

# Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

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## Subpart XX-1 CO<sub>2</sub> Budget Trading Program General Provisions

### XX-1.1 Purpose.

This Part establishes the NAME OF RELEVANT RGGI STATE component of the CO<sub>2</sub> Budget Trading Program, which is designed to stabilize and then reduce anthropogenic emissions of CO<sub>2</sub>, a greenhouse gas, from CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Tracking System account.

(b) *Acid rain emission 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) *Acid Rain Program.* Acid Rain Program means a multi-state sulfur dioxide and nitrogen oxides air pollution control and emission reduction program established by the Administrator under title IV of the CAA and 40 CFR Parts 72 through 78.

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

(e) *Allocate or allocation.* The determination by the REGULATORY AGENCY of the number of CO<sub>2</sub> allowances to be recorded in the compliance account of a CO<sub>2</sub> budget unit, an allocation set-aside account, the consumer benefit or strategic energy

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purpose account, or the general account of the sponsor of an approved CO<sub>2</sub> 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.]**

(f) *Allocation year.* A calendar year for which the REGULATORY AGENCY allocates or awards CO<sub>2</sub> allowances pursuant to Subparts XX-5 and XX-10. The allocation year of each CO<sub>2</sub> allowance is reflected in the unique identification number given to the allowance pursuant to subdivision XX-6.4(c).

(g) *Allowance auction or auction.* An auction in which the REGULATORY AGENCY or its agent offers CO<sub>2</sub> allowances for sale.

~~(g)~~(h) *Alternate CO<sub>2</sub> Authorized Account Representative.* For a CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program or, for a general account, the natural person who is authorized, under Subpart XX-6, to transfer or otherwise dispose of CO<sub>2</sub> allowances held in the general account. If the CO<sub>2</sub> budget source is also subject to the CAIR NO<sub>x</sub> Ozone Season Trading Program, CAIR NO<sub>x</sub> Annual Trading Program, or CAIR SO<sub>2</sub> Trading Program then, for a CO<sub>2</sub> Budget Trading Program compliance account, this natural person shall be the same person as the alternate CAIR designated representative under such programs. If the CO<sub>2</sub> budget source is also subject to the Acid Rain Program, then for a CO<sub>2</sub> Budget Trading Program compliance account, this natural person shall be the same person as the alternate designated representative under the Acid Rain Program.

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~~(h)~~(i) *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 for, and tracked.

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

~~(h)~~(k) *Automated Data Acquisition and Handling System (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.

~~(h)~~(l) *Award*. The determination by the REGULATORY AGENCY of the number of CO<sub>2</sub> allowances to be recorded in the compliance account of a CO<sub>2</sub> budget unit for Early Reduction CO<sub>2</sub> Allowances pursuant to XX5.3(c)(5), or the determination by the REGULATORY AGENCY of the number of CO<sub>2</sub> offset allowances to be recorded in the general account of a project sponsor pursuant to XX-10.7. Award is a type of allocation.

~~(h)~~(m) *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 facility selling the electric or thermal output must have different owners from the owners of the party purchasing the electric or thermal output.

~~(m)~~(n) *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.

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~~(h)~~(o) *Clean Air Interstate Rule (CAIR) NO<sub>x</sub> Annual Trading Program.* CAIR NO<sub>x</sub> Annual Trading Program means a multi-state nitrogen oxides air pollution control and emission reduction program approved and administered by the Administrator in accordance with 40 CFR Part 96 subparts AA through II and 40 CFR 51.123(o)(1) or (2) or established by the Administrator in accordance with subparts AA through II of 40 CFR Part 97 and 40 CFR 51.123(p) and 52.35, as a means of mitigating interstate transport of fine particulates and nitrogen oxides.

~~(e)~~(p) *CAIR NO<sub>x</sub> Ozone Season Trading Program.* CAIR NO<sub>x</sub> Ozone Season Trading Program means a multi-state nitrogen oxides air pollution control and emission reduction program approved and administered by the Administrator in accordance with subparts AAAA through IIII of 40 CFR Part 96 and 40 CFR 51.123(aa)(1) or (2) (and (bb)(1)), (bb)(2), or (dd) or established by the Administrator in accordance with subparts AAAA through IIII of 40 CFR Part 97 and 40 CFR 51.123(ee) and 52.35, as a means of mitigating interstate transport of ozone and nitrogen oxides.

~~(p)~~(q) *CAIR SO<sub>2</sub> Trading Program.* CAIR SO<sub>2</sub> Trading Program means a multi-state sulfur dioxide air pollution control and emission reduction program approved and administered by the Administrator in accordance with subparts AAA through III of 40 CFR Part 96 and 40 CFR 51.124(o)(1) or (2) or established by the Administrator in accordance with subparts AAA through III of 40 CFR Part 97 and 40 CFR 51.124(r) and 52.36, as a means of mitigating interstate transport of fine particulates and sulfur dioxide.

(r) Cost containment reserve trigger price, or CCR trigger price. The CCR trigger price is the minimum price at which CO<sub>2</sub> CCR allowances are offered for sale by the REGULATORY AGENCY or its agent at an auction. The CCR trigger price shall be \$4.00 per CO<sub>2</sub> Allowance for calendar year 2014, \$6.00 per CO<sub>2</sub> Allowance in calendar year 2015, \$8.00 per CO<sub>2</sub> Allowance in calendar year 2016, and \$10.00 per CO<sub>2</sub> Allowance in calendar year 2017. Each calendar year thereafter, the CCR trigger price

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shall be 1.025 multiplied by the CCR trigger price from the previous calendar year, rounded to the nearest whole cent.

~~(g)~~(s) *CO<sub>2</sub> allowance.* A limited authorization by the REGULATORY AGENCY or a participating state under the CO<sub>2</sub> Budget Trading Program to emit up to one ton of CO<sub>2</sub>, subject to all applicable limitations contained in this Part.

~~(+)~~(t) *CO<sub>2</sub> allowance deduction or deduct CO<sub>2</sub> allowances.* The permanent withdrawal of CO<sub>2</sub> allowances by the REGULATORY AGENCY or its agent from a CO<sub>2</sub> Allowance Tracking System compliance account to account for the number of tons of CO<sub>2</sub> emitted from a CO<sub>2</sub> budget source for a control period or an interim control period, determined in accordance with Subpart XX-8, or for the forfeit or retirement of CO<sub>2</sub> allowances as provided by this Part.

~~(s)~~(u) *CO<sub>2</sub> allowance price.* The price for CO<sub>2</sub> allowances in the CO<sub>2</sub> 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.

~~(+)~~(u) *CO<sub>2</sub> allowances held or hold CO<sub>2</sub> allowances.* The CO<sub>2</sub> allowances recorded by the REGULATORY AGENCY or its agent, or submitted to the REGULATORY AGENCY or its agent for recordation, in accordance with Subparts XX-6 and XX-7, in a CO<sub>2</sub> Allowance Tracking System account.

~~(+)~~(v) *CO<sub>2</sub> Allowance Tracking System.* The system by which the REGULATORY AGENCY or its agent records allocations, deductions, and transfers of CO<sub>2</sub> allowances under the CO<sub>2</sub> Budget Trading Program. The tracking system may also be used to track CO<sub>2</sub> emissions offset projects, CO<sub>2</sub> allowance prices and emissions from affected sources.

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~~(v)~~ (w) *CO<sub>2</sub> Allowance Tracking System account.* An account in the CO<sub>2</sub> Allowance Tracking System established by the REGULATORY AGENCY or its agent for purposes of recording the allocation, holding, transferring, or deducting of CO<sub>2</sub> allowances.

~~(w)~~ (x) *CO<sub>2</sub> allowance transfer deadline.* Midnight of the March 1 occurring after the end of the relevant control period and each relevant interim 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 CO<sub>2</sub> allowances must be submitted for recordation in a CO<sub>2</sub> budget source's compliance account in order for the source to meet the CO<sub>2</sub> requirements of XX-1.5(c) for the control period and each interim control period immediately preceding such deadline.

~~(x)~~ (y) *CO<sub>2</sub> authorized account representative.* For a CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program or, for a general account, the natural person who is authorized, under Subpart XX-6, to transfer or otherwise dispose of CO<sub>2</sub> allowances held in the general account. If the CO<sub>2</sub> budget source is also subject to the CAIR NO<sub>x</sub> Ozone Season Trading Program, CAIR NO<sub>x</sub> Annual Trading Program, or CAIR SO<sub>2</sub> Trading Program then, for a CO<sub>2</sub> Budget Trading Program compliance account, this natural person shall be the same person as the CAIR designated representative under such programs. If the CO<sub>2</sub> budget source is also subject to the Acid Rain Program, then for a CO<sub>2</sub> Budget Trading Program compliance account, this natural person shall be the same person as the designated representative under the Acid Rain Program.

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~~(y)~~(z) *CO<sub>2</sub> budget emissions limitation.* For a CO<sub>2</sub> budget source, the tonnage equivalent, in CO<sub>2</sub> emissions in a control period or an interim control period, of the CO<sub>2</sub> allowances available for compliance deduction for the source for a control period or an interim control period.

~~(z)~~(aa) *CO<sub>2</sub> 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 CO<sub>2</sub> budget source or CO<sub>2</sub> budget unit which specifies the CO<sub>2</sub> Budget Trading Program requirements applicable to the CO<sub>2</sub> budget source, to each CO<sub>2</sub> budget unit at the CO<sub>2</sub> budget source, and to the owners and operators and the CO<sub>2</sub> authorized account representative of the CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit.

~~(aa)~~(ab) *CO<sub>2</sub> budget source.* A source that includes one or more CO<sub>2</sub> budget units.

~~(ab)~~(ac) *CO<sub>2</sub> Budget Trading Program.* A multi-state CO<sub>2</sub> 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 CO<sub>2</sub> from CO<sub>2</sub> budget sources.

~~(ae)~~(ad) *CO<sub>2</sub> budget unit.* A unit that is subject to the CO<sub>2</sub> Budget Trading Program requirements under section XX-1.4.

(ae) CO<sub>2</sub> cost containment reserve allowance or CO<sub>2</sub> CCR allowance. A CO<sub>2</sub> allowance that is offered for sale at an auction by the REGULATORY AGENCY for the purpose of containing the cost of CO<sub>2</sub> Allowances. CO<sub>2</sub> CCR allowances offered for sale at an auction are separate from and additional to CO<sub>2</sub> allowances allocated from the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base and adjusted

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budgets. CO<sub>2</sub> CCR allowances are subject to all applicable limitations contained in this Part.

~~(ad)~~(af) *CO<sub>2</sub> equivalent.* The quantity of a given greenhouse gas multiplied by its global warming potential (GWP).

~~(ae)~~(ag) *CO<sub>2</sub> offset allowance.* A CO<sub>2</sub> allowance that is awarded to the sponsor of a CO<sub>2</sub> 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).

~~(af)~~(ah) *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.

~~(ag)~~(ai) *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.

~~(ah)~~(aj) *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 CO<sub>2</sub> 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 CO<sub>2</sub> budget unit under section XX-1.4 on the date the unit commences commercial operation, the date the unit becomes a CO<sub>2</sub> budget unit under section XX-1.4 shall be the unit's date of commencement of commercial operation.

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~~(aj)~~(ak) *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 CO<sub>2</sub> 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 CO<sub>2</sub> budget unit under section XX-1.4 on the date of commencement of operation, the date the unit becomes a CO<sub>2</sub> budget unit under section XX-1.4 shall be the unit's date of commencement of operation.

~~(aj)~~(al) *Compliance account.* A CO<sub>2</sub> Allowance Tracking System account, established by the REGULATORY AGENCY or its agent for a CO<sub>2</sub> budget source under Subpart XX-6, in which the CO<sub>2</sub> allowance allocations for the source are initially recorded and in which are held CO<sub>2</sub> allowances available for use by the source for a control period and each interim control period for the purpose of meeting the CO<sub>2</sub> requirements of XX-1.5(c).

~~(ak)~~(am) *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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.]**

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~~(a)~~(an) *Continuous Emissions Monitoring System (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 types of continuous emissions 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<sub>x</sub>-diluent) monitoring system, consisting of a NO<sub>x</sub> pollutant concentration monitor, a diluent gas (CO<sub>2</sub> or O<sub>2</sub>) monitor, and an automated data acquisition and handling system and providing a permanent, continuous record of NO<sub>x</sub> concentration, in parts per million (ppm), diluent gas concentration, in percent CO<sub>2</sub> or O<sub>2</sub>; and NO<sub>x</sub> 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 H<sub>2</sub>O;

(4) A carbon dioxide monitoring system, consisting of a CO<sub>2</sub> pollutant concentration monitor (or an oxygen monitor plus suitable mathematical equations from which the CO<sub>2</sub> concentration is derived) and an automated data acquisition and handling system and providing a permanent, continuous record of CO<sub>2</sub> emissions, in percent CO<sub>2</sub>; and

(5) An oxygen monitoring system, consisting of an O<sub>2</sub> concentration monitor and an automated data acquisition and handling system and providing a permanent, continuous record of O<sub>2</sub>, in percent O<sub>2</sub>.

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~~(am)~~(ao) *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.~~ The first two calendar years of each control period are each defined as an interim control period, beginning in January 1, 2015.

~~(an)~~(ap) *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.

~~(ae)~~(aq) *Excess emissions.* Any tonnage of CO<sub>2</sub> emitted by a CO<sub>2</sub> budget source during a control period that exceeds the CO<sub>2</sub> budget emissions limitation for the source.

(ar) Excess interim emissions. Any tonnage of CO<sub>2</sub> emitted by a CO<sub>2</sub> budget source during an interim control period multiplied by 0.50 that exceeds the CO<sub>2</sub> budget emissions limitation for the source.

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

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(at) *First control period interim adjustment for banked allowances.* An adjustment applied to the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget for allocation years 2014 through 2020 to address the surplus allocation year 2009, 2010, and 2011 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, that are in addition to the aggregate quantity of first control period CO<sub>2</sub> emissions from all CO<sub>2</sub> budget sources in all of the participating states.

~~(aq)~~(au) *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 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.

~~(ar)~~(av) *General account.* A CO<sub>2</sub> Allowance Tracking System account, established under Subpart XX-6, that is not a compliance account.

~~(as)~~(aw) *Global Warming Potential (GWP).* A measure of the radiative efficiency (heat-absorbing ability) of a particular gas relative to that of carbon dioxide (CO<sub>2</sub>) 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 CO<sub>2</sub>. Global warming potentials used in this Part are consistent with the values used in the Intergovernmental Panel on Climate Change, Third Assessment Report.

