rate of less than 225,000 Btu/hr. May apply to a furnace that meets the above heat input rate criteria and is installed in a commercial building.

(t) *HVAC system*. The system or systems that provide, either collectively or individually, heating, ventilation, or air conditioning to a building, including the equipment, distribution network, and terminals.

(u) *IESNA*. Illuminating Engineering Society of North America.

(v) *Independent verifier*. An individual that has been approved by the REGULATORY AGENCY or its agent to conduct verification activities.

(w) *Market penetration rate*. A measure of the diffusion of a technology, product, or practice in a defined market, as represented by the percentage of annual sales for a product or practice, or as a percentage of the existing installed stock for a product or

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category of products, or as the percentage of existing installed stock that utilizes a practice. The REGULATORY AGENCY may determine an appropriate market definition and market penetration metric for a category of technology, product or practice, and may issue guidance specifying the technologies, products or practices that meet a specified market penetration rate.

(x) *Non-forested condition.* Land that does not meet the definition of "forested condition." Non-forested land includes areas used for crops, improved pasture, residential areas, city parks, improved roads of any width and adjoining rights-of-way, power line clearings of any width, and non-census water. If intermingled in forest areas, unimproved roads and non-forest strips must be more than 120.0 feet wide, and clearings more than one acre in size, to qualify as non-forest land.

(y) *Offset project.* An offset project includes all equipment, materials, items, or actions directly related to the reduction of CO₂ equivalent emissions or the sequestration of carbon specified in a consistency application submitted pursuant to section XX-10.4. Equipment, materials, items, or actions unrelated to an offset project reduction of CO₂ equivalent emissions or the sequestration of carbon, but occurring at a location where an offset project occurs, shall not be considered part of an offset project, unless specified at section XX-10.5.

(aa) *On-site combustion.* The combustion of fossil fuel at a building to provide building services, such as heating, hot water, or electricity.

(ab) *Passive solar.* A combination of building design features and building components that utilize solar energy to reduce or eliminate the need for mechanical heating

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and cooling and daytime artificial lighting.

(ac) *Permanently retired.* A greenhouse gas allowance or credit has been “permanently retired” if it has been placed in a retirement account controlled by the jurisdiction that generated the allowance or credit, or has been placed in an allowance retirement account controlled by the REGULATORY AGENCY, or is otherwise determined by the REGULATORY AGENCY to have been rendered unusable.

(ad) *Project commencement.* For an offset project involving physical construction, other work at an offset project site, or installation of equipment or materials, the date of the beginning of such activity. For an offset project that involves the implementation of a management activity or protocol, the date on which such activity is first implemented or such protocol first utilized.

(ae) *Regional-type anaerobic digester.* An anaerobic digester using feedstock from more than one agricultural operation, or importing feedstock from more than one agricultural operation. Also commonly referred to as a “community digester” or “centralized digester.”

(af) *Renewable portfolio standard.* A statutory or regulatory requirement that a load-serving entity provide a certain portion of the electricity it supplies to its customers from renewable energy sources, or any other statutory or regulatory requirement that a certain portion of electricity supplied to the electricity grid be generated from renewable energy sources.

(ag) *Residential building.* A low-rise residential building to which the provisions of ANSI/ASHRAE/IESNA Standard 90.1 do not apply. Includes single family homes,

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multifamily structures of three stories or fewer above grade, and manufactured homes (modular and mobile).

(ah) *RESNET*. Residential Energy Services Network.

(ai) *SF₆-containing operating equipment*. Any equipment used for the transmission and distribution of electricity that contains SF₆.

(aj) *System benefit fund*. Any fund collected directly from retail electricity or natural gas ratepayers.

(ak) *Total solids*. Total solids are the total of all solids in a sample. They include the total suspended solids, total dissolved solids, and volatile suspended solids.

(al) *Transmission and/or distribution entity*. The assets and equipment used to transmit and distribute electricity from an electric generator to the electrical load of a customer. Includes all related assets and equipment located within the service territory of the entity, defined as the service territory of a load-serving entity specified by the applicable state regulatory agency.

(am) *Verification*. The third-party verification by an independent verifier that certain parts of a CO₂ emissions offset project consistency application and/or measurement, monitoring or verification report conforms to the requirements of this Subpart.

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(an) *Volatile solids*. The fraction of total solids that is comprised primarily of organic matter.

(ao) *Whole-building energy performance*. The overall energy performance of a building, taking into account the integrated impact on energy usage of all building components and systems.

(ap) *Whole-building retrofit*. Any building project that involves the replacement of more than one building system, or set of building components, and also requires a building permit.

(aq) *Zero net energy building*. A building designed to produce as much energy, using renewable energy sources, as the building is projected to use, as measured on an annual basis.

XX-10.3 General requirements

(a) *Eligible CO₂ emissions offset projects*. The REGULATORY AGENCY may award CO₂ offset allowances to the sponsor of any of the following offset projects that have satisfied all the applicable requirements of this Subpart.

(1) *Offset project types*. The following types of offset projects are eligible for the award of CO₂ offset allowances.

(i) Landfill methane capture and destruction;

(ii) Reduction in emissions of sulfur hexafluoride (SF₆);

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(iii) Sequestration of carbon due to afforestation;

(iv) Reduction or avoidance of CO₂ emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency; and

(v) Avoided methane emissions from agricultural manure management operations.

(2) *Offset project locations.* Eligible offset projects may be located in any of the following locations:

(i) in any participating state; and

(ii) in any state or other United States jurisdiction in which a cooperating regulatory agency has entered into a memorandum of understanding with the REGULATORY AGENCY to carry out certain obligations relative to CO₂ emissions offset projects in that state or U.S. jurisdiction, including but not limited to the obligation to perform audits of offset project sites, and report violations of this Subpart.

(b) *Eligible CO₂ emissions credit retirements.* The REGULATORY AGENCY may award CO₂ offset allowances to the sponsor of a CO₂ emissions credit retirement that has satisfied all the applicable requirements of this Subpart.

(1) CO₂ emissions credit retirements include the permanent retirement of greenhouse gas allowances or credits issued pursuant to any governmental mandatory carbon constraining program outside the United States that places a specific tonnage limit

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on greenhouse gas emissions, or certified greenhouse gas emissions reduction credits issued pursuant to the United Nations Framework Convention on Climate Change (UNFCCC) or protocols adopted through the UNFCCC process.

(2) The REGULATORY AGENCY may award CO₂ offset allowances for CO₂ emissions credit retirements only after the occurrence of a stage two trigger event.

(c) *Project sponsor.* Any person may act as the sponsor of an eligible CO₂ emissions offset project or CO₂ emissions credit retirement, provided that person meets the requirements at section XX-10.4.

(d) *General additionality requirements.* Except as provided with respect to specific offset project standards in section XX-10.5, the following general requirements shall apply.

(1) CO₂ offset allowances shall not be awarded to an offset project or CO₂ emissions credit retirement that is required pursuant to any local, state or federal law, regulation, or administrative or judicial order. If an offset project receives a consistency determination under section XX-10.4 and is later required by local, state or federal law, regulation, or administrative or judicial order, then the offset project shall remain eligible for the award of CO₂ offset allowances until the end of its current allocation period but its eligibility shall not be extended for an additional allocation period.

(2) CO₂ offset allowances shall not be awarded to an offset project that includes an electric generation component, unless the project sponsor transfers legal rights to any and all attribute credits (other than the CO₂ offset allowances awarded under section XX-10.7) generated from the operation of the offset project that may be used for

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compliance with a renewable portfolio standard or other regulatory requirement, to the REGULATORY AGENCY or its agent.

(3) CO₂ offset allowances shall not be awarded to an offset project that receives funding or other incentives from any system benefit fund, or funds or other incentives provided through the consumer benefit or strategic energy purpose allocation required pursuant to subdivision XX-5.3(b).

(4) CO₂ offset allowances shall not be awarded to an offset project or CO₂ emissions credit retirement that is awarded credits or allowances under any other mandatory or voluntary greenhouse gas program.

(e) *Maximum allocation periods for CO₂ emissions offset projects.*

(1) *Maximum allocation periods.* Except as provided in paragraph (e)(2) of this section, the REGULATORY AGENCY may award CO₂ offset allowances under section XX-10.7 for an initial 10-year allocation period. At the end of the initial 10-year allocation period, the REGULATORY AGENCY may award CO₂ offset allowances for a second 10-year allocation period, provided the offset sponsor has submitted a consistency application pursuant to section XX-10.4 prior to the expiration of the initial allocation period, and the REGULATORY AGENCY has issued a consistency determination pursuant to paragraph XX-10.4(e)(2).

(2) *Maximum afforestation allocation period.* The REGULATORY AGENCY may award CO₂ offset allowances under section XX-10.7 for any afforestation offset project for an initial 20-year allocation period. At the end of the initial 20-year allocation period, the REGULATORY AGENCY may award CO₂ offset allowances for a

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second 20-year allocation period, provided the offset sponsor has submitted a consistency application for the afforestation offset project pursuant to section XX-10.4 prior to the expiration of the initial allocation period, and the REGULATORY AGENCY has issued a consistency determination pursuant to paragraph XX-10.4(e)(2). At the end of the second 20-year allocation period, the REGULATORY AGENCY may award CO₂ offset allowances for a third 20-year allocation period, provided the offset sponsor has submitted a consistency application for the afforestation offset project pursuant to section XX-10.4 prior to the expiration of the second allocation period, and the REGULATORY AGENCY has issued a consistency determination pursuant to paragraph XX-10.4(e)(2). In no event may an afforestation offset project be awarded CO₂ offset allowances for more than a total of 60 allocation years.