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

(ay) *Interim control period.* An interim control period is a one-calendar-year time period, during each of the first and second calendar years of each three year control period. The first interim control period starts on January 1, 2015 and ends on December 31, 2015, inclusive. The second interim control period starts on January 1, 2016 and ends on December 31, 2016, inclusive. Each successive three year control period will have two interim control periods, comprised of each of the first two calendar years of that control period.

~~(au)~~(az) *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;
- (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.

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

~~(aw)~~(ba) *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.

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~~(ax)~~(bb) *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 flow rate and either the maximum carbon dioxide concentration (in percent CO<sub>2</sub>) or the minimum oxygen concentration (in percent O<sub>2</sub>).

(bc) *Minimum reserve price. The minimum reserve price in calendar year 2014 shall be \$2.00. Each calendar year thereafter, the minimum reserve price shall be 1.025 multiplied by the minimum reserve price from the previous calendar year, rounded to the nearest whole cent.*

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

(be) *NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budget. The NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budget is determined in accordance with section 5.3 and is the annual amount of CO<sub>2</sub> tons available in NAME OF RELEVANT RGGI STATE for allocation in a given allocation year, in accordance with the CO<sub>2</sub> Budget Trading Program. CO<sub>2</sub> offset allowances allocated to project sponsors and CO<sub>2</sub> CCR allowances offered for sale at an auction are separate from and additional to CO<sub>2</sub> allowances allocated from the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budget.*

~~(az)~~(bf) *NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program Base Budget. The NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base*

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~~budget is specified in section 5.1~~ The annual amount of CO<sub>2</sub> tons available in NAME OF RELEVANT RGGI STATE for allocation in a given allocation year, in accordance with ~~the CO<sub>2</sub> Budget Trading Program.~~ CO<sub>2</sub> offset allowances allocated to project sponsors and CO<sub>2</sub> CCR allowances offered for sale at an auction are separate from and additional to CO<sub>2</sub> allowances allocated from the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program Base Budget.

~~(ba)~~ (bg) *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 de-ratings as measured in accordance with the United States Department of Energy standards.

~~(bb)~~ (bh) *Non- CO<sub>2</sub> budget unit.* A unit that does not meet the applicability criteria of Section XX-1.4 of this Part.

~~(be)~~ (bi) *Operator.* Any person who operates, controls, or supervises a CO<sub>2</sub> budget unit or a CO<sub>2</sub> budget source and shall include, but not be limited to, any holding company, utility system, or plant manager of such a unit or source.

~~(bd)~~ (bj) *Owner.* Any of the following persons:

- (1) Any holder of any portion of the legal or equitable title in a CO<sub>2</sub> budget unit; or
- (2) Any holder of a leasehold interest in a CO<sub>2</sub> 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 CO<sub>2</sub> budget unit; or
- (3) Any purchaser of power from a CO<sub>2</sub> 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 CO<sub>2</sub> allowances held in the general account and

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who is subject to the binding agreement for the CO<sub>2</sub> authorized account representative to represent that person's ownership interest with respect to the CO<sub>2</sub> allowances.

~~(b)(6)~~(b)(7)(C) *Participating state.* A state that has established a corresponding regulation as part of the CO<sub>2</sub> Budget Trading Program.

~~(b)(6)~~(b)(7)(C) *Receive or receipt of.* With regard to CO<sub>2</sub> allowances, the movement of CO<sub>2</sub> allowances by the REGULATORY AGENCY or its agent from one CO<sub>2</sub> Allowance Tracking System account to another, for purposes of allocation, transfer, or deduction.

~~(b)(6)~~(b)(7)(C) *Recordation, record, or recorded.* With regard to CO<sub>2</sub> allowances, the movement of CO<sub>2</sub> allowances by the REGULATORY AGENCY or its agent from one COATS account to another, for purposes of allocation, transfer, or deduction.

(b)(7)(C) *Reserve Price.* The minimum acceptable price for each CO<sub>2</sub> allowance in a specific auction. The reserve price at an auction is either the minimum reserve price or the CCR trigger price, as specified in Subpart XX-9.

(b)(7)(C) *Second control period interim adjustment for banked allowances.* An adjustment applied to the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget for allocation years 2015 through 2020 to address the allocation year 2012 and 2013 allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, that are in addition to the aggregate quantity of 2012 and 2013 emissions from all CO<sub>2</sub> budget sources in all of the participating states.

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~~(b)(4)~~~~(b)(5)~~ *Serial number.* When referring to CO<sub>2</sub> allowances, the unique identification number assigned to each CO<sub>2</sub> allowance by the REGULATORY AGENCY or its agent under section XX-6.4(c).

~~(b)(1)~~~~(b)(2)~~ *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."

~~(b)(1)~~ *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 CO<sub>2</sub> 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.

~~(b)(1)~~ *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 CO<sub>2</sub> allowance price that is equal to or greater than the stage one threshold price.

~~(b)(1)~~ *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:

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

where:

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~~"S2TP" is the stage two threshold price;~~

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

~~"n" is the number of years since 2005; and~~

~~"CPI" means, for purposes of the CO<sub>2</sub> 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.~~

~~(bm) *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 CO<sub>2</sub> allowance price that is equal to or greater than the stage two threshold price.~~

~~(bn)~~(br) *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.

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

- (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.

~~(bp)~~(bt) *Ton or tonnage.* Any "short ton", or 2,000 pounds. For the purpose of determining compliance with the CO<sub>2</sub> requirements of XX-1.5(c), total tons for a control period and each interim 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

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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.

~~(bq)(bu)~~ *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.

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

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

~~(bw)~~ *Undistributed CO<sub>2</sub> allowances.* CO<sub>2</sub> allowances originally allocated to a set aside account as pursuant to XX-5.3 that were not distributed.

~~(bx)~~ *Unsold CO<sub>2</sub> allowances.* CO<sub>2</sub> allowances that have been made available for sale in an auction conducted by the REGULATORY AGENCY or its agent, but not sold.

~~(bt)~~(by) *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:

- (1) CO<sub>2</sub>-carbon dioxide.
- (2) hr-hour.
- (3) lb-pounds.
- (4) MWe-megawatt electrical.

## **XX-1.4 Applicability.**

(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 CO<sub>2</sub> budget unit, and any source that includes one or more such units shall be a CO<sub>2</sub> 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,

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section XX-1.6 and, if applicable because of the allocation of CO<sub>2</sub> 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 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 CO<sub>2</sub> 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 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:

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(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 CO<sub>2</sub> Budget Trading Program limited industrial exemption set-aside account.* In the event that the REGULATORY AGENCY grants an exemption under this subdivision to a CO<sub>2</sub> source, 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 CO<sub>2</sub> 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**

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**below illustrates how this subdivision could be drafted and does not necessarily represent what an individual RGGI state will propose.]**

(1) The CO<sub>2</sub> authorized account representative of each CO<sub>2</sub> budget source required to have an operating permit pursuant to **[Insert Reference to state's Permitting Regulation(s)]** of this Title and each CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> budget permit application and issue or deny a CO<sub>2</sub> budget permit.

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

(b) *Monitoring requirements.*

(1) The owners and operators and, to the extent applicable, the CO<sub>2</sub> authorized account representative of each CO<sub>2</sub> budget source and each CO<sub>2</sub> 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 CO<sub>2</sub> requirements under subdivision (c) of this section.

(c) *CO<sub>2</sub> requirements.*

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(1) The owners and operators of each CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source shall hold CO<sub>2</sub> allowances available for compliance deductions under section XX-6.5, as of the CO<sub>2</sub> allowance transfer deadline, in the source's compliance account in an amount not less than the total CO<sub>2</sub> emissions for the control period from all CO<sub>2</sub> budget units at the source, less the CO<sub>2</sub> allowances deducted to meet the requirements of paragraph XX-1.5(c)(2), as determined in accordance with Subparts XX-6 and XX-8.

(2) The owners and operators of each CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source shall hold CO<sub>2</sub> allowances available for compliance deductions under section XX-6.5, as of the CO<sub>2</sub> allowance transfer deadline, in the source's compliance account in an amount not less than the total CO<sub>2</sub> emissions for the interim control period from all CO<sub>2</sub> budget units at the source multiplied by 0.50, as determined in accordance with Subparts XX-6 and XX-8.

~~(2)~~(3) Each ton of CO<sub>2</sub> emitted in excess of the CO<sub>2</sub> budget emissions limitation for a control period shall constitute a separate violation of this Part and applicable state law.

(4) Each ton of excess interim emissions shall constitute a separate violation of this Part and applicable state law.

~~(3)~~(5) A CO<sub>2</sub> 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)~~(6) CO<sub>2</sub> allowances shall be held in, deducted from, or transferred among CO<sub>2</sub> Allowance Tracking System accounts in accordance with Subparts XX-5, XX-6, and XX-7, and section XX-10.7.

~~(5)~~(7) A CO<sub>2</sub> allowance shall not be deducted, in order to comply with the requirements under paragraph (c)(1) or (2) of this section, for a control period or interim control period that ends prior to the year for which the CO<sub>2</sub> allowance was allocated. A CO<sub>2</sub> offset allowance shall not be deducted, in order to comply with the requirements under paragraph (c)(1) or (2) of this section, beyond the applicable percent limitations set out in paragraph XX-6.5(a)(3).

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~~(6)~~(8) A CO<sub>2</sub> allowance under the CO<sub>2</sub> Budget Trading Program is a limited authorization by the REGULATORY AGENCY or a participating state to emit one ton of CO<sub>2</sub> in accordance with the CO<sub>2</sub> Budget Trading Program. No provision of the CO<sub>2</sub> Budget Trading Program, the CO<sub>2</sub> budget permit application, or the CO<sub>2</sub> budget permit or any provision of law shall be construed to limit the authority of the REGULATORY AGENCY or a participating state to terminate or limit such authorization.

~~(7)~~(9) A CO<sub>2</sub> allowance under the CO<sub>2</sub> Budget Trading Program does not constitute a property right.

(d) *Excess emissions requirements.* The owners and operators of a CO<sub>2</sub> budget source that has excess emissions in any control period, or excess interim emissions for any interim control period, shall:

(1) Forfeit the CO<sub>2</sub> allowances required for deduction under paragraph XX-6.5(d)(1), provided CO<sub>2</sub> 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 CO<sub>2</sub> budget source and each CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative for the source and each CO<sub>2</sub> 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

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account certificate of representation changing the CO<sub>2</sub> authorized account representative.

(ii) All emissions monitoring information, in accordance with Subpart XX-8 and 40 CFR 75.57.

(iii) Copies of all reports, compliance certifications, and other submissions and all records made or required under the CO<sub>2</sub> Budget Trading Program.

(iv) Copies of all documents used to complete a CO<sub>2</sub> budget permit application and any other submission under the CO<sub>2</sub> Budget Trading Program or to demonstrate compliance with the requirements of the CO<sub>2</sub> Budget Trading Program.

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

(f) *Liability.*

(1) No permit revision shall excuse any violation of the requirements of the CO<sub>2</sub> Budget Trading Program that occurs prior to the date that the revision takes effect.

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

(3) Any provision of the CO<sub>2</sub> Budget Trading Program that applies to a CO<sub>2</sub> budget unit (including a provision applicable to the CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit) shall also apply to the owners and operators of such unit

(g) *Effect on other authorities.*

(1) No provision of the CO<sub>2</sub> Budget Trading Program, a CO<sub>2</sub> budget permit application, or a CO<sub>2</sub> budget permit, shall be construed as exempting or

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excluding the owners and operators and, to the extent applicable, the CO<sub>2</sub> authorized account representative of the CO<sub>2</sub> budget source or CO<sub>2</sub> budget unit from compliance with any other provisions of applicable State and federal law regulations.

## **XX-1.6 Computation of time.**

(a) Unless otherwise stated, any time period scheduled, under the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program, falls on a weekend or a State or Federal holiday, the time period shall be extended to the next business day.

## **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 CO<sub>2</sub> Authorized Account Representative for CO<sub>2</sub> Budget Sources**

### **XX-2.1 Authorization and responsibilities of the CO<sub>2</sub> authorized account representative.**

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(a) Except as provided under section XX-2.2, each CO<sub>2</sub> budget source, including all CO<sub>2</sub> budget units at the source, shall have one and only one CO<sub>2</sub> authorized account representative, with regard to all matters under the CO<sub>2</sub> Budget Trading Program concerning the source or any CO<sub>2</sub> budget unit at the source.

(b) The CO<sub>2</sub> authorized account representative of the CO<sub>2</sub> budget source shall be selected by an agreement binding on the owners and operators of the source and all CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> budget source represented and each CO<sub>2</sub> budget unit at the source in all matters pertaining to the CO<sub>2</sub> Budget Trading Program, notwithstanding any agreement between the CO<sub>2</sub> authorized account representative and such owners and operators. The owners and operators shall be bound by any decision or order issued to the CO<sub>2</sub> authorized account representative by the REGULATORY AGENCY or a court regarding the source or unit.

(d) No CO<sub>2</sub> budget permit shall be issued, and no CO<sub>2</sub> Allowance Tracking System account shall be established for a CO<sub>2</sub> budget source, until the REGULATORY AGENCY or its agent has received a complete account certificate of representation under section XX-2.4 for a CO<sub>2</sub> authorized account representative of the source and the CO<sub>2</sub> budget units at the source.

(e) Each submission under the CO<sub>2</sub> Budget Trading Program shall be submitted, signed, and certified by the CO<sub>2</sub> authorized account representative for each CO<sub>2</sub> budget source on behalf of which the submission is made. Each such submission shall include the following certification statement by the CO<sub>2</sub> authorized account representative: "I am authorized to make this submission on behalf of the owners and

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operators of the CO<sub>2</sub> budget sources or CO<sub>2</sub> 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 CO<sub>2</sub> budget source or a CO<sub>2</sub> budget unit only if the submission has been made, signed, and certified in accordance with subdivision (e) of this section.

## **XX-2.2 Alternate CO<sub>2</sub> authorized account representative.**

(a) An account certificate of representation may designate one and only one alternate CO<sub>2</sub> authorized account representative who may act on behalf of the CO<sub>2</sub> authorized account representative. The agreement by which the alternate CO<sub>2</sub> authorized account representative is selected shall include a procedure for authorizing the alternate CO<sub>2</sub> authorized account representative to act in lieu of the CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO<sub>2</sub> authorized account representative.