(f) *Timing of offset projects.* The REGULATORY AGENCY may award CO₂ offset allowances under section XX-10.7 only for offset projects that are initially commenced on or after December 20, 2005.

(g) *Offset project audit.* Project sponsors shall provide the REGULATORY AGENCY or its agent access to the physical location of the offset project to inspect for compliance with this Subpart. For offset projects located in any state or other U.S. jurisdiction that is not a participating state, project sponsors shall also provide the cooperating regulatory agency with access to the physical location of the offset project to inspect for compliance with this Subpart.

(h) *Ineligibility due to noncompliance.* If at any time the REGULATORY AGENCY determines that a project sponsor has not complied with the requirements of this Subpart, then the REGULATORY AGENCY may revoke and retire any and all CO₂ offset allowances in the project sponsor's account. If at any time the REGULATORY AGENCY

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determines that an offset project does not comply with the requirements of this Subpart, then the REGULATORY AGENCY may revoke any approvals it has issued relative to an offset project.

XX-10.4 Application process

(a) *Establishment of general account.* The sponsor of an offset project or CO₂ emissions credit retirement must establish a general account under subdivision XX-6.2(b). All submissions to the REGULATORY AGENCY required for the award of CO₂ offset allowances under this Subpart must be from the CO₂ authorized account representative for the general account of the sponsor of the relevant offset project or CO₂ emissions credit retirement, herein referred to as “project sponsor.”

(b) *Consistency application deadlines.*

(1) For offset projects commenced prior to January 1, 2009, the project sponsor must submit the consistency application by June 30, 2009.

(2) For offset projects commenced on or after January 1, 2009, the consistency application must be submitted by the date that is 6 months after the offset project is commenced.

(3) Any consistency application that fails to meet the deadlines of this subdivision will result in the denial of the consistency application and the continued ineligibility of the subject offset project.

(c) *Consistency application contents.*

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(1) For an offset project, the consistency application must include the following information.

(i) The project's sponsor's name, address, e-mail address, telephone number, facsimile transmission number, and account number.

(ii) The offset project description as required by the relevant provisions of section XX-10.5.

(iii) A demonstration that the offset project meets all applicable requirements set forth in this Subpart.

(iv) The emissions baseline determination as required by the relevant provisions of section XX-10.5.

(v) An explanation of how the projected reduction or avoidance of atmospheric loading of CO₂ or CO₂ equivalent or the sequestration of carbon is to be quantified, monitored, and verified as required by the relevant provisions of section XX-10.5.

(vi) A completed consistency application agreement that reads as follows: "The undersigned project sponsor recognizes and accepts that the application for, and the receipt of, CO₂ emissions offset allowances under the CO₂ Budget Trading Program is predicated on the project sponsor following all the requirements of Subpart XX-10. The undersigned project sponsor holds the legal rights to the offset project, or has been granted the right to act on behalf of a party that holds the legal rights to the offset project. I understand that eligibility for the award of CO₂ emissions offset allowances under Subpart

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XX-10 is contingent on meeting the requirements of Subpart XX-10. I authorize the REGULATORY AGENCY or its agent to audit this offset project for purposes of verifying that the offset project, including the monitoring and verification plan, has been implemented as described in this application. I understand that this right to audit shall include the right to enter the physical location of the offset project. I submit to the legal jurisdiction of [RGGI PARTICIPATING STATE].”

(vii) A statement and certification report signed by the offset project sponsor certifying that all offset projects for which the sponsor has received CO₂ offset allowances under this Subpart (or similar provisions in the rules of other participating states), under the sponsor’s ownership or control (or under the ownership or control of any entity which controls, is controlled by, or has common control with the sponsor) are in compliance with all applicable requirements of the CO₂ Budget Trading Program in all participating states.

(viii) A verification report and certification statement signed by an independent verifier accredited pursuant to section XX-10.6 that expresses that the independent verifier has reviewed the entire application and evaluated the following in relation to the applicable requirements at sections XX-10.3 and XX-10.5, and any applicable guidance issued by the REGULATORY AGENCY.

(a) The adequacy and validity of information supplied by the project sponsor to demonstrate that the offset project meets the applicable eligibility requirements of sections XX-10.3 and XX-10.5.

(b) The adequacy and validity of information supplied by the

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project sponsor to demonstrate baseline emissions pursuant to the applicable requirements at section XX-10.5.

(c) The adequacy of the monitoring and verification plan submitted pursuant to the applicable requirements at section XX-10.5.

(d) Such other evaluations and statements as may be required by the REGULATORY AGENCY.

(ix) Disclosure of any voluntary or mandatory programs, other than the CO₂ Budget Trading Program, to which greenhouse gas emissions data related to the offset project has been, or will be reported.

(x) For offset projects located in a state or United States jurisdiction that is not a participating state, a demonstration that the project sponsor has complied with all requirements of the cooperating regulatory agency in the state or United States jurisdiction where the offset project is located.

(2) For a CO₂ emissions credit retirement, the consistency application must include sufficient information to demonstrate that the CO₂ emissions credit is eligible pursuant to subdivision XX-10.3(b), was lawfully held by the project sponsor, and has been permanently and irrevocably retired.

(d) *Place for filing consistency application.*

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(1) For an offset project located in one participating state (in whole or in part), the consistency application must be filed with the appropriate regulatory agency in that State.

(2) For an offset project located wholly outside all participating states, the consistency application may be filed with the appropriate regulatory agency in any one participating state, provided a copy of the consistency application shall be filed with the cooperating regulatory agency in the state or United States jurisdiction where the offset project is located.

(3) For an offset project located in more than one participating state, the consistency application must be filed in the participating state where the larger part of the CO₂ equivalent emissions reduction or carbon sequestration due to the offset project is projected to occur.

(4) For CO₂ emissions credit retirements, the consistency application may be filed with the appropriate regulatory agency in any one participating state.

(e) *REGULATORY AGENCY action on consistency applications.*

(1) *Completeness determination.* Within 30 days following receipt of the consistency application filed pursuant to subdivision (b) of this section, the REGULATORY AGENCY will notify the project sponsor whether the consistency application is complete. A complete consistency application is one that is in an approved form and is determined by the REGULATORY AGENCY to be complete for the purpose of commencing review of the consistency application. In no event shall a completeness determination prevent the REGULATORY AGENCY from requesting additional information in order to enable the

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REGULATORY AGENCY to make a consistency determination under paragraph (2) of this subdivision.

(2) *Consistency determination.* Within 90 days of making the completeness determination under paragraph (1) of this subdivision, the REGULATORY AGENCY will issue a determination as to whether the offset project is consistent with the requirements of sections XX-10.3 and XX-10.4 and the requirements of the applicable offset project standard of section XX-10.5. For any offset project found to lack consistency with these requirements, the REGULATORY AGENCY will inform the project sponsor of the offset project's deficiencies.

XX-10.5 CO₂ emissions offset project standards

(a) *Landfill methane capture and destruction.* Offset projects that capture and destroy methane from landfills may qualify for the award of CO₂ emissions offset allowances under this Subpart, provided they meet the requirements of this subdivision.

(1) *Eligibility.* Eligible offset projects shall occur at landfills that are not subject to the New Source Performance Standards (NSPS) for municipal solid waste landfills, 40 CFR Part 60, Subpart Cc and Subpart WWW.

(2) *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of paragraph (1) of this subdivision. The project narrative shall include the following information.

(i) Owner and operator of the offset project;

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(ii) Location and specifications of the landfill where the offset project will occur, including waste in place;

(iii) Owner and operator of the landfill where the offset project will occur; and

(iv) Specifications of the equipment to be installed and a technical schematic of the offset project.

(3) *Emissions baseline determination.* The emissions baseline shall represent the potential fugitive landfill emissions of CH₄ (in tons of CO₂e), as represented by the CH₄ collected and metered for thermal destruction as part of the offset project, and calculated in accordance with this paragraph.

$$\text{Emissions (tons CO}_2\text{e)} = (V \times M \times (1-\text{OX}) \times \text{GWP})/2000$$

where:

V = Volume of CH₄ collected (ft³)

M = Mass of CH₄ per cubic foot (0.04246 lbs/ft³ default value at 1 atmosphere and 20° C)

OX = Oxidation factor (0.10), representing estimated portion of collected CH₄ that would have eventually oxidized to CO₂ if not collected

GWP = CO₂e global warming potential of CH₄ (23)

(4) *Calculating emissions reductions.* Emissions reductions shall be determined based on potential fugitive CH₄ emissions that would have occurred at the landfill if metered CH₄ collected from the landfill for thermal destruction as part of the offset

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project was not collected and destroyed. CO₂e emissions reductions shall be calculated as follows:

$$\text{Emissions Reductions (tons CO}_2\text{e)} = (V \times M \times (1 - \text{OX}) \times C_{\text{ef}} \times \text{GWP})/2000$$

where:

V = Volume of CH₄ collected (ft₃)

M = Mass of CH₄ per cubic foot (0.04246 lbs/ft³ default value at 1 atmosphere and 20° C)

OX = Oxidation factor (0.10), representing estimated portion of collected CH₄ that would have eventually oxidized to CO₂ if not collected

C_{ef} = Combustion efficiency of methane control technology (0.98)

GWP = CO₂e global warming potential of CH₄ (23)

(5) *Monitoring and verification requirements.* Offset projects shall employ a landfill gas collection system that provides continuous metering and data computation of landfill gas volumetric flow rate and CH₄ concentration. Annual monitoring and verification reports shall include monthly volumetric flow rate and CH₄ concentration data, including documentation that the CH₄ was actually supplied to the combustion source. Monitoring and verification is also subject to the following requirements.

(i) The project sponsor shall submit a monitoring and verification plan as part of the consistency application that includes a quality assurance and quality control program associated with equipment used to determine landfill gas volumetric flow rate and CH₄ composition. The monitoring and verification plan shall also include provisions for ensuring that measuring and monitoring equipment is maintained, operated, and calibrated based on manufacturer recommendations, as well as provisions for the

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retention of maintenance records for audit purposes. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section XX-10.6.

(ii) The project sponsor shall annually verify landfill gas CH₄ composition through landfill gas sampling and independent laboratory analysis using applicable U.S. Environmental Protection Agency laboratory test methods.

(b) *Reduction in emissions of sulfur hexafluoride (SF₆).* Offset projects that prevent emissions of sulfur hexafluoride to the atmosphere from equipment in the electricity transmission and distribution sector, through capture and storage, recycling, or destruction, may qualify for the award of CO₂ emissions offset allowances under this Subpart, provided they meet the requirements of this subdivision.

(1) *Eligibility.*

(i) Eligible offset projects shall consist of incremental actions beyond those taken during the baseline year to achieve a reduction in SF₆ emissions relative to the baseline year. Eligible actions may include an expansion of existing actions. The identified actions to be taken shall be consistent with the guidance provided in International Electrotechnical Commission (IEC) 1634, “High-voltage switchgear and control gear—Use and handling of sulfur hexafluoride (SF₆) in high-voltage switchgear and control gear,” (CEI/IEC 1634, 1995-04), and Electric Power Research Institute (EPRI), “Practical Guide to SF₆ Handling Practices,” (TR-113933, 2002).

(ii) Except as provided in subparagraph (1)(iii) of this subdivision, eligible offset projects shall have an SF₆ entity-wide emissions rate for the baseline year

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that is less than the applicable emissions rate in Table 1. The entity-wide SF₆ emissions rate shall be calculated as follows:

$$\text{SF}_6 \text{ Emissions Rate (\%)} = \frac{\text{(Total SF}_6 \text{ Emissions for Reporting Year)}}{\text{(Total SF}_6 \text{ Nameplate Capacity at End of Reporting Year)}}$$

where:

SF₆ Nameplate Capacity refers to all SF₆-containing equipment owned and/or operated by the entity, at full and proper SF₆ charge of the equipment rather than the actual charge of the equipment (which may reflect leakage).

Table 1
SF₆ Emissions Rate Performance Standards

A. Emission Regions

<u>Region A</u>	<u>Region B</u>	<u>Region C</u>	<u>Region D</u>	<u>Region E</u>
Connecticut	Alabama	Colorado	Arkansas	Alaska
Delaware	District of Columbia	Illinois	Iowa	Arizona
Maine	Florida	Indiana	Kansas	California
Massachusetts	Georgia	Michigan	Louisiana	Hawaii
New Jersey	Kentucky	Minnesota	Missouri	Idaho
New York	Maryland	Montana	Nebraska	Nevada
New Hampshire	Mississippi	North Dakota	New Mexico	Oregon
Pennsylvania	North Carolina	Ohio	Oklahoma	Washington
Rhode Island	South Carolina	South Dakota	Texas	
Vermont	Tennessee	Utah		
	Virginia	Wisconsin		
	West Virginia	Wyoming		

B. Emissions Rate Performance Standards

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<u>Region</u>	<u>Emission Rate^a</u>
Region A	9.68%
Region B	5.22%
Region C	9.68%
Region D	5.77%
Region E	3.65%
U.S. (National)	9.68%

^a Based on weighted average 2004 emissions rates for U.S. EPA SF₆ Partnership utilities in each region. If the weighted average emissions rate in a region is higher than the national weighted average, the default performance standard is the national weighted average emissions rate.

(iii) An SF₆ offset project shall be eligible even if the SF₆ entity-wide emissions rate in the baseline year exceeds the applicable rate in subparagraph (b)(1)(ii) of this subdivision, provided that the project sponsor demonstrates and the REGULATORY AGENCY determines that the project is being implemented at a transmission and/or distribution entity serving a predominantly urban service territory and that at least two of the following factors prevent optimal management of SF₆.

(a) The entity is comprised of older than average installed transmission and distribution equipment in relation to the national average age of equipment.

(b) A majority of the entity's electricity load is served by equipment that is located underground, and poor accessibility of such underground equipment precludes management of SF₆ emissions through regular ongoing maintenance.

(c) The inability to take a substantial portion of equipment out of service, as such activity would impair system reliability.

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(d) Required equipment purpose or design for a substantial portion of entity transmission and distribution equipment results in inherently leak-prone equipment.

(2) *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of paragraph (1) of this subdivision. The offset project narrative shall include the following information.

(i) Description of the transmission and/or distribution entity suitable in detail to specify the service territory served by the entity.

(ii) Owner and operator of the transmission and/or distribution entity.

(3) *Emissions baseline determination.* Baseline SF₆ emissions shall be determined based on annual entity-wide reporting of SF₆ emissions for the calendar year immediately preceding the calendar year in which the consistency application is filed (designated the baseline year). If the consistency application is filed prior to 2009, the baseline year may be 2005, but no earlier. The reporting entity shall systematically track and account for all entity-wide uses of SF₆ in order to determine entity-wide emissions of SF₆. The scope of such tracking and accounting shall include all electric transmission and distribution assets and all SF₆-containing and SF₆-handling equipment owned and/or operated by the reporting entity.

(i) Emissions shall be determined based on the following mass balance method:

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SF_6 Emissions (lbs.) = (SF_6 Change in Inventory) + (SF_6 Purchases and Acquisitions) – (SF_6 Sales and Disbursements) – (Change in Total SF_6 Nameplate Capacity of Equipment)

where:

Change in Inventory is the difference between the quantity of SF_6 gas in storage at the beginning of the reporting year and the quantity in storage at the end of the reporting year. The term “quantity in storage” includes all SF_6 gas contained in cylinders (such as 115-pound storage cylinders), gas carts, and other storage containers. It does not refer to SF_6 gas held in SF_6 -using operating equipment. The change in inventory will be negative if the quantity of SF_6 gas in storage increases over the course of the year.

Purchases and Acquisitions of SF_6 is the sum of all the SF_6 gas acquired from other parties during the reporting year, as contained in storage containers or SF_6 -using operating equipment.

Sales and disbursements of SF_6 is the sum of all the SF_6 gas sold or otherwise disbursed to other parties during the reporting year, as contained in storage containers and SF_6 -using operating equipment.

Change in Total SF_6 Nameplate Capacity of Equipment is the net change in the total volume of SF_6 -containing operating equipment during the reporting year. The net change in nameplate capacity is equal to new equipment nameplate capacity, minus retired equipment nameplate capacity. This quantity will be negative if the retired equipment has a total nameplate capacity larger than the total nameplate capacity of the new equipment. “Total nameplate capacity” refers to the full and proper SF_6 charge of the equipment rather than to the actual charge, which may reflect leakage.

- (ii) Emissions shall be calculated as follows:

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$$\text{Emissions (tons CO}_2\text{e)} = [(V_{\text{iby}} - V_{\text{iey}}) + (PA_{\text{psd}} + PA_{\text{e}} + PA_{\text{rre}}) - (SD_{\text{op}} + SD_{\text{rs}} + SD_{\text{df}} + SD_{\text{sor}}) - (CNP_{\text{ne}} - CNP_{\text{rse}})] \times \text{GWP}/2000$$

where (all SF₆ values in lbs.):

V_{iby} = SF₆ inventory in cylinders, gas carts, and other storage containers (not SF₆-containing operating equipment) at the beginning of the reporting year

V_{iey} = SF₆ inventory in cylinders, gas carts, and other storage containers (not SF₆-containing operating equipment) at the end of the reporting year

PA_{psd} = SF₆ purchased from suppliers or distributors in cylinders

PA_e = SF₆ provided by equipment manufacturers with or inside SF₆-containing operating equipment

PA_{rre} = SF₆ returned to the reporting entity after off-site recycling

SD_{op} = Sales of SF₆ to other parties, including gas left in SF₆-containing operating equipment that is sold

SD_{rs} = Returns of SF₆ to supplier (producer or distributor)

SD_{df} = SF₆ sent to destruction facilities

SD_{sor} = SF₆ sent off-site for recycling

CNP_{ne} = Total SF₆ nameplate capacity of new SF₆-containing operating equipment at proper full charge

CNP_{rse} = Total SF₆ nameplate capacity of retired or sold SF₆-containing operating equipment at proper full charge

GWP = CO₂e global warming potential of SF₆ (22,200)

(iii) As part of the consistency application required pursuant to subdivisions XX-10.4(b) and (c) and in annual monitoring and verification reports required pursuant to subdivisions XX-10.7(b) and (c), the project sponsor shall provide the documentation required at subparagraphs (5)(i) through (iii) of this subdivision to support emissions calculations.