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(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 “CO<sub>2</sub> authorized account representative” is used in this Part, the term shall be construed to include the alternate CO<sub>2</sub> authorized account representative.

## **XX-2.3 Changing the CO<sub>2</sub> authorized account representatives and the alternate CO<sub>2</sub> authorized account representative; changes in the owner as and operators.**

(a) *Changing the CO<sub>2</sub> authorized account representative.* The CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and the owners and operators of the CO<sub>2</sub> budget source and the CO<sub>2</sub> budget units at the source.

(b) *Changing the alternate CO<sub>2</sub> authorized account representative.* The alternate CO<sub>2</sub> 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 or alternate CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and the owners and operators of the CO<sub>2</sub> budget source and the CO<sub>2</sub> budget units at the source.

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

(1) In the event a new owner or operator of a CO<sub>2</sub> budget source or a CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> 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 CO<sub>2</sub> budget source or a CO<sub>2</sub> budget unit, including the addition of a new owner or operator, the CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or an alternate CO<sub>2</sub> authorized account representative shall include the following elements in a format prescribed by the REGULATORY AGENCY or its agent:

(1) Identification of the CO<sub>2</sub> budget source and each CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> authorized account representative;

(3) A list of the owners and operators of the CO<sub>2</sub> budget source and of each CO<sub>2</sub> budget unit at the source;

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(4) The following certification statement by the CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> authorized account representative: “I certify that I was selected as the CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> authorized account representative, as applicable, by an agreement binding on the owners and operators of the CO<sub>2</sub> budget source and each CO<sub>2</sub> budget unit at the source. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO<sub>2</sub> Budget Trading Program on behalf of the owners and operators of the CO<sub>2</sub> budget source and of each CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative shall affect any representation, action, inaction, or submission of the CO<sub>2</sub> authorized account representative or the finality of any decision or order by the REGULATORY AGENCY or its agent under the CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative, including private legal disputes concerning the proceeds of CO<sub>2</sub> allowance transfers.

## **XX-2.6 Delegation by CO<sub>2</sub> authorized account representative and alternate CO<sub>2</sub> authorized account representative.**

(a) A CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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.”
- (d) A notice of delegation submitted under subdivision (c) of this section shall be effective, with regard to the CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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.

(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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> budget permit requirements.**

(a) Each CO<sub>2</sub> 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 CO<sub>2</sub> budget permit shall contain all applicable CO<sub>2</sub> 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 CO<sub>2</sub> budget permit applications.**

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For any CO<sub>2</sub> budget source, the CO<sub>2</sub> authorized account representative shall submit a complete CO<sub>2</sub> budget permit application under section XX-3.3 covering such CO<sub>2</sub> budget source to the REGULATORY AGENCY by the later of January 1, 2009 or 12 months before the date on which the CO<sub>2</sub> budget source, or a new unit at the source, commences operation.

## **XX-3.3 Information requirements for CO<sub>2</sub> budget permit applications.**

(a) A complete CO<sub>2</sub> budget permit application shall include the following elements concerning the CO<sub>2</sub> budget source for which the application is submitted, in a format prescribed by the REGULATORY AGENCY:

- (1) Identification of the CO<sub>2</sub> 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;
  - (2) Identification of each CO<sub>2</sub> budget unit at the CO<sub>2</sub> 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 CO<sub>2</sub> budget source is subject to the CO<sub>2</sub> requirements of XX-1.5(c), the CO<sub>2</sub> 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. A compliance certification report is not required as part of the compliance obligation during an interim control period.

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(b) *Contents of report.* The CO<sub>2</sub> 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 CO<sub>2</sub> budget unit at the source;
- (2) At the CO<sub>2</sub> authorized account representative's option, the serial numbers of the CO<sub>2</sub> 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 CO<sub>2</sub> 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.

(c) *Compliance certification.* In the compliance certification report under subdivision (a) of this section, the CO<sub>2</sub> authorized account representative shall certify, based on reasonable inquiry of those persons with primary responsibility for operating the source and the CO<sub>2</sub> budget units at the source in compliance with the CO<sub>2</sub> Budget Trading Program, whether the source and each CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program, including:

- (1) Whether the source was operated in compliance with the CO<sub>2</sub> requirements of XX-1.5(c);
- (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 CO<sub>2</sub> emissions to the unit, in accordance with Subpart XX-8;
- (3) Whether all the CO<sub>2</sub> 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,

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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 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 CO<sub>2</sub> 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 CO<sub>2</sub> allowances from or transfer CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Allocations**

### **XX-5.1 NAME OF RELEVANT RGGI STATE CO<sub>2</sub> trading program base budget.**

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(a) For ~~the 2009 through~~ 2014 ~~allocation years~~, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program ~~annual~~ base budget is \_\_\_\_\_ tons.

(b) For ~~the 2015~~ ~~allocation year~~, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program ~~annual~~ base budget is \_\_\_\_\_ tons.

(c) For ~~the 2016~~ ~~allocation year~~, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program ~~annual~~ base budget is \_\_\_\_\_ tons.

(d) For ~~the 2017~~ ~~allocation year~~, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program ~~annual~~ base budget is \_\_\_\_\_ tons.

(f) For 2019, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget is \_\_\_\_\_ tons.

(g) For 2020 and each succeeding calendar year, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget is \_\_\_\_\_ tons.

(h) — For 2021 and each succeeding calendar year, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget is TBD tons.

**XX-5.2** Undistributed and Unsold CO<sub>2</sub> Allowances ~~Timing requirements for CO<sub>2</sub> allowance allocations.~~

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~~(a) — By January 1, 2009, the REGULATORY AGENCY will determine the CO<sub>2</sub> allowance allocations under subdivisions XX-5.3(a) and (b) for the 2009, 2010, 2011, and 2012 allocation years.~~

~~By January 1, 2010 and January 1 of each year thereafter, the REGULATORY AGENCY will allocate CO<sub>2</sub> 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.~~

**(a) REGULATORY AGENCY may retire undistributed CO<sub>2</sub> allowances at the end of each control period.**

**(b) REGULATORY AGENCY may retire unsold CO<sub>2</sub> allowances at the end of each control period.**

## **XX-5.3 CO<sub>2</sub> allowance allocations.**

(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 CO<sub>2</sub> 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) CO<sub>2</sub> Allowances available for allocation. For allocation years 2014 through 2020, the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted**

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budget shall be the maximum number of allowances available for allocation in a given allocation year, except for CO<sub>2</sub> offset allowances and CO<sub>2</sub> CCR allowances.

(d) *Cost Containment Reserve (CCR) allocation.* The REGULATORY AGENCY shall allocate CO<sub>2</sub> CCR allowances, separate from and additional to the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget set forth in section XX-5.1, to the RELEVANT STATE AUCTION ACCOUNT. The CCR allocation is for the purpose of containing the cost of CO<sub>2</sub> allowances. The REGULATORY AGENCY shall allocate CO<sub>2</sub> CCR allowances in the following manner:

(1) The REGULATORY AGENCY shall initially allocate CO<sub>2</sub> CCR allowances for calendar year 2014.

(2) On or before January 1, 2015 and each calendar year thereafter, the REGULATORY AGENCY shall allocate CO<sub>2</sub> CCR allowances in an amount equal to , minus the number of CO<sub>2</sub> CCR allowances that remain in the RELEVANT STATE AUCTION ACCOUNT at the end of the prior calendar year.

(e) *First control period interim adjustment for banked allowances.* By January 15, 2014, the REGULATORY AGENCY shall determine the first control period interim adjustment for banked allowances quantity for allocation years 2014 through 2020 by the following formula:

$$\text{FCPIABA} = (\text{FCPA}/7) \times \text{RS}\%$$

Where:

FCPIABA is the first control period interim adjustment for banked allowances quantity in tons.

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FCPA is the total quantity of allocation year 2009, 2010, and 2011 CO<sub>2</sub> allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on January 1, 2014.

RS% is RELEVANT RGGI STATE'S PERCENTAGE OF THE REGIONAL CAP.

(f) *Second control period interim adjustment for banked allowances.* On March 15, 2014, the REGULATORY AGENCY shall determine the second control period interim adjustment for banked allowances quantity the allocation years 2015 through 2020 by the following formula:

$$\text{SCPIABA} = ((\text{SCPA} - \text{SCPE}) / 6) \times \text{RS}\%$$

Where:

SCPIABA is the second control period interim adjustment for banked allowances quantity in tons.

SCPA is the total quantity of allocation year 2012 and 2013 CO<sub>2</sub> allowances held in general and compliance accounts, including compliance accounts established pursuant to the CO<sub>2</sub> Budget Trading Program, but not including accounts opened by participating states, as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on March 15, 2014.

SCPE is the total quantity of 2012 and 2013 emissions from all CO<sub>2</sub> budget sources in all participating states, reported pursuant to CO<sub>2</sub> Budget Trading Program as reflected in the CO<sub>2</sub> Allowance Tracking System (COATS) on March 15, 2014.

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RS% is RELEVANT RGGI STATE'S PERCENTAGE OF THE REGIONAL CAP.

(g) CO<sub>2</sub> Budget Trading Program adjusted budget 2014. The REGULATORY AGENCY shall determine the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budget for the 2014 allocation year by the following formula:

$$\text{AB} = \text{BB} - \text{FCPIABA}$$

Where:

AB is the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program 2014 adjusted budget.

BB is the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program 2014 base budget.

FCPIABA is the first control period interim adjustment for banked allowances quantity.

(h) CO<sub>2</sub> Budget Trading Program adjusted budgets for 2015 through 2020. On April 15, 2014 the REGULATORY AGENCY shall determine the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budgets for the 2015 through 2020 allocation years by the following formula:

$$\text{AB} = \text{BB} - (\text{FCPIABA} + \text{SCPIABA})$$

Where:

AB is the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program adjusted budget.

BB is the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget.

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FCPIABA is the first control period interim adjustment for banked allowances.

SCPIABA is the second control interim adjustment for banked allowances.

(i) After making the determinations in XX-5.3 (g) and (h), the REGULATORY AGENCY or its Agent will publish the CO<sub>2</sub> trading program adjusted base budgets for the 2014 through 2020 allocation years.

~~(c) — Early reduction CO<sub>2</sub> allowances. The REGULATORY AGENCY may award early reduction CO<sub>2</sub> allowances (ERAs) to a CO<sub>2</sub> budget source for reductions in the CO<sub>2</sub> budget source's CO<sub>2</sub> emissions (inclusive of all emissions from CO<sub>2</sub> budget units at the CO<sub>2</sub> 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 CO<sub>2</sub> budget source must submit its application for the award of ERAs by May 1, 2009.~~

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

~~(3) — The REGULATORY AGENCY will calculate the number of ERAs to be awarded to a particular CO<sub>2</sub> budget source for the early reduction period pursuant to the following methodology:~~

~~(i) — If total heat input to all CO<sub>2</sub> budget units at the CO<sub>2</sub> budget source during the early reduction period is less than or equal to the total heat input to all the CO<sub>2</sub> budget units at the CO<sub>2</sub> budget source during the baseline period, then:~~

~~(a) — ERAs shall be calculated as follows:~~

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

where:

“ $\text{AEEER}_{\text{BASELINE}}$ ” is the average  $\text{CO}_2$  emissions rate resulting from electric energy output and thermal energy output for all of the  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the baseline period (in pounds of  $\text{CO}_2/\text{MWh}_{\text{th+e}}$ );

“ $\text{AEEER}_{\text{ERP}}$ ” is the average  $\text{CO}_2$  emissions rate resulting from electric energy output and thermal energy output for all of the  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the early reduction period (in pounds of  $\text{CO}_2/\text{MWh}_{\text{th+e}}$ );

“ $\text{EO}_{\text{ERP}}$ ” is the total electric energy output from all  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the early reduction period (in  $\text{MWh}_e$ ); and

“ $\text{TO}_{\text{ERP}}$ ” is the total useful thermal energy output from all  $\text{CO}_2$  budget units at the  $\text{CO}_2$  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  $1 \text{ MWh} = 3.413 \text{ MMBtu}$ .

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

(ii) If total heat input to all  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the early reduction period is greater than or equal to the total heat input to all the  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the baseline period, then:

$$\text{ERAs} = \frac{E_{\text{BASELINE}} - E_{\text{ERP}}}{2000}$$

where:

“ $E_{\text{BASELINE}}$ ” are total  $\text{CO}_2$  emissions from the all of the  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the baseline period (in tons); and

“ $E_{\text{ERP}}$ ” are total  $\text{CO}_2$  emissions from the all of the  $\text{CO}_2$  budget units at the  $\text{CO}_2$  budget source during the early reduction period (in tons).

(4) The  $\text{CO}_2$  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  $\text{CO}_2$  budget source was required to report  $\text{CO}_2$  data pursuant to 40 CFR part 75. A  $\text{CO}_2$  budget source that was not required to submit  $\text{CO}_2$  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

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~~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 CO<sub>2</sub> budget source's early reductions of CO<sub>2</sub> emissions, it will award the ERAs to the CO<sub>2</sub> budget source's compliance account by December 31, 2009.~~

**[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)~~ (i) *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 CO<sub>2</sub> 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 State during the most recent three-year period for which data are available.

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(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 CO<sub>2</sub> emissions rate (lbs. CO<sub>2</sub>/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 CO<sub>2</sub> tons to be allocated to the voluntary renewable energy set-aside account shall be calculated as follows:

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

where:

CO<sub>2</sub> 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; and

EF is the CO<sub>2</sub> 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 CO<sub>2</sub> allowances allocated to the voluntary renewable energy set-aside account is less than

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the number of CO<sub>2</sub> tons represented by the actual MWh of voluntary renewable energy purchases during the control period, the REGULATORY AGENCY will add the difference between CO<sub>2</sub> tons represented by actual purchases, as calculated in accordance with subparagraph (iii) of this paragraph, and CO<sub>2</sub> 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 CO<sub>2</sub> allowances allocated to the voluntary renewable energy set-aside account is greater than the number of CO<sub>2</sub> tons represented by the actual MWh of voluntary renewable energy purchases during the control period, the REGULATORY AGENCY will subtract the difference between CO<sub>2</sub> tons represented by actual purchases, as calculated in accordance with subparagraph (iii) of this paragraph, and CO<sub>2</sub> 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.

(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 CO<sub>2</sub> allowances in the voluntary renewable energy set-aside account in an amount up to the number of tons of CO<sub>2</sub> 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.]

**[The following subdivision is an optional limited industrial exemptions set-aside allocation provision. It represents one way a state could implement such a set-aside.]**

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~~(e)~~(k) *Limited industrial exemption set-aside allocation.* The limited industrial exemption set-aside allocation will consist of \_\_\_\_\_ tons from the NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program base budget set forth in section XX-5.1, as applicable. For each control period, the REGULATORY AGENCY will determine CO<sub>2</sub> 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 CO<sub>2</sub> allowances in the limited industrial exemption set-aside general 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 CO<sub>2</sub> allowances remain in the limited industrial exemption set-aside general account for the control period. The REGULATORY AGENCY will transfer any such remaining CO<sub>2</sub> allowances from the limited industrial exemption set-aside allocation general account to the compliance account of each CO<sub>2</sub> budget source that was allocated allowances pursuant to subdivision (a) of this section using the following methodology:

Existing CO<sub>2</sub> budget unit's share of the CO<sub>2</sub> allowances remaining in the limited industrial exemption set-aside general account = Total CO<sub>2</sub> allowances remaining in the limited industrial exemption set-aside general account x (The individual CO<sub>2</sub> budget unit's CO<sub>2</sub> allowance allocation determined in accordance with subdivision (a) of this section ÷ The NAME OF RELEVANT RGGI STATE CO<sub>2</sub> Budget Trading Program annual base budget, as applicable)

where:

"Total CO<sub>2</sub> allowances remaining in the limited industrial exemption set-aside allocation general account" is the total number of CO<sub>2</sub> allowances remaining in the limited industrial exemption set-aside allocation general account (established under paragraph (e)(1) of this section) for the particular control period to which the limited industrial exemption set-aside allocation applies; and

"The individual CO<sub>2</sub> budget unit's CO<sub>2</sub> allowance allocation" is the number of CO<sub>2</sub> allowances allocated under subdivision (a) of this section to the individual CO<sub>2</sub> budget unit for the control period to which the limited industrial exemption set-aside allocation applies.

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The REGULATORY AGENCY will only transfer CO<sub>2</sub> allowances in whole ton increments. The REGULATORY AGENCY will continue to hold any fractional shares of CO<sub>2</sub> allowances in the name of the CO<sub>2</sub> budget unit as banked CO<sub>2</sub> allowances until they may be combined with other fractional shares of CO<sub>2</sub> allowances in future years and then transferred as whole ton increments.

## **Subpart XX-6      CO<sub>2</sub> Allowance Tracking System**

### **XX-6.1      CO<sub>2</sub> 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 CO<sub>2</sub> budget source. Allocations of CO<sub>2</sub> allowances pursuant to Subpart XX-5 and deductions or transfers of CO<sub>2</sub> 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.

(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 CO<sub>2</sub> 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 CO<sub>2</sub> budget source for which the account certificate of representation was submitted.

(b)    *General accounts.*

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(1) *Application for general account.* Any person may apply to open a general account for the purpose of holding and transferring CO<sub>2</sub> allowances. An application for a general account may designate one and only one CO<sub>2</sub> authorized account representative and one and only one alternate CO<sub>2</sub> authorized account representative who may act on behalf of the CO<sub>2</sub> authorized account representative. The agreement by which the alternate CO<sub>2</sub> authorized account representative is selected shall include a procedure for authorizing the alternate CO<sub>2</sub> authorized account representative to act in lieu of the CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> authorized account representative;

(ii) At the option of the CO<sub>2</sub> authorized account representative, organization name and type of organization;

(iii) A list of all persons subject to a binding agreement for the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative to represent their ownership interest with respect to the CO<sub>2</sub> allowances held in the general account;

(iv) The following certification statement by the CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> authorized account representative: "I certify that I was selected as the CO<sub>2</sub> authorized account representative or the CO<sub>2</sub> alternate authorized account representative, as applicable, by an agreement that is binding on all persons who have an ownership interest with respect to CO<sub>2</sub> allowances held in the general account. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO<sub>2</sub> 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.";

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(v) The signature of the CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> 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 AGENCY nor its agent shall be under any obligation to review or evaluate the sufficiency of such documents, if submitted.

(2) *Authorization of CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> 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 CO<sub>2</sub> allowances held in the general account in all matters pertaining to the CO<sub>2</sub> Budget Trading Program, notwithstanding any agreement between the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative and such person. Any such person shall be bound by any order or decision issued to the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO<sub>2</sub> authorized account representative.

(ii) Each submission concerning the general account shall be submitted, signed, and certified by the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative for the persons having an ownership

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interest with respect to CO<sub>2</sub> allowances held in the general account. Each such submission shall include the following certification statement by the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative: "I am authorized to make this submission on behalf of the persons having an ownership interest with respect to the CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and alternate CO<sub>2</sub> authorized account representative; changes in persons with ownership interest.*

(i) The CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative, or the previous alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and the persons with an ownership interest with respect to the CO<sub>2</sub> allowances in the general account.

(ii) The alternate CO<sub>2</sub> 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

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under paragraph (b)(1) of this section. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous CO<sub>2</sub> authorized account representative, or the previous alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and the persons with an ownership interest with respect to the CO<sub>2</sub> allowances in the general account.

(iii) In the event a new person having an ownership interest with respect to CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative and any alternate CO<sub>2</sub> 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 CO<sub>2</sub> allowances in the general account, including the addition or deletion of persons, the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> 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 CO<sub>2</sub> allowances in the general account to include the change.

(4) *Objections concerning CO<sub>2</sub> 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

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or its agent concerning the authorization, or any representation, action, inaction, or submission of the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative for a general account shall affect any representation, action, inaction, or submission of the CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative or the finality of any decision or order by the REGULATORY AGENCY or its agent under the CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or any alternate CO<sub>2</sub> authorized account representative for a general account, including private legal disputes concerning the proceeds of CO<sub>2</sub> allowance transfers.

(5) *Delegation by CO<sub>2</sub> authorized account representative and alternate CO<sub>2</sub> authorized account representative.*

(i) A CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> authorized account representative;

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(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”;

(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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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.

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(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 CO<sub>2</sub> authorized account representative or alternate CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Tracking System responsibilities of CO<sub>2</sub> authorized account representative.**

Following the establishment of a CO<sub>2</sub> 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 CO<sub>2</sub> allowances in the account, shall be made only by the CO<sub>2</sub> authorized account representative for the account.

## **XX-6.4 Recordation of CO<sub>2</sub> allowance allocations.**

(a) By January 1, 2009, the REGULATORY AGENCY or its agent will record in the following accounts the CO<sub>2</sub> allowances for the allocation years of 2009, 2010, 2011, and 2012:

(1) In each CO<sub>2</sub> budget source's compliance account, the CO<sub>2</sub> allowances allocated for CO<sub>2</sub> budget units at the source (if any) under subdivision XX-5.3(a); and

(2) The CO<sub>2</sub> 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**

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example), they would be referred to (at least generically) in the above subdivision.]

(b) Each year the REGULATORY AGENCY or its agent will record CO<sub>2</sub> allowances, as allocated to the unit under Subpart XX-5, in the compliance account for the year after the last year for which CO<sub>2</sub> allowances were previously allocated to the compliance account. Each year, the REGULATORY AGENCY or its agent will also record CO<sub>2</sub> allowances, as allocated under Subpart XX-5, in an allocation set-aside for the year after the last year for which CO<sub>2</sub> allowances were previously allocated to an allocation set-aside.

(c) *Serial numbers for allocated CO<sub>2</sub> allowances.* When allocating CO<sub>2</sub> allowances to and recording them in an account, the REGULATORY AGENCY or its agent will assign each CO<sub>2</sub> allowance a unique identification number that will include digits identifying the year for which the CO<sub>2</sub> allowance is allocated.

~~(d) On or before December 31, 2009, the [REGULATORY AGENCY] shall record any ERAs awarded pursuant to XX-5.3(c)(5) in the CO<sub>2</sub> budget source's compliance account.~~

## XX-6.5 Compliance.

(a) *Allowances available for compliance deduction.* CO<sub>2</sub> allowances that meet the following criteria are available to be deducted in order for a CO<sub>2</sub> budget source to comply with the CO<sub>2</sub> requirements of XX-1.5(c) for a control period or an interim control period.

(1) The CO<sub>2</sub> allowances, other than CO<sub>2</sub> offset allowances, are of allocation years that fall within a prior control period, the same control period, or the same interim control period for which the allowances will be deducted.

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

(3) For CO<sub>2</sub> offset allowances, the number of CO<sub>2</sub> offset allowances that are available to be deducted in order for a CO<sub>2</sub> budget source to comply with the CO<sub>2</sub> requirements of XX-1.5(c) for a control period or an interim control period may not exceed 3.3 percent ~~the number of tons representing the following percentages~~ of the CO<sub>2</sub> budget source's CO<sub>2</sub> emissions for that control period, or of 0.50 times the CO<sub>2</sub> budget source's CO<sub>2</sub> emissions for an interim 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.~~

(4) The CO<sub>2</sub> 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 CO<sub>2</sub> allowance transfers submitted for recordation in the CO<sub>2</sub> budget source's compliance account by the CO<sub>2</sub> allowance transfer deadline for a control period or interim control period, the REGULATORY AGENCY or its agent will deduct CO<sub>2</sub> allowances available under subdivision (a) of this section to cover the source's CO<sub>2</sub> emissions (as determined in accordance with Subpart XX-8) for the control period or interim control period, as follows:

(1) Until the amount of CO<sub>2</sub> allowances deducted equals the number of tons of total CO<sub>2</sub> emissions (or 0.50 times the number of tons of total CO<sub>2</sub> emissions for

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an interim control period), less any CO<sub>2</sub> emissions attributable to the burning of eligible biomass, determined in accordance with Subpart XX-8, from all CO<sub>2</sub> budget units at the CO<sub>2</sub> budget source for the control period or interim control period; or

(2) If there are insufficient CO<sub>2</sub> allowances to complete the deductions in paragraph (b)(1) of this section, until no more CO<sub>2</sub> allowances available under subdivision (a) of this section remain in the compliance account.

(c) *Identification of available CO<sub>2</sub> allowances by serial number; default compliance deductions.*

(1) The CO<sub>2</sub> authorized account representative for a source's compliance account may request that specific CO<sub>2</sub> allowances, identified by serial number, in the compliance account be deducted for emissions or excess emissions for a control period or interim control period in accordance with subdivision (b), or (d) of this section. Such identification shall be made in the compliance certification report submitted in accordance with section XX-4.1.

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

(i) First, subject to the relevant compliance deduction limitations under XX-6.5(a)(3) and (d)(1), CO<sub>2</sub> offset allowances. CO<sub>2</sub> offset allowances shall be deducted in chronological order (i.e., CO<sub>2</sub> offset allowances from earlier allocation years shall be deducted before CO<sub>2</sub> offset allowances from later allocation years). In the event that some, but not all, CO<sub>2</sub> offset allowances from a particular allocation year are to be deducted, CO<sub>2</sub> offset allowances shall be deducted by serial number, with lower serial number allowances deducted before higher serial number allowances.

(ii) Second, any CO<sub>2</sub> allowances, other than CO<sub>2</sub> offset allowances, that are available for deduction under subdivision (a) of this section. CO<sub>2</sub> allowances shall be deducted in chronological order (i.e., CO<sub>2</sub> allowances from earlier

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allocation years shall be deducted before CO<sub>2</sub> allowances from later allocation years). In the event that some, but not all, CO<sub>2</sub> allowances from a particular allocation year are to be deducted, CO<sub>2</sub> allowances shall be deducted by serial number, with lower serial number allowances deducted before higher serial number allowances.

(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 CO<sub>2</sub> budget source's compliance account a number of CO<sub>2</sub> allowances, from 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 insufficient CO<sub>2</sub> 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 CO<sub>2</sub> offset allowances may be deducted to account for the source's excess emissions.

(2) Any CO<sub>2</sub> allowance deduction required under paragraph (d)(1) of this section shall not affect the liability of the owners and operators of the CO<sub>2</sub> budget source or the CO<sub>2</sub> 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 CO<sub>2</sub> 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.

(iii) For purposes of determining the number of days of violation, if a CO<sub>2</sub> budget source has excess interim emissions for an interim control period, each day in the interim 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.

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

(3) The propriety of the REGULATORY AGENCY's determination that a CO<sub>2</sub> budget source had excess emissions and the concomitant deduction of CO<sub>2</sub> allowances from that CO<sub>2</sub> 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 CO<sub>2</sub> allowances resulting from the REGULATORY AGENCY's original determination that the relevant CO<sub>2</sub> budget source has had excess emissions. Should the REGULATORY AGENCY's determination of the existence or extent of the CO<sub>2</sub> 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 CO<sub>2</sub> budget source a number of CO<sub>2</sub> allowances equaling the number of CO<sub>2</sub> allowances deducted which are attributable to the difference between the original and final quantity of excess emissions. Should such CO<sub>2</sub> budget source's compliance account no longer exist, the CO<sub>2</sub> allowances will be provided to a general account selected by the owner or operator of the CO<sub>2</sub> 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 audits concerning any submission under the CO<sub>2</sub> Budget Trading Program and make appropriate adjustments of the information in the submissions.

(2) The REGULATORY AGENCY may deduct CO<sub>2</sub> allowances from or transfer CO<sub>2</sub> 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 CO<sub>2</sub> allowance that is held in a compliance account or a general account will remain in such account unless and until the CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Tracking System account. Within 10 business days of making such correction, the REGULATORY AGENCY or its agent will notify the CO<sub>2</sub> authorized account representative for the account.

## **XX-6.8 Closing of general accounts.**

(a) A CO<sub>2</sub> 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 CO<sub>2</sub> Allowance Tracking System and by correctly submitting for recordation under section XX-7.1 a CO<sub>2</sub> allowance transfer of all CO<sub>2</sub> allowances in the account to one or more other CO<sub>2</sub> Allowance Tracking System accounts.

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(b) If a general account shows no activity for a period of six years or more and does not contain any CO<sub>2</sub> allowances, the REGULATORY AGENCY or its agent may notify the CO<sub>2</sub> authorized account representative for the account that the account will be closed in the CO<sub>2</sub> 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 CO<sub>2</sub> allowances into the account under section XX-7.1 or a statement submitted by the CO<sub>2</sub> 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. The REGULATORY AGENCY or its agent will have sole discretion to determine if the owner or operator of the unit demonstrated that the account should not be closed.