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(4) *Calculating emissions reductions.* Emissions reductions shall represent the annual entity-wide emissions reductions of SF₆ for the reporting entity, relative to emissions in the baseline year. Emissions reductions shall be determined as follows, using the quantification method outlined in subparagraph (3)(ii) of this subdivision to determine emissions in both the baseline year and reporting year(s):

$$\text{Emissions Reduction (tons CO}_2\text{e)} = (\text{Total Pounds of SF}_6\text{ Emissions in Baseline Reporting Year}) - (\text{Total Pounds of SF}_6\text{ Emissions in Reporting Year}) \times \text{GWP}/2000$$

where:

GWP = CO₂e global warming potential of SF₆ (22,200)

(5) *Monitoring and verification requirements.* The annual monitoring and verification report shall include supporting material detailing the calculations and data used to determine SF₆ emissions reductions, and shall also provide the following documentation.

(i) The project sponsor shall identify a facility(ies) managed by the entity from which all SF₆ gas is procured and disbursed and maintain an entity-wide log of all SF₆ gas procurements and disbursals. The entity-wide log shall include the weight of each cylinder transported before shipment from the facility(ies) and the weight of each cylinder after return to the facility(ies). A specific cylinder log shall also be maintained for each cylinder that is used to fill equipment with SF₆ or reclaim SF₆ from equipment. The cylinder log shall be retained with the cylinder and indicate the location and specific identifying information of the equipment being filled, or from which SF₆ is reclaimed, and the weight of the cylinder before and after this activity. The cylinder log shall be returned with the cylinder to the facility when the activity is complete or the cylinder is empty.

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(ii) A current entity-wide inventory of all SF₆-containing operating equipment and all other SF₆-related items, including cylinders, gas carts, and other storage containers used by the entity. The inventory shall be certified by an independent verifier accredited pursuant to section XX-10.6.

(iii) The project sponsor shall provide a monitoring and verification plan as part of the consistency application, which shall include an SF₆ inventory management and auditing protocol and a process for quality assurance and quality control of inventory data. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section XX-10.6.

(c) *Sequestration of carbon due to afforestation.* Offset projects that sequester carbon through the conversion of land from a non-forested to forested condition may qualify for the award of CO₂ emissions offset allowances under this Subpart, provided they meet the requirements of this subdivision.

(1) *Eligibility.*

(i) Eligible offset projects shall occur on land that has been in a non-forested state for at least 10 years preceding the commencement of the offset project.

(ii) Eligible offset projects shall be managed in accordance with widely accepted environmentally sustainable forestry practices and designed to promote the restoration of native forests by using mainly native species and avoiding the introduction of invasive non-native species. If commercial timber harvest activities are to occur, certification must be obtained, prior to any harvest activities at the site, through the

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Forest Stewardship Council (FSC), Sustainable Forestry Institute (SFI), American Tree Farm System (ATFS), or such other similar organizations as may be approved by the REGULATORY AGENCY.

(2) *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of paragraph (1) of this subdivision. The offset project narrative shall include the following information.

- (i) Owner of the land within the offset project boundary;
- (ii) Detailed map of the land within the offset project boundary and areas adjacent to the offset project boundary;
- (iii) A copy of the permanent conservation easement required pursuant to paragraph (6) of this subdivision;
- (iv) For offset projects located in a state or United States jurisdiction that is not a participating state, a written legal opinion from an attorney licensed to practice in the state where the offset project is located, or from the cooperating regulatory agency, confirming the enforceability of the permanent conservation easement; and
- (v) Plant species to be planted or established via natural regeneration, and a forest management plan consistent with the requirements at subparagraph (1)(ii) of this subdivision.

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(3) *Carbon sequestration baseline determination.* The existing sequestered carbon within the offset project boundary shall be calculated prior to commencement of the offset project. The carbon sequestration baseline shall be determined based on a sum of measurements, made no more than 12 months prior to offset project commencement, of the carbon content of the following carbon pools.

(i) Carbon content shall be calculated for the following required carbon pools:

(a) live above-ground tree biomass;

(b) live below-ground tree biomass;

(c) soil carbon; and

(d) dead organic matter, coarse woody debris, unless the baseline measurement for this carbon pool is at or near zero, in which case measurement of this carbon pool during the allocation period is optional.

(ii) Carbon content may be calculated for the following optional carbon pools:

(a) live above-ground non-tree biomass; and

(b) dead organic matter, forest floor.

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(iii) Carbon content shall be calculated individually for each carbon pool within the offset project boundary.

(iv) To increase the accuracy of measurement and verification, the area within the offset project boundary shall be divided into sub-populations that form relatively homogenous units. When defining sub-populations, the project sponsor shall consider vegetation and tree species (including existing vegetation and trees and those to be utilized as part of the offset project activity) and site factors (soil type, elevation, slope, age class, and other factors as warranted).

(v) Calculation of sequestered carbon for each carbon pool in each reporting sub-population shall be based on the following:

$$\text{CO}_2 \text{ tons} = [(A \times C/\text{ha})(44/12)] / 0.9072$$

where:

A = Area in hectares within each reporting sub-population

C = Carbon content (metric tons of carbon for each carbon pool)

C/ha = Mean carbon content per hectare for each carbon pool

(vi) Total carbon contained within the offset project boundary (represented in CO₂ tons, calculated pursuant to subparagraph (3)(v) of this subdivision) shall be calculated as follows:

$$\text{TC}_{\text{pb}} = \text{TC}_{\text{latb}} + \text{TC}_{\text{lbtb}} + \text{TC}_{\text{s}} [+ \text{TC}_{\text{lantb}} + \text{TC}_{\text{doff}} + \text{TC}_{\text{docwd}}]$$

where:

TC_{pb} = Total carbon content within the offset project boundary (sum of carbon content of all carbon pools in all reporting sub-populations)

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TC_{latb} = Sum of carbon content of live above-ground tree biomass in all reporting sub-populations

TC_{lbtb} = Sum of carbon content of live below-ground tree biomass in all reporting sub-populations

TC_s = Sum of carbon content of soil carbon in all reporting sub-populations

TC_{lantb} [option] = Sum of carbon content of live above-ground non-tree biomass in all reporting sub-populations

TC_{doff} [option] = Sum of carbon content of dead organic matter, forest floor in all reporting sub-populations

TC_{docwd} [mandatory/option, as applicable pursuant to clause (3)(i)(d) of this subdivision] = Sum of carbon content of dead organic matter, coarse woody debris in all reporting sub-populations

(vii) Each individual carbon pool to be measured must be directly measured using a measurement protocol and sample size that achieves a demonstrated quantified accuracy for the combined carbon pool measurement such that there is 95% confidence that the resulting reported value is within 10% of the true mean. Measurement and sampling practices shall meet the following requirements.

(a) An adequate sample size that meets the requirements of subparagraph (3)(vii) of this subdivision shall be determined for each sub-population.

(b) The minimum number of required sampling plots for each sub-population shall be determined based on the following:

$$n = (s \times 1.960) / (\text{mean} \times \text{re})^2$$

where:

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n = required number of sample plots for each reporting sub-population

s = standard deviation

mean = mean reported carbon content for the sample population

re = level of sampling error (0.08) to assure a total maximum error of 10% for the 95% confidence interval, which assumes total error due to measurement error of 0.02

(viii) Direct measurement procedures shall be consistent with current forestry good practice and the guidance contained in U.S. Department of Energy, Technical Guidelines Voluntary Reporting of Greenhouse Gases (1605(b)) Program; Chapter 1, Emissions Inventories; Part 1 Appendix: Forestry; Section 3: Measurement Protocols for Forest Carbon Sequestration (March 2006).

(4) *Calculating carbon sequestered.* Carbon sequestration shall be determined using a base year approach, where the amount of carbon sequestered is measured as a net increase in carbon relative to the base year measurement. Carbon sequestration shall be the amount of net additional carbon sequestered during each reporting period, based upon aggregate carbon uptake and carbon emissions for the sum of carbon pools, relative to the baseline carbon content or the carbon content as of the previous reporting period (if above the baseline carbon content), as applicable. CO₂ offset allowances shall be issued based on the amount of net additional carbon sequestered within the offset project boundary during each reporting period, as represented in tons of CO₂. Sequestered carbon shall be calculated using a stock-change approach as follows:

$$NCS_t = I_t - I_{t-1}$$

where:

NCS_t = Net carbon sequestered in reporting period t

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I_t = Inventory of carbon stock for all carbon pools in all reporting sub-populations within the offset project boundary in reporting period t

I_{t-1} = Inventory of carbon stock for all carbon pools in all reporting sub-populations within the offset project boundary in the reporting period immediately preceding reporting period t

(i) Except as provided in clause (3)(i)(d) of this subdivision, each of the carbon pools that were measured as part of the baseline determination must be re-measured using the same methodology, and to the same or better quantified precision consistent with the requirements of subparagraphs (3)(vii) and (viii) of this subdivision, as that used for the baseline determination.

(ii) The net change in each carbon pool's carbon stock in each reporting sub-population is calculated by subtracting the baseline carbon stock (or carbon stock at the previous monitoring, if above the baseline carbon content) from the carbon stock at the time of the current monitoring. Determination of carbon stock shall be in accordance with the formulas and procedures in paragraph (3) of this subdivision.

(iii) Net carbon stock change for the offset project is the sum of the net changes in the carbon stock of all applicable pools in all reporting sub-populations within the offset project boundary, less ten percent (10%) to account for potential losses of sequestered carbon. This 10% discount shall not be required, provided the project sponsor retains long-term insurance, approved by the REGULATORY AGENCY, that guarantees replacement of any lost sequestered carbon for which CO₂ offset allowances were awarded pursuant to paragraph XX-10.7(a)(1).