## **Subpart XX-7 CO<sub>2</sub> Allowance Transfers**

### **XX-7.1 Submission of CO<sub>2</sub> allowance transfers.**

The CO<sub>2</sub> authorized account representatives seeking recordation of a CO<sub>2</sub> allowance transfer shall submit the transfer to the REGULATORY AGENCY or its agent. To be considered correctly submitted, the CO<sub>2</sub> 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 CO<sub>2</sub> allowance to be transferred;
- (c) The printed name and signature of the CO<sub>2</sub> authorized account representative of the transferor account and the date signed;

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(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 CO<sub>2</sub> allowance transfer, except as provided in subdivision (b) of this section, the REGULATORY AGENCY or its agent will record a CO<sub>2</sub> allowance transfer by moving each CO<sub>2</sub> 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 CO<sub>2</sub> allowance identified by

serial number in the transfer.

(b) A CO<sub>2</sub> allowance transfer into or out of a compliance account that is submitted for recordation following the CO<sub>2</sub> allowance transfer deadline and that includes any CO<sub>2</sub> allowances that are of allocation years that fall within a control period or interim control period prior to or the same as the control period or interim control period to which the CO<sub>2</sub> allowance transfer deadline applies will not be recorded until after completion of the process pursuant to XX-6.5(b).

(c) Where a CO<sub>2</sub> allowance transfer submitted for recordation fails to meet the requirements of subdivision (a) of this section, the REGULATORY AGENCY or its agent will not record such transfer.

## **XX-7.3 Notification.**

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(a) *Notification of recordation.* Within 5 business days of recordation of a CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representatives of both the transferor and transferee accounts.

(b) *Notification of non-recordation.* Within 10 business days of receipt of a CO<sub>2</sub> allowance transfer that fails to meet the requirements of subdivision XX-7.2(a), the REGULATORY AGENCY or its agent will notify the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> 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. Where referenced in XX-8, the monitoring requirements of 40 CFR Part 75 shall be adhered to in a manner consistent with the purpose of monitoring and reporting CO<sub>2</sub> mass emissions pursuant to [these regulations]. 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 “CO<sub>2</sub> budget unit,” “CO<sub>2</sub> authorized account representative,” and “continuous emissions monitoring system” (or “CEMS”), respectively, as defined in

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section XX-1.2. For units not subject to an Acid Rain emissions limitation, the term “Administrator” in 40 CFR Part 75 shall be replaced with “the REGULATORY AGENCY or its agent.” Owners or operators of a CO<sub>2</sub> budget unit who monitor a non-CO<sub>2</sub> budget unit pursuant to the common, multiple, or bypass stack procedures in 40 CFR 75.72(b)(2)(ii), or 40 CFR 75.16 (b)(2)(ii)(B) as pursuant to 40 CFR 75.13, for purposes of complying with [these regulations], shall monitor and report CO<sub>2</sub> mass emissions from such non-CO<sub>2</sub> budget unit according to the procedures for CO<sub>2</sub> budget units established in XX-8.1 through XX-8.7.

(a) *Requirements for installation, certification, and data accounting.* The owner or operator of each CO<sub>2</sub> budget unit must meet the following requirements.

(1) Install all monitoring systems necessary to monitor CO<sub>2</sub> mass emissions in accordance with 40 CFR Part 75, except for equation G-1. Equation G-1 in Appendix G shall not be used to determine CO<sub>2</sub> emissions under this Part. This may require systems to monitor CO<sub>2</sub> concentration, stack gas flow rate, O<sub>2</sub> concentration, heat input, and fuel flow rate.

(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.

(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 CO<sub>2</sub> budget unit, except for a CO<sub>2</sub> 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.

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(2) The owner or operator of a CO<sub>2</sub> 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 CO<sub>2</sub> 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:

(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 CO<sub>2</sub> 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 CO<sub>2</sub> concentration, CO<sub>2</sub> emissions rate, stack gas moisture content, fuel flow rate, heat input, and any other parameter required to determine CO<sub>2</sub> mass emissions in accordance with 40 CFR 75.31(b)(2) or (c)(3), or section 2.4 of appendix D of 40 CFR part 75 as applicable.

(2) The owner or operator of a CO<sub>2</sub> 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

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system, determine, record, and report substitute data using the applicable missing data procedures in Subpart D, or appendix D 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.

(i) CO<sub>2</sub> budget units subject to an acid rain emissions limitation or [state-specific annual or ozone season CAIR citation] that qualify for the optional SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub> (for acid rain) or NO<sub>x</sub> (for [state-specific annual or ozone season CAIR citation]) emissions calculations for low mass emissions (LME) units under 40 CFR 75.19 and report emissions for such programs using the calculations under 40 CFR 75.19, shall also use the CO<sub>2</sub> emissions calculations for LME units under 40 CFR 75.19 for purposes of compliance with these regulations.

(ii) CO<sub>2</sub> budget units subject to an acid rain emissions limitation or [state-specific annual or ozone season CAIR citation] that do not qualify for the optional SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub> (for acid rain) or NO<sub>x</sub> (for [state-specific annual or ozone season CAIR citation]) emissions calculations for LME units under 40 CFR 75.19, shall not use the CO<sub>2</sub> emissions calculations for LME units under 40 CFR 75.19 for purposes of compliance with these regulations.

(iii) CO<sub>2</sub> budget units not subject to an acid rain emissions limitation or [state-specific annual or ozone season CAIR citation] shall qualify for the optional CO<sub>2</sub> emissions calculation for LME units under 40 CFR 75.19, provided that they emit less than 100 tons of NO<sub>x</sub> annually and no more than 25 tons of SO<sub>2</sub> annually.

(d) *Prohibitions.*

(1) No owner or operator of a CO<sub>2</sub> budget unit 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.

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(2) No owner or operator of a CO<sub>2</sub> budget unit shall operate the unit so as to discharge, or allow to be discharged, CO<sub>2</sub> 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 CO<sub>2</sub> budget unit shall disrupt the continuous emissions monitoring system, any portion thereof, or any other approved emissions monitoring method, and thereby avoid monitoring and recording CO<sub>2</sub> 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 CO<sub>2</sub> budget unit 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:

(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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

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(2) The applicable quality-assurance and quality-control requirements of 40 CFR 75.21 and appendix B and appendix D 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.

(c) Notwithstanding XX-8.2(a), if the Administrator has previously approved a petition under 40 CFR 75.72(b)(2)(ii), or 40 CFR 75.16(b)(2)(ii)(B) as pursuant to 40 CFR 75.13 for apportioning the CO<sub>2</sub> 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 part 75, the CO<sub>2</sub> authorized account representative shall submit the petition to the REGULATORY AGENCY 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 CO<sub>2</sub> budget unit shall comply with the following initial certification and recertification procedures for a continuous emissions monitoring system and an excepted monitoring system under appendix D 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

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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.

(2) *Requirements for recertification.*

(i) 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 CO<sub>2</sub> mass emissions 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).

(ii) For systems using stack measurements such as stack flow, stack moisture content, CO<sub>2</sub> or O<sub>2</sub> monitors, 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 proceed in the manner prescribed in 40 CFR 75.20(b)(5) and (g)(7) in lieu of XX-8.2(d)(3)(v).

(i) *Notification of certification.* The CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> Budget Trading Program.

(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 CO<sub>2</sub> authorized account

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representative must submit the additional information required to complete the certification application. If the CO<sub>2</sub> 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.

(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):

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(1) For units using or intending to monitor for CO<sub>2</sub> 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 CO<sub>2</sub> mass emissions using a CO<sub>2</sub> pollutant concentration monitor and a flow monitor, the maximum potential concentration of CO<sub>2</sub> and the maximum potential flow rate of the unit under section 2.1 of appendix A of 40 CFR part 75.

(b) The CO<sub>2</sub> 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

(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 XX-8.1(c)(3)(2).* The owner or operator of a unit qualified to use the low mass emissions excepted methodology under XX-8.1(c)(3)(2) 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 CO<sub>2</sub> 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 or appendix D of 40 CFR part 75.

(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 CO<sub>2</sub> authorized account representative for a CO<sub>2</sub> 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.**

(a) *General provisions.* The CO<sub>2</sub> 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 CO<sub>2</sub> budget unit shall submit a monitoring plan in the manner prescribed in 40 CFR 75.62.

(c) *Certification applications.* The CO<sub>2</sub> authorized account representative shall submit an application to the REGULATORY AGENCY within 45 days after completing all CO<sub>2</sub> monitoring system initial certification or recertification tests required under section XX-8.2 including the information required under 40 CFR 75.63 and 40 CFR 75.53(e) and (f).

(d) *Quarterly reports.* The CO<sub>2</sub> authorized account representative shall submit quarterly reports, as follows:

(1) The CO<sub>2</sub> authorized account representative shall report the CO<sub>2</sub> mass emissions data for the CO<sub>2</sub> budget unit, in an electronic format prescribed by the Administrator unless otherwise prescribed by the REGULATORY AGENCY 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, 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.

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(2) The CO<sub>2</sub> 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 be submitted for each CO<sub>2</sub> budget unit (or group of units using a common stack), and shall include all of the data and information required in Subpart G of 40 CFR part 75, except for opacity, heat input, NO<sub>x</sub>, and SO<sub>2</sub> provisions.

(3) *Compliance certification.* The CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions; and

(iii) The CO<sub>2</sub> concentration values substituted for missing data under Subpart D of 40 CFR part 75 do not systematically underestimate CO<sub>2</sub> emissions.

## **XX-8.6 Petitions.**

(a) Except as provided in subdivision (c) of this section, the CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit that is subject to an Acid Rain emissions limitation may submit a petition to the Administrator under 40 CFR 75.66 and to the REGULATORY AGENCY requesting approval to apply an alternative to any requirement of 40 CFR Part 75. Application of an alternative to any requirement of 40

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CFR Part 75 is in accordance with this Subpart only to the extent that the petition is approved in writing by the Administrator, and subsequently approved in writing by the REGULATORY AGENCY.

(b) Petitions for a CO<sub>2</sub> budget unit that is not subject to an Acid Rain emissions limitation.

(1) The CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit that is not subject to an Acid Rain emissions limitation may submit a petition to the ADMINISTRATOR under 40 CFR 75.66 and to the REGULATORY AGENCY requesting approval to apply an alternative to any requirement of 40 CFR PART 75. Application of an alternative to any requirement of 40 CFR PART 75 is in accordance with this Subpart only to the extent that the petition is approved in writing by the Administrator and subsequently approved in writing by the REGULATORY AGENCY.

(2) In the event that the Administrator declines to review a petition under XX-8.6(b)(1), the CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit that is not subject to an Acid Rain emissions limitation may submit a petition to the REGULATORY AGENCY requesting approval to apply an alternative to any requirement of XX-8. That petition shall contain all of the relevant information specified in 40 CFR 75.66. Application of an alternative to any requirement of XX-8 is in accordance with XX-8 only to the extent that the petition is approved in writing by the REGULATORY AGENCY.

(c) The CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit that is subject to an Acid Rain emissions limitation may submit a petition to the Administrator under 40 CFR 75.66 and to the REGULATORY AGENCY 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 CO<sub>2</sub> concentration CEMS used under 40 CFR 75.71(a)(2). Application of an alternative to any such requirement is in accordance with this Subpart only to the extent the petition is approved in writing by the Administrator and subsequently approved in writing by the REGULATORY AGENCY.

## **XX-8.7 CO<sub>2</sub> budget units that co-fire eligible biomass.**

(a) The CO<sub>2</sub> authorized account representative of a CO<sub>2</sub> budget unit that co-fires eligible biomass as a compliance mechanism under XX shall report the following information to the REGULATORY AGENCY or its agent for each calendar quarter:

- (1) For each shipment of solid eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the total eligible biomass fuel input, on an as-fired basis, in pounds;
- (2) For each shipment of solid eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the moisture content, on an as-fired basis, as a fraction by weight;
- (3) For each distinct type of gaseous eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the density of the biogas, on an as-fired basis, in pounds per standard cubic foot;
- (4) For each distinct type of gaseous eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the moisture content of the biogas, as a fraction by total weight;
- (5) For each distinct type of gaseous eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the total eligible biomass fuel input, in standard cubic feet;
- (6) For each distinct type of eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the dry basis carbon content of the fuel type, as a fraction by dry weight;
- (7) For each distinct type of eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the dry basis higher heating value, in MMBtu per dry pound;
- (8) For each distinct type of eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the total dry basis eligible biomass fuel input, in pounds, calculated in accordance with XX-8.7(b);
- (9) The total amount of CO<sub>2</sub> emitted from the CO<sub>2</sub> budget unit due to firing eligible biomass fuel, in tons, calculated in accordance with XX-8.7(c);
- (10) For each distinct type of eligible biomass fuel fired at the CO<sub>2</sub> budget unit, the total eligible biomass fuel heat input, in MMBtu, calculated in accordance with XX-8.7(d)(1).

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(11) The total amount of heat input to the CO<sub>2</sub> budget unit due to firing eligible biomass fuel, in MMBtu, calculated in accordance with XX-8.7(d)(2);

(12) Description and documentation of monitoring technology employed, and description and documentation of fuel sampling methodology employed, including sampling frequency; and

(13) For each distinct type of eligible biomass fuel fired at the CO<sub>2</sub> budget unit, chemical analysis, including heating value and carbon content.

(b) An owner or operator of a CO<sub>2</sub> budget unit shall calculate and submit to the REGULATORY AGENCY or its agent on a quarterly basis the total dry weight for each distinct type of eligible biomass fired by the CO<sub>2</sub> budget unit during the reporting quarter. The total dry weight shall be determined for each fuel type as follows:

(1) For solid fuel types:

$$F_j = \sum_{i=1}^m (1 - M_i) \times F_i$$

where:

$F_j$  = Total eligible biomass dry basis fuel input (lbs) for fuel type  $j$ ;  
 $F_i$  = Eligible biomass as fired fuel input (lbs) for fired shipment  $i$ ;  
 $M_i$  = Moisture content (fraction) for fired shipment  $i$ ;  
 $i$  = Fired fuel shipment;  
 $j$  = Fuel type; and  
 $m$  = Number of shipments.

(2) For gaseous fuel types:

$$F_j = D_j \times V_j \times (1 - M_j)$$

where:

$F_j$  = Total eligible biomass dry basis fuel input (lbs) for fuel type  $j$ ;  
 $D_j$  = Density of biogas (lbs/scf) for fuel type  $j$ ;  
 $V_j$  = Total volume (scf) for fuel type  $j$ ;  
 $M_j$  = Moisture content (fraction) for fuel type  $j$ ;  
 $j$  = Fuel type.

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(c) CO<sub>2</sub> emissions due to firing of eligible biomass shall be determined as follows:

(1) For any full calendar quarter during which no fuel other than eligible biomass is combusted at the CO<sub>2</sub> budget unit, as measured and recorded in accordance with XX-8.1 through XX-8.6 ; or

(2) For any full calendar quarter during which fuels other than eligible biomass are combusted at the CO<sub>2</sub> budget unit, as determined using the following equation:

$$\text{CO}_2 \text{ tons} = \sum_{j=1}^n F_j \times C_j \times O_j \times 44/12 \times 0.0005$$

where:

CO<sub>2</sub> tons = CO<sub>2</sub> emissions due to firing of eligible biomass for the reporting quarter;

F<sub>j</sub> = Total eligible biomass dry basis fuel input (lbs) for fuel type j, as calculated in XX 8.7(b);

C<sub>j</sub> = carbon fraction (dry basis) for fuel type j;

O<sub>j</sub> = Oxidation factor for eligible biomass fuel type j, 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 XX-8.7(a)(12); for gaseous eligible biomass fuels, a default oxidation factor of 0.995 may be used;

44/12 = The number of tons of carbon dioxide that are created when one ton of carbon is combusted (44/12);

0.0005 = The number of short tons which is equal to one pound;

j = Fuel type; and

n = Number of distinct fuel types.

(d) Heat input due to firing of eligible biomass for each quarter shall be determined as follows:

(1) For each distinct fuel type:

$$H_j = F_j \times \text{HHV}_j$$

where:

H<sub>j</sub> = Heat input (MMBtu) for fuel type j;

F<sub>j</sub> = Total eligible biomass dry basis fuel input (lbs) for fuel type j, as calculated in XX 8.7(b);

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HHV<sub>j</sub> = Higher heating value (MMBtu/lb), dry basis, for fuel type j, as determined through chemical analysis; and  
j = fuel type.

(2) For all fuel types:

$$\text{Heat Input MMBtu} = \sum_{j=1}^n H_j$$

where:

H<sub>j</sub> = Heat input (MMBtu) for fuel type j;

j = fuel type; and

n = number of distinct fuel types.

(e) 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 CO<sub>2</sub> budget unit in a state that requires the use of information submitted to the Independent System Operator (ISO) to document megawatt-hours (MWh) the CO<sub>2</sub> 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 CO<sub>2</sub> budget units at the facility used by the ISO to determine settlement resources of energy market participants.

(b) A CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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) CO<sub>2</sub> budget sources selling steam should use billing meters to determine net steam output. A CO<sub>2</sub> budget source whose steam output is not measured by billing meters or whose steam output is combined with output from a non-CO<sub>2</sub> 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 CO<sub>2</sub> budget source may report heat input providing useful steam output as a surrogate for steam output.

(e) *Monitoring.* The owner or operator of each CO<sub>2</sub> budget unit, in a state that requires the CO<sub>2</sub> budget unit's net output, must meet the following requirements. Each CO<sub>2</sub> 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. If the CO<sub>2</sub> budget unit monitors net electric output, the diagram should contain all CO<sub>2</sub> budget units and all generators served by each CO<sub>2</sub> budget unit and the relationship between CO<sub>2</sub> budget units and generators. If a generator served by a CO<sub>2</sub> budget unit is also served by a non-affected unit, the non-affected unit and its relationship 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 CO<sub>2</sub> budget units.

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(i) If the CO<sub>2</sub> budget unit monitors net thermal output, the diagram should include all steam or hot water coming into the net steam system, including steam from CO<sub>2</sub> 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).

(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 CO<sub>2</sub> 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

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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 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.

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(2) *Non-billing meters.* Certain types of equipment such as potential transformers, current transformers, nozzle and venture type meters, 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 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 CO<sub>2</sub> 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 CO<sub>2</sub> authorized account representative shall submit annual output reports, as follows. The data must be sent both electronically and

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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 CO<sub>2</sub> authorized account representative stating the following, "I am authorized to make this submission on behalf of the owners and operators of the CO<sub>2</sub> budget sources or CO<sub>2</sub> 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."

## Subpart XX-9      ~~RESERVED~~ Auction of CO<sub>2</sub> CCR allowances

### XX-9.1 Purpose.

The following rules shall apply to each allowance auction. The REGULATORY AGENCY or its agent may specify additional information in the auction notice for each auction. Such additional information may include the time and location of the auction, auction rules, registration deadlines, and any additional information deemed necessary or useful.

### XX-9.2 General Requirements

(a) The REGULATORY AGENCY or its agent shall include the following information in the auction notice for each auction:

(1) The number of CO<sub>2</sub> allowances offered for sale at the auction, not including any CO<sub>2</sub> CCR allowances;

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(2) The number of CO<sub>2</sub> CCR allowances that will be offered for sale at the auction if the condition of paragraph (b)(1) of this section is met;

(3) The minimum reserve price for the auction; and

(4) The CCR trigger price for the auction.

(b) The REGULATORY AGENCY or its agent shall follow these rules for the sale of CO<sub>2</sub> CCR allowances:

(1) CO<sub>2</sub> CCR allowances shall only be sold at an auction in which total demand for allowances, above the CCR trigger price, exceeds the number of CO<sub>2</sub> allowances available for purchase at the auction, not including any CO<sub>2</sub> CCR allowances.

(2) If the condition of paragraph (1) of this subdivision is met at an auction, then the number of CO<sub>2</sub> CCR allowances offered for sale by the REGULATORY AGENCY or its agent at the auction shall be equal to the number of CO<sub>2</sub> CCR allowances in the RELEVANT STATE AUCTION ACCOUNT at the time of the auction.

(3) After all of the CO<sub>2</sub> CCR allowances in the RELEVANT STATE AUCTION ACCOUNT have been sold in a given calendar year, no additional CO<sub>2</sub> CCR allowances will be sold at any auction for the remainder of that calendar year, even if the condition of paragraph (1) of this subdivision is met at an auction; and

(4) At an auction in which CO<sub>2</sub> CCR allowances are sold, the reserve price at for the auction shall be the CCR trigger price.

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(5) If the condition of paragraph (1) of this subdivision is not satisfied, no CO<sub>2</sub> CCR allowances shall be offered for sale at the auction, and the reserve price for the auction shall be equal to the minimum reserve prices.

(c) The REGULATORY AGENCY or its agent shall implement the reserve price in the following manner:

(1) No allowances shall be sold at any auction for a price below the reserve price for that auction; and

(2) If the total demand for allowances at an auction is less than or equal to the total number of allowances made available for sale in that auction, then the auction clearing price for the auction shall be the reserve price.

## Subpart XX-10 CO<sub>2</sub> Emissions Offset Projects

### XX-10.1 Purpose.

The REGULATORY AGENCY will provide for the award of CO<sub>2</sub> offset allowances to sponsors of CO<sub>2</sub> emissions offset projects ~~or CO<sub>2</sub> emissions credit retirements~~ that have reduced or avoided atmospheric loading of CO<sub>2</sub>, CO<sub>2</sub> equivalent or sequestered carbon as demonstrated in accordance with the applicable provisions of this Subpart. The requirements of this Subpart seek to ensure that CO<sub>2</sub> offset allowances awarded represent CO<sub>2</sub> 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), CO<sub>2</sub> offset allowances may be used by any CO<sub>2</sub> 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.

(c) *Anaerobic digestion.* The degradation of organic material including manure brought about through the action of microorganisms in the absence of elemental oxygen.

(d) *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.

(e) *ANSI.* American National Standards Institute.

(f) *ASHRAE.* American Society of Heating, Refrigerating and Air-Conditioner Engineers.

(g) *Biogas.* Gas resulting from the decomposition of organic matter under anaerobic conditions. The principle constituents are methane and carbon dioxide.

(h) *Boiler (commercial).* A self contained, low-pressure appliance for supplying steam or hot water to a commercial building.

(i) *Boiler (residential).* A self contained, low-pressure appliance for supplying steam or hot water to a residential building.

(j) *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.

(k) *CO<sub>2</sub>e*. CO<sub>2</sub>e means carbon dioxide equivalent.

(l) *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).

(m) *Conflict of interest*. A situation that may arise with respect to an individual in relation to any specific project sponsor, CO<sub>2</sub> 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.

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

(o) *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 appropriate regulatory agencies of all participating states to carry out certain obligations relative to CO<sub>2</sub> emissions offset projects in that state or United States jurisdiction, including but not limited to the obligation to perform audits of offset project sites, and report violations of this Subpart.

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(p) *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.

(q) *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.

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

~~(s) — *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 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.~~

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(s) Forest offset project. An offset project involving reforestation, improved forest management, or avoided conversion.

(t) Forest offset project data report. The report prepared by a project sponsor each year that provides the information and documentation required by this Subpart or the forest offset protocol.

(u) Forest offset protocol. The protocol titled "Regional Greenhouse Gas Initiative Offset Protocol U.S. Forest Projects", published by the participating states on XXX.

~~(s)~~(v) *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)~~(w) *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.

~~(t)~~(x) *IESNA*. Illuminating Engineering Society of North America.

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

(z) Intentional Reversal. Any reversal caused by a forest owner's negligence, gross negligence, or willful intent, including harvesting, development, and harm to the area within the offset project boundary

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~~(v)~~**(aa)** *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 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)~~**(ab)** *Non-census water.* Streams, sloughs, estuaries, and canals more than 120 feet and less than 1/8 of a mile wide. Lakes, reservoirs, and ponds one (1) to 40 acres in size.

~~(y)~~ *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.

~~(z)~~**(ac)** *Offset project.* An offset project includes all equipment, materials, items, or actions directly related to the reduction of CO<sub>2</sub> 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 CO<sub>2</sub> 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)~~**(ad)** *On-site combustion.* The combustion of fossil fuel at a building to provide building services, such as heating, hot water, or electricity.

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

~~(ae)~~(af) *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)~~(ag) *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. For an offset project involving reforestation, improved forest management, or avoided conversion, the date specified in section 3.2 of the forest offset protocol.

~~(ae)~~(ah) *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.”

(ai) *Reporting Period* The period of time covered by a forest offset project data report. The first reporting period for an offset project in an initial crediting period may consist of 6 to 24 consecutive months; all subsequent reporting periods in an initial crediting and all reporting periods in any renewed crediting period must consist of 12 consecutive months..

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~~(af)~~(aj) *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)~~(ak) *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, multifamily structures of three stories or fewer above grade, and manufactured homes (modular and mobile).

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

(am) Reversal. A GHG emission reduction or GHG removal enhancement for which CO<sub>2</sub> offset allowances have been issued that is subsequently released or emitted back into the atmosphere due to any intentional or unintentional circumstance.

~~(ai)~~(an) *SF<sub>6</sub>-containing operating equipment.* Any equipment used for the transmission and distribution of electricity that contains SF<sub>6</sub>.

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

~~(ak)~~(ap) *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)~~(aq) *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

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of the entity, defined as the service territory of a load-serving entity specified by the applicable state regulatory agency.

(ar) Unintentional Reversal. Any reversal, including wildfires or disease that is not the result of the forest owner's negligence, gross negligence, or willful intent.

~~(am)~~(as) *Verification.* The verification by an independent verifier that certain parts of a CO<sub>2</sub> emissions offset project consistency application and/or measurement, monitoring or verification report conforms to the requirements of this Subpart.

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

~~(ae)~~(au) *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.

~~(ae)~~(av) *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.

~~(ae)~~(aw) *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 CO<sub>2</sub> emissions offset projects.* To qualify for the award of CO<sub>2</sub> offset allowances, offset projects shall satisfy all the applicable requirements of XX-10.

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(1) *Offset project types.* The following types of offset projects are eligible for the award of CO<sub>2</sub> offset allowances.

- (i) Landfill methane capture and destruction;
- (ii) Reduction in emissions of sulfur hexafluoride (SF<sub>6</sub>);
- (iii) Sequestration of carbon due to reforestation, improved forest management, or avoided conversion ~~afforestation~~;
- (iv) Reduction or avoidance of CO<sub>2</sub> 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.*

(i) To qualify for the award of CO<sub>2</sub> allowances under XX-10, eligible offset projects may be located in any of the following locations:

- (a) In [STATE]; and
- (b) In any state or United States jurisdiction in which a cooperating regulatory agency has entered into a memorandum of understanding with the appropriate regulatory agencies of all participating states to carry out certain obligations relative to CO<sub>2</sub> 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 XX-10.

(ii) Projects located (in whole or in part) in one or more participating states are not eligible for CO<sub>2</sub> offset allowances under XX-10 unless more of the CO<sub>2</sub> equivalent emissions reduction or carbon sequestration due to the offset project is projected to occur in [STATE] than in any other participating state.

~~(b) — Eligible CO<sub>2</sub> emissions credit retirements. To qualify for the award of CO<sub>2</sub> offset allowances, a CO<sub>2</sub> emissions credit retirement shall satisfy all the applicable requirements of XX-10.~~

~~(1) — CO<sub>2</sub> 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~~

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~~tonnage limit on greenhouse gas emissions, provided the allowances or credits are acceptable and valid for use in that program at the time of the filing of the consistency application under XX-10.4, 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 CO<sub>2</sub> offset allowances for CO<sub>2</sub> emissions credit retirements only after the occurrence of a stage two trigger event.~~

~~(e)(b)~~ *Project sponsor.* Any person may act as the sponsor of an eligible CO<sub>2</sub> emissions offset project ~~or CO<sub>2</sub> emissions credit retirement~~, provided that person meets the requirements at section XX-10.4.

~~(d)(c)~~ *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) CO<sub>2</sub> offset allowances shall not be awarded to an offset project ~~or CO<sub>2</sub> 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 CO<sub>2</sub> offset allowances until the end of its current allocation period but its eligibility shall not be extended for an additional allocation period.

(2) CO<sub>2</sub> 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 CO<sub>2</sub> offset allowances awarded under section XX-10.7) generated from the operation of the offset project that may be used for compliance with a renewable portfolio standard or other regulatory requirement, to the REGULATORY AGENCY or its agent.

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(4) CO<sub>2</sub> 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).

(5) CO<sub>2</sub> offset allowances shall not be awarded to an offset project ~~or CO<sub>2</sub> emissions credit retirement~~ that is awarded credits or allowances under any other mandatory or voluntary greenhouse gas program, except for as described in Section XX-10.5(c)(10)(9).