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(5) *Monitoring and verification requirements.* Total carbon stock within the offset project boundary shall be calculated not less than every five years. Monitoring and verification is subject to the following requirements.

(i) Monitoring and verification reports shall include data from direct measurement of carbon content for all plots used to determine baseline and reporting period carbon content.

(ii) The consistency application shall include a monitoring and verification plan certified by the REGULATORY AGENCY or an independent verifier accredited pursuant to section XX-10.6. The monitoring and verification plan shall include the following:

(a) Direct carbon measurement procedures consistent with the requirements at subparagraph (3)(viii) of this of this subdivision.

(b) The designation of sub-populations pursuant to subparagraph (3)(iv) of this subdivision. The determination of the minimum number of sampling plots pursuant to subparagraph (3)(vii) of this subdivision.

(c) If commercial timber harvest activities have occurred or will occur, assessment of management practices to ensure that the offset project has been or will be managed in accordance with environmentally sustainable forestry practices consistent with the Forest Stewardship Council (FSC), Sustainable Forestry Institute (SFI), American Tree Farm System (ATFS), or such other similar organizations as may be approved by the REGULATORY AGENCY.

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(6) *Carbon sequestration permanence.* The offset project shall meet the following requirements to address permanence of sequestered carbon.

(i) The project sponsor shall place the land within the offset project boundary under a legally binding permanent conservation easement, approved by the REGULATORY AGENCY, that requires the land to be maintained in a forested state in perpetuity.

(ii) The conservation easement shall include a requirement that the carbon density within the offset project boundary be maintained at long-term levels at or above that achieved as of the end of the CO₂ offset crediting period pursuant to paragraph XX-10.3(e)(2).

(iii) The conservation easement shall require that the land be managed in accordance with environmentally sustainable forestry practices.

(d) *Reduction or avoidance of CO₂ emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency.* Offset projects that reduce CO₂ emissions by reducing on-site combustion of natural gas, oil, or propane for end-use in an existing or new commercial or residential building by improving the energy efficiency of fuel usage and/or the energy-efficient delivery of energy services may qualify for the award of CO₂ emissions offset allowances under this Subpart, provided they meet the requirements of this subdivision. Eligible new buildings are limited to new buildings that are designed to replace an existing building on the offset project site, or new buildings designed to be zero net energy buildings.

(1) *Eligibility.*

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(i) Eligible offset projects shall reduce CO₂ emissions through one or more of the following energy conservation measures (ECMs):

(a) improvements in the energy efficiency of combustion equipment that provide space heating and hot water, including a reduction in fossil fuel consumption through the use of renewable energy;

(b) improvements in the efficiency of heating distribution systems, including proper sizing and commissioning of heating systems;

(c) installation or improvement of energy management systems;

(d) improvement in the efficiency of hot water distribution systems and reduction in demand for hot water;

(e) measures that improve the thermal performance of the building envelope and/or reduce building envelope air leakage;

(f) measures that improve the passive solar performance of buildings and utilization of active heating systems using renewable energy; and

(g) fuel switching to a less carbon-intensive fuel for use in combustion systems, including the use of liquid or gaseous renewable fuels, provided that conversions to electricity are not eligible.

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(ii) *Performance standards.*

(a) *All end-use energy efficiency offset projects.* All offset projects under this subdivision shall meet the applicable performance criteria set forth in this clause.

(1) *Installation best practice.* Any combustion equipment and related air handling equipment (HVAC systems) installed as part of an offset project shall be sized and installed in accordance with the applicable requirements and specifications outlined in this subclause.

(i) Commercial HVAC systems shall meet the applicable sizing and installation requirements of ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings and ANSI/ASHRAE Standard 62.1-2004: Ventilation for Acceptable Indoor Air Quality.

(ii) Residential HVAC systems shall meet the applicable sizing specifications of Air Conditioner Contractors of America (ACCA) Manual J: Residential Load Calculation (Eight Edition), and the applicable installation specifications of "Specification of Energy-Efficient Installation and Maintenance Practices for Residential HVAC Systems," Consortium for Energy Efficiency, 2000.

(2) *Whole-building energy performance.* Eligible new buildings or whole-building retrofits that are part of an offset project shall meet the requirements of this subclause.

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(i) Commercial buildings shall exceed the energy performance requirements of ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings by 30%, with the exception of multi-family residential buildings classified as commercial by ANSI/ASHRAE/IESNA Standard 90.1-2004, which shall exceed these energy performance requirements by 20%.

(ii) Residential buildings shall exceed the energy performance requirements of the 2004 International Energy Conservation Code by 30%.

(b) *Offset projects commenced before January 1, 2009.* Energy conservation measures implemented as part of an offset project commenced before January 1, 2009 shall meet the performance and prescriptive criteria set forth in this clause.

(1) *Combustion equipment.* Combustion equipment installed as part of an offset project commenced before January 1, 2009 shall meet the energy efficiency performance standards contained in this subclause.

(i) *Commercial boilers.* Commercial boilers shall meet or exceed the energy efficiency criteria in Table 1 below.

<u>Table 1</u> Minimum Commercial Boiler Energy Efficiency			
<u>Technology</u>	<u>Size (Btu/hr)</u>	<u>Rating Method</u>	<u>Minimum Efficiency</u>

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Gas-fired ^a	125,000-300,000	AFUE	≥88.0%
	300,000-12,500,000	Thermal Efficiency ^b	≥90.0%
Oil-fired	>300,000	Thermal Efficiency	≥88.0%

^a Gas-fired boilers shall be installed with controls that allow the boiler to operate in condensing mode and installed with vents designed for positive vent static pressure and vent gas temperature that leads to condensate production in the vent.

^b Thermal Efficiency is defined as useful energy output (Btu) divided by energy input (Btu), and presented as a percentage. This shall be measured under steady state conditions, at full rated useful thermal output, 140°F supply from, and 120°F return water temperature to, the boiler.

(ii) Residential combustion equipment.

Residential combustion equipment, including furnaces, boilers, and water heaters, shall meet or exceed the energy efficiency criteria in Table 2 below.

<u>Table 2</u> Minimum Residential Combustion Equipment ^a Energy Efficiency		
<u>Technology</u>	<u>Rating Method</u>	<u>Minimum Efficiency</u>
Gas-fired furnace	AFUE	≥94%
Oil-fired furnace	AFUE	≥92%
Gas/oil-fired boiler	AFUE	≥90%

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Gas/oil-fired water heater	Energy Factor	≥0.62
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^a For furnaces, defined as equipment with a heat input rate of less than 225,000 Btu/hr; for boilers, defined as equipment with a heat input rate of less than 300,000 Btu/hr; for water heaters, defined as equipment subject to 10 CFR 430.

(2) *Other energy conservation measures.* All other energy conservation measures implemented as part of an offset project shall meet the prescriptive requirements, as applicable, in Energy Benchmark for High Performance Buildings, Version 1.1, New Buildings Institute, 2005 (herein referred to as EBHPB), or state building energy codes, whichever result in better energy performance. Energy conservation measures without specified performance criteria in the referenced EBHPB shall meet the requirements of Federal Energy Management Program (FEMP) Product Energy Efficiency Recommendations, issued pursuant to Executive Orders 13123 and 13221, or Energy Star criteria issued jointly by the U.S. Environmental Protection Agency and U.S. Department of Energy, whichever result in better energy performance.

(c) *Maximum market penetration rate for offset projects commenced on or after January 1, 2009.* For offset projects initiated on or after January 1, 2009, the project sponsor shall demonstrate, to the satisfaction of the REGULATORY AGENCY, that the energy conservation measures implemented as part of the offset project have a market penetration rate of less than 5%.

(2) *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of paragraph (1) of this subdivision. The offset project narrative shall include the following information.

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- (i) Location and specifications of the building(s) where the offset project actions will occur;
- (ii) Owner and operator of the building(s);
- (iii) The parties implementing the offset project, including lead contractor(s), subcontractors, and consulting firms;
- (iv) Specifications of equipment and materials to be installed as part of the offset project; and
- (v) Building plans and offset project technical schematics, as applicable.

(3) *Emissions baseline determination.* The emissions baseline shall be determined in accordance with the requirements of this paragraph, based on energy usage (MMBtu) by fuel type for each energy conservation measure, derived using historic fuel use data from the most recent calendar year for which data is available, and multiplied by an emissions factor and oxidation factor for each respective fuel in Table 3 below.

<u>Table 3</u> Emissions and Oxidation Factors		
<u>Fuel</u>	<u>Emissions Factor</u> (lbs. CO ₂ /MMBtu)	<u>Oxidation Factor</u>
Natural Gas	116.98	0.995

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Propane	139.04	0.995
Distillate Fuel Oil	161.27	0.99
Kerosene	159.41	0.99

(i) *Isolation of applicable energy conservation measure baseline.*

The baseline energy usage of the application to be targeted by the energy conservation measure shall be isolated in a manner consistent with the guidance at paragraph (5) of this subdivision.