~~(e)(d)~~ *Maximum allocation periods for CO<sub>2</sub> emissions offset projects.*

(1) *Maximum allocation periods.* Except as provided in paragraph ~~(e)(d)~~(2) of this section, the REGULATORY AGENCY may award CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> offset allowances under section XX-10.7 for any project involving reforestation, improved forest management, or avoided conversion ~~afforestation~~ offset project for an initial ~~20~~25-year allocation period. At the end of the initial ~~20~~25-year allocation period, or any subsequent crediting period, the REGULATORY AGENCY may award CO<sub>2</sub> offset allowances for a second ~~20~~25-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 CO<sub>2</sub> offset allowances for a third 20-year allocation period, provided the offset sponsor has submitted a consistency~~

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~~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 CO<sub>2</sub> offset allowances for more than a total of 60 allocation years.~~

~~(f) *Timing of offset projects.* The REGULATORY AGENCY may award CO<sub>2</sub> offset allowances under section XX-10.7 only for offset projects that are initially commenced on or after December 20, 2005~~

~~(f)(e) *Offset project audit.* Project sponsors shall provide, in writing, an access agreement to the REGULATORY AGENCY granting 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, in writing, an access agreement to the REGULATORY AGENCY granting the cooperating regulatory agency with access to the physical location of the offset project to inspect for compliance with this Subpart.~~

~~(g)(f) *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 CO<sub>2</sub> offset allowances in the project sponsor's account. If at any time the REGULATORY AGENCY 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.**

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(a) *Establishment of general account.* The sponsor of an offset project ~~or CO<sub>2</sub> 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 CO<sub>2</sub> offset allowances under this Subpart must be from the CO<sub>2</sub> authorized account representative for the general account of the sponsor of the relevant offset project ~~or CO<sub>2</sub> emissions credit retirement~~, herein referred to as “project sponsor.”

(b) *Consistency application deadlines.*

(1) For offset projects not involving reforestation, improved forest management, or avoided conversion the consistency application must be submitted by the date that is 6 months after the offset project is commenced ~~prior to January 1, 2009, the project sponsor must submit the consistency application by June 30, 2009.~~

(2) For offset projects involving reforestation, improved forest management, or avoided conversion the consistency application must be submitted by the date that is one year after the offset project is 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~~, except for as described in Section XX 10.5(c)(9).

(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.*

(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.

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(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 CO<sub>2</sub> or CO<sub>2</sub> 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, CO<sub>2</sub> offset allowances under the CO<sub>2</sub> 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 CO<sub>2</sub> 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 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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

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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 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions credit retirement, the consistency application must include sufficient information to demonstrate that the CO<sub>2</sub> emissions credit is eligible pursuant to subdivision XX-10.3(b)5(c), was lawfully held by the project sponsor, and has been permanently and irrevocably retired.~~

~~(3)~~(2) Consistency applications shall be submitted in a format approved by the REGULATORY AGENCY.

(d) Prohibition against filing consistency applications in more than one participating state.

(1) Consistency applications may not be submitted to [REGULATORY AGENCY] if a consistency application has already been submitted for the same project,

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or any portion of the same project, in another participating state, unless the consistency application was rejected by another participating state solely because more of the CO<sub>2</sub> equivalent emissions reduction or carbon sequestration due to the offset project is projected to occur in [STATE] than in any other participating state.

~~(2) Consistency applications may not be submitted to [REGULATORY AGENCY] if a consistency application has already been submitted for the same CO<sub>2</sub> emissions credit retirement in another 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 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 CO<sub>2</sub> emissions offset project standards.**

(a) *Landfill methane capture and destruction.* To qualify for the award of CO<sub>2</sub> offset allowances under XX-10, offset projects that capture and destroy methane from

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landfills shall meet the requirements of XX-10.5(a) and all other applicable requirements of XX-10.

(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;
- (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 CH<sub>4</sub> (in tons of CO<sub>2</sub>e), as represented by the CH<sub>4</sub> 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 CH<sub>4</sub> collected (ft<sup>3</sup>);

M = Mass of CH<sub>4</sub> per cubic foot (0.04246 lbs/ft<sup>3</sup> default value at 1 atmosphere, 20° C);

OX = Oxidation factor (0.10), representing estimated portion of collected CH<sub>4</sub> that would have eventually oxidized to CO<sub>2</sub> if not collected; and

WP = CO<sub>2</sub>e global warming potential of CH<sub>4</sub> (23).

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

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offset project was not collected and destroyed. CO<sub>2</sub>e 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 CH<sub>4</sub> collected (ft<sub>3</sub>);

M = Mass of CH<sub>4</sub> per cubic foot (0.04246 lbs/ft<sup>3</sup> default value at 1 atmosphere and 20° C);

OX = Oxidation factor (0.10), representing estimated portion of collected CH<sub>4</sub> that would have eventually oxidized to CO<sub>2</sub> if not collected;

C<sub>ef</sub> = Combustion efficiency of methane control technology (0.98); and

GWP = CO<sub>2</sub>e global warming potential of CH<sub>4</sub> (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 CH<sub>4</sub> concentration. Annual monitoring and verification reports shall include monthly volumetric flow rate and CH<sub>4</sub> concentration data, including documentation that the CH<sub>4</sub> 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 CH<sub>4</sub> 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 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 CH<sub>4</sub> composition through landfill gas sampling and independent laboratory analysis using applicable U.S. Environmental Protection Agency laboratory test methods.

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(b) *Reduction in emissions of sulfur hexafluoride (SF<sub>6</sub>).* To qualify for the award of CO<sub>2</sub> offset allowances under XX-10, 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, shall meet the requirements of XX-10.5(b) and all other applicable requirements of XX-10.

(1) *Eligibility.*

(i) Eligible offset projects shall consist of incremental actions beyond those taken during the baseline year to achieve a reduction in SF<sub>6</sub> 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 [High-voltage switchgear and controlgear - Part 303: Use and handling of sulphur hexafluoride \(SF<sub>6</sub>\) International Electrotechnical Commission \(IEC\) 1634](#), ~~“High-voltage switchgear and control gear—Use and handling of sulfur hexafluoride (SF<sub>6</sub>) in high-voltage switchgear and control gear,” (IEC/TR 62271-303 ed1.0 CEI/IEC 1634, 1995-04)~~, and Electric Power Research Institute (EPRI), [“SF<sub>6</sub> Management for Substations Practical Guide to SF<sub>6</sub> Handling Practices,” \(1020014 TR-113933, 20022010\)](#).

(ii) Except as provided in subparagraph (1)(iii) of this subdivision, eligible offset projects shall have an SF<sub>6</sub> entity-wide emissions rate for the baseline year that is less than the applicable emissions rate in Table 1. The entity-wide SF<sub>6</sub> emissions rate shall be calculated as follows:

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

where:

*SF<sub>6</sub> Nameplate Capacity* refers to all SF<sub>6</sub>-containing equipment owned and/or Operated by the entity, at full and proper SF<sub>6</sub> charge of the equipment rather than the actual charge of the equipment (which may reflect leakage).

Table 1: SF<sub>6</sub> Emissions Rate Performance Standards

A. Emission Regions

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<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

<u>Region</u>	<u>Emission Rate<sup>a</sup></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%

<sup>a</sup> Based on weighted average 2004 emissions rates for U.S. EPA SF<sub>6</sub> 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 SF<sub>6</sub> offset project shall be eligible even if the SF<sub>6</sub> 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 SF<sub>6</sub>.

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(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 SF<sub>6</sub> 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.

(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.* If the consistency application is filed on or after January 1, 2009, baseline SF<sub>6</sub> emissions shall be determined based on annual entity-wide reporting of SF<sub>6</sub> 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 SF<sub>6</sub> in order to determine entity-wide emissions of SF<sub>6</sub>. The scope of such tracking and accounting shall include all electric transmission and distribution assets and all

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SF<sub>6</sub>-containing and SF<sub>6</sub>-handling equipment owned and/or operated by the reporting entity.

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

$$\text{SF}_6 \text{ Emissions (lbs.)} = (\text{SF}_6 \text{ Change in Inventory}) + (\text{SF}_6 \text{ Purchases and Acquisitions}) - (\text{SF}_6 \text{ Sales and Disbursements}) - (\text{Change in Total SF}_6 \text{ Nameplate Capacity of Equipment})$$

where:

*Change in Inventory* is the difference between the quantity of SF<sub>6</sub> 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<sub>6</sub> gas contained in cylinders (such as 115-pound storage cylinders), gas carts, and other storage containers. It does not refer to SF<sub>6</sub> gas held in SF<sub>6</sub>-using operating equipment. The change in inventory will be negative if the quantity of SF<sub>6</sub> gas in storage increases over the course of the year;

*Purchases and Acquisitions of SF<sub>6</sub>* is the sum of all the SF<sub>6</sub> gas acquired from other parties during the reporting year, as contained in storage containers or SF<sub>6</sub>-using operating equipment;

*Sales and disbursements of SF<sub>6</sub>* is the sum of all the SF<sub>6</sub> gas sold or otherwise disbursed to other parties during the reporting year, as contained in storage containers and SF<sub>6</sub>-using operating equipment; and

*Change in Total SF<sub>6</sub> Nameplate Capacity of Equipment* is the net change in the total volume of SF<sub>6</sub>-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<sub>6</sub> charge of the equipment rather than to the actual charge, which may reflect leakage.

(ii) Emissions shall be calculated as follows:

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

where (all SF<sub>6</sub> values in lbs.):

$V_{\text{iby}}$  = SF<sub>6</sub> inventory in cylinders, gas carts, and other storage containers (not SF<sub>6</sub>-containing operating equipment) at the beginning of the reporting year;

$V_{\text{iey}}$  = SF<sub>6</sub> inventory in cylinders, gas carts, and other storage containers (not SF<sub>6</sub>-containing operating equipment) at the end of the reporting year;

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$PA_{psd}$  = SF<sub>6</sub> purchased from suppliers or distributors in cylinders;  
 $PA_e$  = SF<sub>6</sub> provided by equipment manufacturers with or inside SF<sub>6</sub>-containing operating equipment;  
 $PA_{rre}$  = SF<sub>6</sub> returned to the reporting entity after off-site recycling;  
 $SD_{op}$  = Sales of SF<sub>6</sub> to other parties, including gas left in SF<sub>6</sub>-containing operating equipment that is sold;  
 $SD_{rs}$  = Returns of SF<sub>6</sub> to supplier (producer or distributor);  
 $SD_{df}$  = SF<sub>6</sub> sent to destruction facilities;  
 $SD_{sor}$  = SF<sub>6</sub> sent off-site for recycling;  
 $CNP_{ne}$  = Total SF<sub>6</sub> nameplate capacity of new SF<sub>6</sub>-containing operating equipment at proper full charge;  
 $CNP_{rse}$  = Total SF<sub>6</sub> nameplate capacity of retired or sold SF<sub>6</sub>-containing operating equipment at proper full charge; and  
GWP = CO<sub>2e</sub> global warming potential of SF<sub>6</sub> (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.

(4) *Calculating emissions reductions.* Emissions reductions shall represent the annual entity-wide emissions reductions of SF<sub>6</sub> 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 = CO<sub>2e</sub> global warming potential of SF<sub>6</sub> (22,200)

(6) *Monitoring and verification requirements.* The annual monitoring and verification report shall include supporting material detailing the calculations and data used to determine SF<sub>6</sub> emissions reductions, and shall also provide the following documentation.

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(i) The project sponsor shall identify a facility(ies) managed by the entity from which all SF<sub>6</sub> gas is procured and disbursed and maintain an entity-wide log of all SF<sub>6</sub> gas procurements and disbursements. 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 SF<sub>6</sub> or reclaim SF<sub>6</sub> 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 SF<sub>6</sub> 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.

(ii) A current entity-wide inventory of all SF<sub>6</sub>-containing operating equipment and all other SF<sub>6</sub>-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 SF<sub>6</sub> 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 reforestation, improved forest management, or avoided conversion~~afforestation~~.* To qualify for the award of CO<sub>2</sub> offset allowances under XX-10, offset projects that involve reforestation, improved forest management, and avoided conversion ~~sequester carbon through the conversion of land from a non-forested to forested condition~~ shall meet the all requirements of XX-10.5(c) and the forest offset protocol, and all other applicable requirements of XX-10.

(1) *Eligibility.* Eligible forest offset projects shall satisfy all eligibility requirements of the forest offset protocol and this Subpart.

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~~(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 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 description must include all information identified in sections 8.1 and 9.1 of the forest offset protocol, and any other information deemed necessary by the REGULATORY AGENCY.~~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~~

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~~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.~~

(3) *Carbon sequestration baseline determination.* Baseline onsite carbon stocks shall be determined as required by sections 6.1.1, 6.1.2, 6.2.1, 6.2.2, 6.2.3, 6.3.1, and 6.3.2 of the forest offset protocol, as applicable. ~~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.~~

~~(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~~

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~~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); and~~

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

~~(vi) — Total carbon contained within the offset project boundary (represented in CO<sub>2</sub> 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<sub>pb</sub> = Total carbon content within the offset project boundary (sum of carbon content of all carbon pools in all reporting sub-populations);~~

~~TC<sub>latb</sub> = Sum of carbon content of live above-ground tree biomass in all reporting sub-populations;~~

~~TC<sub>lbtb</sub> = Sum of carbon content of live below-ground tree biomass in all reporting sub-populations;~~

~~TC<sub>s</sub> = Sum of carbon content of soil carbon in all reporting sub-populations;~~

~~TC<sub>lantb</sub> [option] = Sum of carbon content of live above-ground non-tree biomass in all reporting sub-populations;~~

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~~TC<sub>deff</sub>[option] = Sum of carbon content of dead organic matter, forest floor in all reporting sub-populations; and~~

~~TC<sub>decwd</sub>[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:~~

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

~~where:~~

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

~~s = standard deviation;~~

~~mean = mean reported carbon content for the sample population; and~~

~~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).~~

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(4) *Calculating carbon sequestered.* ~~Carbon sequestration for each reporting period shall be determined based on the net GHG reductions and GHG removal enhancements for the reporting period, adjusted downward to account for the project's risk reversal rating. Net GHG reductions and GHG removal enhancements shall be calculated as required by section 6 of the forest offset protocol. The project's risk reversal rating shall be calculated as required by Appendix D of the forest offset protocol.~~ *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. CO<sub>2</sub> 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 CO<sub>2</sub>. 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  $t$ ;

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

$I_{t-1}$  = 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

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~~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 CO<sub>2</sub> offset allowances were awarded pursuant to paragraph XX-10.7(a)(1).~~

~~(5) *Monitoring and verification requirements.* Monitoring and verification is subject to the following 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.~~

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~~(c) — If commercial timber harvest activities have occurred or will occur, an 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.~~

(i) Monitoring and verification reports shall include all forest offset project data reports submitted to the REGULATORY AGENCY, including any additional data required by section 9.2.2 of the forest offset protocol.