(ii) Annual baseline energy usage shall be determined as follows:

$$\text{Energy Usage (MMBtu)} = \text{BEU}_{\text{AECM}} \times A$$

where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) attributable to the application(s) to be targeted by the energy conservation measure(s). If applicable building codes or equipment standards require that equipment or materials installed as part of the offset project meet certain minimum energy performance requirements, baseline energy usage for the application shall assume that equipment or materials are installed that meet such minimum requirements. For offset projects that replace existing combustion equipment, the assumed minimum energy performance required by applicable building codes or equipment standards shall be that which applies to new equipment that uses the same fuel type as the equipment being replaced. Baseline energy usage shall be determined in accordance with the applicable requirements at paragraph (5) of this subdivision.

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A = Adjustments to account for differing conditions during the two time periods (pre-installation and post-installation), such as weather, building occupancy, and changes in building use or function. Adjustments shall be determined in accordance with the applicable requirements at paragraph (5) of this subdivision.

(iii) Annual baseline emissions shall be determined as follows:

$$\text{Emissions (lbs. CO}_2\text{)} = \sum_{i=1}^n \text{BEU}_i \times \text{EF}_i \times \text{OF}_i$$

where:

BEU_i = Annual baseline energy usage for fuel type i (MMBtu) demonstrated pursuant to the requirements at subparagraphs (5)(i) through (iv) of this subdivision.

EF_i = Emissions factor (lbs. CO₂/MMBtu) for fuel type i listed at paragraph (3), Table 3 of this subdivision.

OF_i = Oxidation factor for fuel type i listed at paragraph (3), Table 3 of this subdivision.

(4) *Calculating emissions reductions.* Emissions reductions shall be determined based upon annual energy savings by fuel type (MMBtu) for each energy conservation measure, multiplied by the emissions factor and oxidation factor for the respective fuel type at paragraph (3), Table 3 of this subdivision.

(i) Annual energy savings shall be determined as follows:

$$\text{Energy Savings (MMBtu)} = (\text{BEU}_{\text{AECM}} \times A) - (\text{PIEU}_{\text{ECM}} \times A)$$

where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) calculated pursuant to subparagraphs (5)(i) through (iv) of this subdivision.

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$PIEU_{ECM}$ = Annual post-installation energy use by fuel type (MMBtu) attributable to the energy conservation measure. Post-installation energy usage shall be determined in accordance with the applicable requirements at subparagraphs (5)(i) through (iv) of this subdivision.

A = Adjustments to account for any differing conditions during the two time periods (pre-installation and post-installation), such as weather, building occupancy, and changes in building use or function. Adjustments shall be determined in accordance with the applicable requirements at paragraph (5) of this subdivision.

(ii) Annual emissions reductions shall be determined as follows:

$$\text{Emissions Reduction (lbs. CO}_2\text{)} = \sum_{i=1}^n ES_i \times EF_i \times OF_i$$

where:

ES_i = Energy savings for fuel type i (MMBtu) demonstrated pursuant to the requirements at paragraph (5) of this subdivision.

EF_i = Emissions factor (lbs. CO₂/MMBtu) for fuel type i listed at paragraph (3), Table 3 of this subdivision.

OF_i = Oxidation factor for fuel type i listed at paragraph (3), Table 3 of this subdivision.

(5) *Monitoring and verification requirements.* As part of the consistency application, the project sponsor shall provide a monitoring and verification plan certified by an independent verifier accredited pursuant to section XX-10.6. Annual monitoring and verification reports shall be certified by an independent verifier accredited pursuant to section XX-10.6. Independent verifiers must conduct a site audit when reviewing the first monitoring and verification report submitted by the project sponsor, except for offset

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projects that save less than 1,500 MMBtu per year. For offset projects that save less than 1,500 MMBtu per year, the project sponsor must provide the independent verifier with equipment specifications and copies of equipment invoices and other relevant offset project-related invoices. All offset project documentation, including the consistency application and monitoring and verification reports, shall be signed by a Professional Engineer, identified by license number. Monitoring and verification shall also meet the following requirements.

(i) *General energy measurement and verification requirements.*

Monitoring and verification of energy usage shall be demonstrated through a documented process consistent with the following protocols and procedures, as applicable.

(a) For existing commercial buildings, determination of baseline energy usage shall be consistent with the International Performance Measurement & Verification Protocol, Volume I: Concepts and Options for Determining Energy and Water Savings (IPMVP), “Option B. Retrofit Isolation” and “Option D. Calibrated Simulation.” If a building project involves only energy conservation measures implemented as part of a CO₂ emissions offset project, a process consistent with IPMVP “Option C. Whole Facility” may be used, as applicable. Application of the IPMVP general guidance shall be consistent with the applicable detailed specifications in ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings.

(b) For new commercial buildings, determination of baseline energy usage shall be consistent with the International Performance Measurement & Verification Protocol, Volume III: Concepts and Options for Determining Energy Savings in New Construction (IPMVP), “Option D. Calibrated Simulation.” Application of the IPMVP

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general guidance shall be consistent with the applicable detailed specifications in ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings.

(c) For existing and new residential buildings, determination of baseline energy usage shall be consistent with the requirements of the RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

(ii) *Isolation of applicable energy conservation measure.* In calculating both baseline energy usage and energy savings, the applicant shall isolate the impact of each eligible energy conservation measure (ECM), either through direct metering or energy simulation modeling. For offset projects with multiple ECMs, and where individual ECMs can affect the performance of others, the sum of energy savings due to individual ECMs shall be adjusted to account for the interaction of ECMs. For commercial buildings, this process shall be consistent with the requirements of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings. For residential buildings, this process shall be consistent with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

(a) Reductions in energy usage due to the energy conservation measure shall be based upon actual energy usage data. Energy simulation modeling shall only be used to determine the relative percentage contribution to total fuel usage (for each respective fuel type) of the application targeted by the energy conservation measure.

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(iii) *Calculation of energy savings.* Annual energy savings are to be determined based on the following:

$$\text{Energy Savings (MMBtu)} = (\text{BEU}_{\text{AECM}} \times A) - (\text{PIEU}_{\text{ECM}} \times A)$$

where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) attributable to the application(s) to be targeted by the energy conservation measure(s), based upon annual fuel usage data for the most recent calendar year for which data is available. For new buildings, baseline energy use for a reference building equivalent in basic configuration, orientation, and location to the building in which the eligible energy conservation measure(s) is implemented shall be determined according to ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. Where energy simulation modeling is used to evaluate an existing building, modeling shall be conducted in accordance with ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. For existing and new residential buildings, energy simulation modeling shall be conducted in accordance with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

PIEU_{ECM} = Annual post-installation energy use by fuel type (MMBtu) attributable to the energy conservation measure, to be verified based on annual energy usage after installation of the energy conservation measure(s), consistent with the requirements of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings. Where energy simulation modeling is used to evaluate a new or existing building, modeling shall be conducted in accordance with ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-

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2004, Section 11 and Appendix G. For existing and new residential buildings, energy simulation modeling shall be consistent with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

A = Adjustments to account for any differing conditions during the two time periods (pre-installation and post-installation), such as weather (weather normalized energy usage based on heating and cooling degree days), building occupancy, and changes in building use or function. For commercial buildings, adjustments shall be consistent with the specifications of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. For residential buildings, adjustments shall be consistent with the specifications of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

(iv) *Provision for sampling of multiple like offset projects in residential buildings.* Offset projects that implement similar measures in multiple residential buildings may employ representative sampling of buildings to determine aggregate baseline energy usage and energy savings. Sampling protocols shall employ sound statistical methods such that there is 95% confidence that the reported value is within 10% of the true mean. Any sampling plan shall be certified by an independent verifier, accredited pursuant to section XX-10.6.

(e) *Avoided methane emissions from agricultural manure management operations.* Offset projects that capture and destroy methane from animal manure and organic food waste using anaerobic digesters may qualify for the award of CO₂ emissions offset allowances under this Subpart, provided they meet the requirements of this subdivision.

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(1) *Eligibility.*

(i) Eligible offset projects shall consist of the destruction of that portion of methane generated by an anaerobic digester that would have been generated in the absence of the offset project through the uncontrolled anaerobic storage of manure or organic food waste.

(ii) Eligible offset projects shall employ only manure-based anaerobic digester systems using livestock manure as the majority of digester feedstock, defined as more than 50% of the mass input into the digester on an annual basis. Organic food waste used by an anaerobic digester shall only be that which would have been stored in anaerobic conditions in the absence of the offset project.

(iii) The provisions of paragraphs XX-10.3(d)(2) and (3) shall not apply to agricultural manure management offset projects provided either of the following requirements are met.

(a) The offset project is located in a state that has a market penetration rate for anaerobic digester projects of 5% or less. The market penetration determination shall utilize the most recent market data available at the time of submission of the consistency application pursuant to section XX-10.4 and shall be determined as follows:

$$MP (\%) = MG_{AD} / MG_{STATE}$$

where:

MG_{AD} = Average annual manure generation for the number of

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dairy cows and swine serving all anaerobic digester projects in the applicable state at the time of submission of a consistency application pursuant to section XX-10.4.

MG_{STATE} = average annual manure production of all dairy cows and swine in the state at the time of submission of a consistency application pursuant to section XX-10.4.

(b) The offset project is located at a farm with 4,000 or less head of dairy cows, or a farm with equivalent animal units, assuming an average live weight for dairy cows (lbs./cow) of 1,400 lbs., or, if the project is a regional-type digester, total annual manure input to the digester is designed to be less than the average annual manure produced by a farm with 4,000 or less head of dairy cows, or a farm with equivalent animal units, assuming an average live weight for dairy cows (lbs./cow) of 1,400 lbs.

(2) *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of paragraph (1) of this subdivision. The offset project narrative shall include the following information.

- (i) Owner and operator of the offset project;
- (ii) Location and specifications of the facility where the offset project will occur;
- (iii) Owner and operator of the facility where the offset project will occur;

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(iv) Specifications of the equipment to be installed and a technical schematic of the offset project; and

(v) Location and specifications of the facilities from which anaerobic digester influent will be received, if different from the facility where the offset project will occur.

(3) *Emissions baseline determination.* The emissions baseline shall represent the potential emissions of the CH₄ that would have been produced in a baseline scenario under uncontrolled anaerobic storage conditions and released directly to the atmosphere in the absence of the offset project.

(i) Baseline CH₄ emissions shall be calculated as follows:

$$\text{CO}_2\text{e (tons)} = (V_m \times M) / 2000 \times \text{GWP}$$

where:

CO₂e = Potential CO₂e emissions due to calculated CH₄ production under site-specific anaerobic storage and weather conditions

V_m = Volume of CH₄ produced each month from degradation of volatile solids in a baseline uncontrolled anaerobic storage scenario under site-specific storage and weather conditions for the facility at which the manure or organic food waste is generated (ft³)

M = Mass of CH₄ per cubic foot (0.04246 lb/ft³ default value at one atmosphere and 20°C)

GWP = Global warming potential of CH₄ (23)

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(ii) The estimated amount of volatile solids degraded each month under the uncontrolled anaerobic storage baseline scenario (kg) shall be calculated as follows:

$$VS_{deg} = VS_{avail} \times f$$

where:

VS = volatile solids as determined from the equation:

$$VS = M_m \times TS\% \times VS\%$$

where:

M_m = mass of manure or organic food waste produced per month

(kg)

$TS\%$ = concentration (percent) of total solids in manure or organic food waste as determined through EPA 160.3 testing method (U.S.EPA Method Number 160.3, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020))

$VS\%$ = concentration (percent) of volatile solids in total solids as determined through EPA 160.4 testing method (U.S.EPA Method Number 160.4, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020))

VS_{avail} = volatile solids available for degradation in manure or organic food waste storage each month as determined from the equation:

$$VS_{avail} = VS_p + \frac{1}{2} VS_{in} - VS_{out}$$

where:

VS_p = volatile solids present in manure or organic food waste storage at beginning of month (left over from previous month) (kg)

VS_{in} = volatile solids added to manure or organic food waste storage during the course of the month (kg). The factor of $\frac{1}{2}$ is multiplied by this number to represent the average mass of volatile solids available for degradation for the entire duration of the month.

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VS_{out} = volatile solids removed from the manure or organic food waste storage for land application or export (assumed value based on standard farm practice)

f = van't Hoff-Arrhenius factor for the specific month as determined using the equation below. Using a base temperature of 30° C, the equation is as follows:

$$f = \exp[E(T_2 - T_1)] / [(GC \times T_1 \times T_2)]$$

where:

f = conversion efficiency of VS to CH₄ per month

E = activation energy constant (15,175 cal/mol)

T₂ = average monthly ambient temperature for facility where manure or organic food waste is generated (converted from ° Celsius to ° Kelvin) as determined from the nearest National Weather Service certified weather station (if reported temperature ° C > 5° C; if reported temperature ° C < 5° C, then F = 0.104)

T₁ = 303.16 (30° C converted to °K)

GC = ideal gas constant (1.987 cal/K mol)

(iii) The volume of CH₄ produced (ft³) from degradation of volatile solids shall be calculated as follows:

$$V_m = (VS_{deg} \times B_o) \times 35.3147$$

where:

V_m = volume of CH₄ (ft³)

VS_{deg} = volatile solids degraded (kg)

B_o = manure or organic food waste type-specific maximum methane generation constant (m³ CH₄/kg VS degraded). For dairy cow manure, B_o = 0.24 m³ CH₄/kg VS degraded. The methane generation constant for other types of manure shall be those cited at U.S. EPA, Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2004, Annex 3.10, Table 3-89 (U.S. EPA, April 2006), unless the project sponsor proposes an

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alternate methane generation constant. If the project sponsor proposes to use a methane generation constant other than the ones found in the above-cited reference, the project sponsor must provide justification and documentation to the REGULATORY AGENCY.

(4) *Calculating emissions reductions.* Emissions reductions shall be determined based on the the potential emissions (in tons of CO₂e) of the CH₄ that would have been produced in the absence of the offset project under a baseline scenario that represents uncontrolled anaerobic storage conditions, as calculated pursuant to subparagraphs (3)(i) through (iii) of this subdivision, and released directly to the atmosphere. Emissions reductions may not exceed the potential emissions of the anaerobic digester, as represented by the annual volume of CH₄ produced by the anaerobic digester, as monitored pursuant to paragraph (5) of this subdivision. If the project is a regional-type digester, CO₂ emissions due to transportation of manure and organic food waste from the site where the manure and organic food waste was generated to the anaerobic digester shall be subtracted from the emissions reduction calculated pursuant to subparagraphs (3)(i) through (iii) of this subdivision. Transport CO₂ emissions shall be determined through one of the following methods.

(i) Documentation of transport fuel use for all shipments of manure and organic food waste from off-site to the anaerobic digester during each reporting year and a log of transport miles for each shipment. CO₂ emissions shall be determined through the application of an emissions factor for the fuel type used. If this option is chosen, the following emissions factors shall be applied as appropriate.

(a) Diesel fuel: 22.912 lbs. CO₂/gallon.

(b) Gasoline: 19.878 lbs. CO₂/gallon.

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(c) Other fuel: submitted emissions factor approved by the REGULATORY AGENCY.

(ii) Documentation of total tons of manure and organic food waste transported from off-site for input into the anaerobic digester during each reporting year, as monitored pursuant to subparagraph (5)(i) of this subdivision, and a log of transport miles and fuel type used for each shipment. CO₂ emissions shall be determined through the application of a ton-mile transport emission factor for the fuel type used. If this option is chosen, the following emissions factors shall be applied as appropriate for each ton of manure delivered, and multiplied by the number of miles transported.

(a) Diesel fuel: 0.131 lbs. CO₂ per ton-mile.

(b) Gasoline: 0.133 lbs. CO₂ per ton-mile.

(c) Other fuel: submitted emissions factor approved by the REGULATORY AGENCY.

(5) *Monitoring and verification requirements.* Offset projects shall employ a system that provides metering of biogas volumetric flow rate and determination of CH₄ concentration. Annual monitoring and verification reports shall include monthly biogas volumetric flow rate and CH₄ concentration determination. Monitoring and verification shall also meet the following requirements.

(i) If the offset project is a regional-type digester, manure and organic food waste from each distinct source supplying to the anaerobic digester shall be

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sampled monthly to determine the amount of volatile solids present. Any emissions reduction will be calculated according to mass of manure and organic food waste (kg) being digested and percentage of volatile solids present before digestion, consistent with the requirements at paragraph (3) and subparagraph (5)(iii) of this subdivision, and apportioned accordingly among sources. The project sponsor shall provide supporting material and receipts tracking the monthly receipt of manure and organic food waste (kg) used to supply the anaerobic digester from each supplier.

(ii) If the offset project includes the digestion of organic food waste eligible pursuant to subparagraph (1)(ii) of this subdivision, organic food waste shall be sampled monthly to determine the amount of volatile solids present before digestion, consistent with the requirements at paragraph (3) and subparagraph (5)(iii) of this subdivision, and apportioned accordingly.

(iii) The project sponsor shall submit a monitoring and verification plan as part of the consistency application that includes a quality assurance and quality control program associated with equipment used to determine biogas volumetric flow rate and CH₄ composition. The monitoring and verification plan shall be specified in accordance with the applicable monitoring requirements listed in Table 1 below. The monitoring and verification plan shall also include provisions for ensuring that measuring and monitoring equipment is maintained, operated, and calibrated based on manufacturer's recommendations, as well as provisions for the retention of maintenance records for audit purposes. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section XX-10.6.

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Table 1
Input Monitoring Requirements

Input Parameter	Measurement Unit	Frequency of Sampling	Sampling Method(s)
Influent flow (mass) into the digester	Kilograms (kg) per month (wet weight)	Monthly total into the digester	a) Recorded weight b) Digester influent pump flow c) Livestock population and application of American Society of Agricultural and Biological Engineers (ASABE) standard (ASAE D384.2, March 2005)
Influent total solids concentration (TS)	Percent (of sample)	Monthly, depending upon recorded variations	U.S. EPA Method Number 160.3, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020)
Influent volatile solids (VS) concentration	Percent (of TS)	Monthly, depending upon recorded variations	USEPA Method Number 160.4, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020)

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Average monthly ambient temperature	Temperature °C	Monthly (based on farm averages)	Closest National Weather Service-certified weather station
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(iv) The project sponsor shall verify biogas CH₄ composition quarterly through gas sampling and third party laboratory analysis using applicable U.S. EPA test methods.

XX-10.6 Accreditation of independent verifiers

(a) *Standards for accreditation.* Independent verifiers may be accredited by the REGULATORY AGENCY to provide verification services as required of project sponsors under this Subpart, provided that independent verifiers meet all of the requirements of this section.

(1) *Verifier minimum requirements.* Each accredited independent verifier shall demonstrate knowledge of the following topics:

- (i) utilizing engineering principles;
- (ii) quantifying greenhouse gas emissions;
- (iii) developing and evaluating air emissions inventories;
- (iv) auditing and accounting principles;

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(v) knowledge of information management systems;

(vi) knowledge of the requirements of this Subpart and other applicable requirements of this Part; and

(vii) such other qualifications as may be required by the REGULATORY AGENCY to provide competent verification services as required for individual offset categories specified at section XX-10.5.

(2) *Organizational qualifications.* Accredited independent verifiers shall demonstrate that they meet the following requirements:

(i) verifiers shall have no direct or indirect financial relationship, beyond a contract for provision of verification services, with any offset project developer or project sponsor;

(ii) verifiers shall employ staff with professional licenses, knowledge, and experience appropriate to the specific category(ies) of offset projects at section XX-10.5 that they seek to verify;

(iii) verifiers shall hold a minimum of one million U.S. dollars of professional liability insurance. If the insurance is in the name of a related entity, the verifier shall disclose the financial relationship between the verifier and the related entity, and provide documentation supporting the description of the relationship; and

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(iv) verifiers shall demonstrate that they have implemented an adequate management protocol to identify potential conflicts of interest with regard to an offset project, offset project developer, or project sponsor, or any other party with a direct or indirect financial interest in an offset project that is seeking or has been granted approval of a consistency application pursuant to subdivision XX-10.4(e), and remedy any such conflicts of interest prior to providing verification services.

(3) *Pre-qualification of verifiers.* The REGULATORY AGENCY may require prospective verifiers to successfully complete a training course, workshop, or test developed by the REGULATORY AGENCY or its agent, prior to submitting an application for accreditation.

(b) *Application for accreditation.* An application for accreditation shall not contain any proprietary information, and shall include the following:

(1) the applicant's name, address, e-mail address, telephone number, and facsimile transmission number;

(2) documentation that the applicant has at least two years of experience in each of the knowledge areas specified at subparagraphs (a)(1)(i) through (v) of this section, and as may be required pursuant to subparagraph (a)(1)(vii) of this section;

(3) documentation that the applicant has successfully completed the requirements at paragraph (a)(3) of this section, as applicable;

(4) a sample of at least one work product that provides supporting evidence that the applicant meets the requirements at paragraphs (a)(1) and (2) of this

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section. The work product shall have been produced, in whole or part, by the applicant and shall consist of a final report or other material provided to a client under contract in previous work. For a work product that was jointly produced by the applicant and another entity, the role of the applicant in the work product shall be clearly explained;

(5) documentation that the applicant holds professional liability insurance as required pursuant to subparagraph (a)(2)(iii) of this section.

(6) documentation that the applicant has implemented an adequate management protocol to address and remedy any conflict of interest issues that may arise, as required pursuant to subparagraph (a)(2)(iv) of this section.

(c) *REGULATORY AGENCY action on applications for accreditation.* The REGULATORY AGENCY shall approve or deny a complete application for accreditation within 45 days after submission. Upon approval of an application for accreditation, the independent verifier shall be accredited for a period of three years from the date of application approval.

(d) *Reciprocity.* Independent verifiers accredited in other participating states may be deemed to be accredited in [INSERT NAME OF RGGI STATE], at the discretion of the REGULATORY AGENCY.

(e) *Conduct of accredited verifiers.*

(1) Prior to engaging in verification services for an offset project sponsor, the accredited verifier shall disclose all relevant information to the REGULATORY AGENCY to allow for an evaluation of potential conflict of interest with respect to an offset

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project, offset project developer, or project sponsor. The accredited verifier shall disclose information concerning its ownership, past and current clients, related entities, as well as any other facts or circumstances that have the potential to create a conflict of interest.

(2) Accredited verifiers shall have an ongoing obligation to disclose to the REGULATORY AGENCY any facts or circumstances that may give rise to a conflict of interest with respect to an offset project, offset project developer, or project sponsor.

(3) The REGULATORY AGENCY may reject a verification report and certification statement from an accredited verifier, submitted as part of a consistency application required pursuant to subdivision XX-10.4(b) or submitted as part of a monitoring and verification report submitted pursuant to subdivision XX-10.7(b), if the REGULATORY AGENCY determines that the accredited verifier has a conflict of interest related to the offset project, offset project developer, or project sponsor.

(4) The REGULATORY AGENCY may revoke the accreditation of a verifier at any time given cause, for the following:

(i) failure to fully disclose any issues that may lead to a conflict of interest situation with respect to an offset project, offset project developer, or project sponsor;

(ii) the verifier is no longer qualified due to changes in staffing or other criteria;

(iii) negligence or neglect of responsibilities pursuant to the

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requirements of this Subpart; and

- (iv) intentional misrepresentation of data or other intentional fraud.

XX-10.7 Award of CO₂ offset allowances.

- (a) *Quantities of CO₂ offset allowances that may be awarded.*

(1) *CO₂ emissions offset projects.* Following the issuance of a consistency determination under paragraph XX-10.4(e)(2) and the approval of a monitoring and verification report under the provisions of subdivision (e) of this section, the REGULATORY AGENCY will award one CO₂ offset allowance for each ton of demonstrated reduction in CO₂ or CO₂ equivalent emissions or sequestration of CO₂.

(2) *CO₂ emissions credit retirement.* If a project sponsor received a consistency determination pursuant to paragraph XX-10.4(e)(2), one CO₂ offset allowance will be awarded for each ton of reduction of CO₂ or CO₂ equivalent or sequestration of CO₂, represented by the relevant credits or allowances retired. If a credit or allowance is represented in metric tons, 1.1023 tons will be awarded for every metric ton, provided that total CO₂ offset allowances awarded shall be rounded down to the nearest whole ton.

- (b) *Deadlines for submittal of monitoring and verification reports.*

(1) For CO₂ emissions offset projects undertaken prior to January 1, 2009, the project sponsor must submit the monitoring and verification report covering the pre-2009 period by June 30, 2009.

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(2) For CO₂ emissions offset projects undertaken on or after January 1, 2009, the monitoring and verification report must be submitted within 6 months following the completion of the last calendar year during which the offset project achieved CO₂ equivalent reductions or sequestration of CO₂ for which the project sponsor seeks the award of CO₂ emissions offset allowances.

(c) *Contents of monitoring and verification reports.* For an offset project, the monitoring and verification report must include the following information.

(1) The project's sponsor's name, address, e-mail address, telephone number, facsimile transmission number, and account number.

(2) The CO₂ emissions reduction or CO₂ sequestration determination as required by the relevant provisions of section XX-10.5, including a demonstration that the project sponsor complied with the required quantification, monitoring, and verification procedures under section XX-10.5, as well as those outlined in the consistency application approved pursuant to paragraph XX-10.4(e)(2).

(3) A signed statement that reads "The undersigned project sponsor hereby confirms and attests that the offset project upon which this monitoring and verification report is based is in full compliance with all of the requirements of Subpart XX-10. The project sponsor holds the legal rights to the offset project, or has been granted the right to act on behalf of a party that holds the legal rights to the offset project. I understand that eligibility for the award of CO₂ emissions offset allowances under Subpart XX-10 is contingent on meeting the requirements of Subpart XX-10. I authorize the REGULATORY AGENCY or its agent to audit this offset project for purposes of verifying that the offset project, including the monitoring and verification plan, has been implemented as described

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in the consistency application that was the subject of a consistency determination by the REGULATORY AGENCY. I understand that this right to audit shall include the right to enter the physical location of the offset project. I submit to the legal jurisdiction of [RGGI PARTICIPATING STATE].”

(4) A certification signed by the offset project sponsor certifying that all offset projects for which the sponsor has received offset allowances under this Subpart (or similar provisions in the rules of other participating states), under the sponsor’s ownership or control (or under the ownership or control of any entity which controls, is controlled by, or has common control with the sponsor) are in compliance with all applicable requirements of the CO₂ Budget Trading Program in all participating states.

(5) A verification report and certification statement signed by an independent verifier accredited pursuant to section XX-10.6 that documents that the independent verifier has reviewed the monitoring and verification report and evaluated the following in relation to the applicable requirements at section XX-10.5, and any applicable guidance issued by the REGULATORY AGENCY.

(i) The adequacy and validity of information supplied by the project sponsor to determine CO₂ emissions reductions or CO₂ sequestration pursuant to the applicable requirements at section XX-10.5.

(ii) The adequacy and consistency of methods used to quantify, monitor, and verify CO₂ emissions reductions and CO₂ sequestration in accordance with the applicable requirements at section XX-10.5 and as outlined in the consistency application approved pursuant to paragraph XX-10.4(e)(2).

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(iii) Such other evaluations and verification reviews as may be required by the REGULATORY AGENCY. The adequacy and validity of information supplied by the project sponsor to demonstrate that the offset project meets the applicable eligibility requirements of section XX-10.5.

(6) Disclosure of any voluntary or mandatory programs, other than the CO₂ Budget Trading Program, to which greenhouse gas emissions data related to the offset project has been, or will be reported.

(7) For offset projects located in a state or United States jurisdiction that is not a participating state, a demonstration that the project sponsor has complied with all requirements of the cooperating regulatory agency in the state or United States jurisdiction where the offset project is located.

(d) *Place for filing monitoring and verification reports.* The monitoring and verification report must be filed with the same REGULATORY AGENCY that issued the consistency determination for the offset project pursuant to paragraph XX-10.4(e)(2).

(e) *REGULATORY AGENCY action on monitoring and verification reports.* The REGULATORY AGENCY will approve or deny a complete monitoring and verification report within 45 days following receipt of a complete report.