(ii) The consistency application shall include a monitoring and verification plan certified by an independent verifier accredited pursuant to section XX-10.6. The monitoring and verification plan shall consist of a forest carbon inventory program, as required by section 8.1 of the forest offset protocol.

(iii) Monitoring and verification reports shall be submitted not less than every six years, except that the first monitoring and verification report for reforestation projects must be submitted within twelve years of project commencement

(6) *Forest Offset Project Data Reports* A project sponsor shall submit a forest offset Project data report to the REGULATORY AGENCY for each reporting period. Each forest offset project data report must cover a single reporting period. Reporting periods must be contiguous; there must be no gaps in reporting once the first reporting period has commenced.

(7) Prior to the award of CO<sub>2</sub> offset allowances pursuant to XX-10.7, or to any surrender of allowances pursuant to XX-10.5(c)(8), any quantity expressed in metric tons, or metric tons of CO<sub>2</sub> equivalent, shall be converted to tons using the conversion factor specified in XX-1.2(br).

~~(6)(8)~~ (8) Carbon sequestration permanence. The offset project shall meet the following requirements to address reversals~~permanence~~ of sequestered carbon.

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~~(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 CO<sub>2</sub> 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.~~

(i) *Unintentional reversals.* Requirements for unintentional reversals are as follows:

(a) The project sponsor must notify the REGULATORY AGENCY of the reversal and provide an explanation for the nature of the unintentional reversal within 30 calendar days of its discovery; and

(b) The project sponsor must submit to the REGULATORY AGENCY a verified estimate of current carbon stocks within the offset project boundary within one year of the discovery of the unintentional reversal.

(ii) *Intentional Reversals.* Requirements for intentional reversals are as follows:

(a) If an intentional reversal occurs, the project sponsor shall, within 30 calendar days of the intentional reversal:

(1) Provide notice, in writing, to the REGULATORY AGENCY of the intentional reversal; and

(2) Provide a written description and explanation of the intentional reversal to the REGULATORY AGENCY.

(b) Within one year of the occurrence of an intentional reversal, the project sponsor shall submit to the REGULATORY AGENCY a verified estimate of current carbon stocks within the offset project boundary.

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(c) If an intentional reversal occurs, and CO<sub>2</sub> offset allowances have been awarded to the offset project, the forest owner must surrender to the REGULATORY AGENCY or its agent for retirement a quantity of CO<sub>2</sub> allowances corresponding to the quantity of CO<sub>2</sub> equivalent tons reversed within six months of notification by the REGULATORY AGENCY.

(1) Notification by the REGULATORY AGENCY will occur after the verified estimate of carbon stocks has been submitted to the REGULATORY AGENCY, or after one year has elapsed since the occurrence of the reversal if the project sponsor fails to submit the verified estimate of carbon stocks.

(2) If the forest owner does not surrender valid CO<sub>2</sub> allowances to the REGULATORY AGENCY within six months of notification by the REGULATORY AGENCY, the forest owner will be subject to enforcement action and each CO<sub>2</sub> equivalent ton of carbon sequestration reversed will constitute a separate violation of this Part and applicable state law.

(d) Project Termination. Requirements for project termination are as follows:

(1) The project sponsor must surrender to the REGULATORY AGENCY or its agent for retirement a quantity of CO<sub>2</sub> Allowances in the amount calculated pursuant to project termination provisions in the forest offset protocol within six months of project termination.

(2) If the project sponsor does not surrender to the REGULATORY AGENCY or its agent a quantity of CO<sub>2</sub> Allowances in the amount calculated pursuant to project termination provisions in the forest offset protocol within six months of project termination, they will be subject to enforcement action and each CO<sub>2</sub> offset allowance not surrendered will constitute a separate violation of this Part and applicable state law

(iv) Disposition of Forest Sequestration Projects After a Reversal. If a reversal lowers the forest offset project's actual standing live carbon stocks below its project baseline standing live carbon stocks, the forest offset project will be terminated by the REGULATORY AGENCY.

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(9) Timing of forest offset projects. The REGULATORY AGENCY may award CO<sub>2</sub> offset allowances under section XX-10.7 only for forest offset projects that are initially commenced on or after January 1, 2014.

(10) Projects that Have Been Awarded Credits by a Voluntary Greenhouse Gas Reduction Program. The provisions of paragraphs XX-10.3(c)(4) and XX-10.4(b)(2) shall not apply to forest projects that have been awarded credits under a voluntary greenhouse gas reduction program provided that the following conditions are satisfied. For such projects, the number of CO<sub>2</sub> Offset Allowances will be calculated pursuant to the requirements of XX-10.5(c), without regard to quantity of credits that were awarded to the project under the voluntary program.

(i) The project satisfies all other general requirements of XX-10, including all specific requirements of XX-10.5(c), for all reporting periods for which the project has been awarded credits under a voluntary greenhouse gas program and also intends to be awarded CO<sub>2</sub> offset allowances pursuant to XX-10.7.

(ii) At the time of submittal of the consistency application for the project, the project submits forest offset data reports and a monitoring and verification report covering all reporting periods for which the project has been awarded credits under a voluntary greenhouse gas program and also intends to be awarded CO<sub>2</sub> offset allowances pursuant to XX-10.7. Forest offset data reports and monitoring and verification reports must meet all requirements of XX-10.5(c)(5) and (6).

(iii) The consistency application includes information sufficient to allow the Department to make the following determinations, and the voluntary greenhouse gas program has published information on its website to allow the Department to verify the information included in the consistency application.

(a) The offset project has met all legal and contractual requirements to allow it to terminate its relationship with the voluntary greenhouse gas program, and such termination has been completed.

(b) The project sponsor or voluntary greenhouse gas program has cancelled or retired all credits that were awarded for carbon sequestration that occurred during the time periods for which the project intends to be awarded CO<sub>2</sub>

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offset allowances pursuant to XX-10.7, and such credits were cancelled or required for the sole purpose of allowing the project to be awarded CO<sub>2</sub> offset allowances pursuant to XX-10.7.

(d) *Reduction or avoidance of CO<sub>2</sub> emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency.* To qualify for the award of CO<sub>2</sub> offset allowances under XX-10, offset projects that reduce CO<sub>2</sub> 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 shall meet the requirements of XX-10.5(d) and all other applicable requirements of XX-10. 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.*

(i) Eligible offset projects shall reduce CO<sub>2</sub> 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 solar and geothermal 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

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

(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 \(SI Edition\)-2010](#)~~90.1-2004~~: Energy Standard for Buildings Except Low-Rise Residential Buildings and ANSI/ASHRAE Standard [62.2-2010](#)~~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- [Full](#)), and the applicable installation specifications [ANSI/ACCA 5 QI – 2007 “HVAC Quality Installation Specification”](#) 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 sub-clause.

(i) Commercial buildings shall exceed the energy performance requirements of ANSI/ASHRAE/IESNA Standard [90.1 \(SI Edition\)](#)~~90.1-2004~~: Energy Standard for Buildings Except Low-Rise Residential Buildings by 30%, with the exception of multi-family residential buildings classified as

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commercial by ANSI/ASHRAE/IESNA Standard 90.1 (SI Edition)-2010~~90.1-2004~~, which shall exceed these energy performance requirements by 20%.

(ii) Residential buildings shall exceed the energy performance requirements of the 2012~~2004~~ International Energy Conservation Code Supplement 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 2 below.~~

Table 2: Minimum Commercial Boiler Energy Efficiency

<u>Technology</u>	<u>Size (Btu/hr)</u>	<u>Rating Method</u>	<u>Minimum Efficiency</u>
Gas-fired <sup>a</sup>	125,000-300,000	AFUE	≥88.0%
	300,000-12,500,000	Thermal Efficiency <sup>b</sup>	≥90.0%
Oil-fired	>300,000	Thermal Efficiency	≥88.0%

~~<sup>a</sup> 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.~~

~~<sup>b</sup> 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.~~

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~~(ii) — Residential combustion equipment. Residential combustion equipment, including furnaces, boilers, and water heaters, shall meet or exceed the energy efficiency criteria in Table 3 below.~~

Table 3: Minimum Residential Combustion Equipment 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%
Gas/oil-fired water heater	Energy Factor	≥0.62

~~—<sup>a</sup>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)(b) 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~~

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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.

- (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 42 below.

Table 42: Emissions and Oxidation Factors

<u>Fuel</u>	<u>Emissions Factor (lbs. CO<sub>2</sub>/MMBtu)</u>	<u>Oxidation Factor</u>
Natural Gas	116.98	0.995
Propane	139.04	0.995

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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:

$\text{BEU}_{\text{AECM}}$  = 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; and

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:

$\text{BEU}_i$  = Annual baseline energy usage for fuel type  $i$  (MMBtu) demonstrated pursuant to the requirements at subparagraphs (5)(i) through (iv) of this subdivision;

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$EF_i$  = Emissions factor (lbs. CO<sub>2</sub>/MMBtu) for fuel type  $i$  listed at paragraph (3), Table 32 of this subdivision; and

$OF_i$  = Oxidation factor for fuel type  $i$  listed at paragraph (3), Table 32 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 32 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:

$\text{BEU}_{\text{AECM}}$  = Annual pre-installation baseline energy use by fuel type (MMBtu) calculated pursuant to subparagraphs (5)(i) through (iv) of this subdivision;

$\text{PIEU}_{\text{ECM}}$  = 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; and

$A$  = 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:

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

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. CO<sub>2</sub>/MMBtu) for fuel type  $i$  listed at paragraph (3), Table 2 of this subdivision; and

$OF_i$  = Oxidation factor for fuel type  $i$  listed at paragraph (3), Table 2 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

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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 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 CO<sub>2</sub> 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 general guidance shall be consistent with the applicable detailed specifications in ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings.

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(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) and adopted enhancements dated 2007-2012.

(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 (SI Edition)-2010~~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) and adopted enhancements dated 2007-2012.

(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.

(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:

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$BEU_{AECM}$  = 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 \(SI Edition\)-2010](#)~~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 \(SI Edition\)-2010](#)~~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) [and adopted enhancements dated 2007-2012](#);

$PIEU_{ECM}$  = 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 \(SI Edition\)-2010](#)~~90.1-2004~~, 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) [and adopted enhancements dated 2007-2012](#); and

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 \(SI Edition\)-2010](#)~~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) [and adopted enhancements dated 2007-2012](#).

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(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.* To qualify for the award of CO<sub>2</sub> offset allowances under XX-10, offset projects that capture and destroy methane from animal manure and organic food waste using anaerobic digesters shall meet the requirements of XX-10.5(e) and all other applicable requirements of XX-10

(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)~~(c)(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:

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

where:

$MG_{AD}$  = Average annual manure generation for the number of 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;
- (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  $CH_4$  that would have been produced in a

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baseline scenario under uncontrolled anaerobic storage conditions and released directly to the atmosphere in the absence of the offset project.

(i) Baseline CH<sub>4</sub> emissions shall be calculated as follows:

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

where:

CO<sub>2</sub>e = Potential CO<sub>2</sub>e emissions due to calculated CH<sub>4</sub> production under site-specific anaerobic storage and weather conditions;

V<sub>m</sub> = Volume of CH<sub>4</sub> 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 (ft<sup>3</sup>);

M = Mass of CH<sub>4</sub> per cubic foot (0.04246 lb/ft<sup>3</sup> default value at one atmosphere and 20°C); and

GWP = Global warming potential of CH<sub>4</sub> (23).

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

$$\text{VS}_{\text{deg}} = \text{VS}_{\text{avail}} \times f$$

where:

VS = volatile solids as determined from the equation:

$$\text{VS} = M_m \times \text{TS}_{\%} \times \text{VS}_{\%}$$

where:

M<sub>m</sub> = mass of manure or organic food waste produced per month (kg) TS<sub>%</sub> = 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<sub>%</sub> = 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)); and

VS<sub>avail</sub> = volatile solids available for degradation in manure or organic food waste storage each month as determined from the equation:

$$\text{VS}_{\text{avail}} = \text{VS}_p + \frac{1}{2} \text{VS}_{\text{in}} - \text{VS}_{\text{out}}$$

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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;

$VS_{out}$  = volatile solids removed from the manure or organic food waste storage for land application or export (assumed value based on standard farm practice); and

$f$  = van't Hoff-Arrhenius factor for the specific month as determined using the equation below. Using a base temperature of  $30^\circ\text{C}$ , the equation is as follows:

$$f = \exp\left\{\frac{E(T_2 - T_1)}{GC \times T_1 \times T_2}\right\}$$

where:

$f$  = conversion efficiency of VS to  $\text{CH}_4$  per month;

$E$  = activation energy constant (15,175 cal/mol);

$T_2$  = average monthly ambient temperature for facility where manure or organic food waste is generated (converted from  $^\circ\text{Celsius}$  to  $^\circ\text{Kelvin}$ ) as determined from the nearest National Weather Service certified weather station (if reported temperature  $^\circ\text{C} > 5^\circ\text{C}$ ; if reported temperature  $^\circ\text{C} < 5^\circ\text{C}$ , then  $F = 0.104$ );

$T_1 = 303.15$  ( $30^\circ\text{C}$  converted to  $^\circ\text{K}$ ); and

$GC$  = ideal gas constant (1.987 cal/K mol)

(iii) The volume of  $\text{CH}_4$  produced ( $\text{ft}^3$ ) 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  $\text{CH}_4$  ( $\text{ft}^3$ )

$VS_{deg}$  = volatile solids degraded (kg)

$B_o$  = manure or organic food waste type-specific maximum methane generation constant ( $\text{m}^3 \text{CH}_4/\text{kg VS degraded}$ ). For dairy cow manure,  $B_o = 0.24 \text{ m}^3 \text{CH}_4/\text{kg VS degraded}$ . 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: 1990-2010-2004, Annex 3, Table A-162 (U.S. EPA, April 2007-2012), unless the project sponsor proposes an 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.

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(4) *Calculating emissions reductions.* Emissions reductions shall be determined based on the the potential emissions (in tons of CO<sub>2</sub>e) of the CH<sub>4</sub> 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 CH<sub>4</sub> produced by the anaerobic digester, as monitored pursuant to paragraph (5) of this subdivision. If the project is a regional-type digester, CO<sub>2</sub> 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 CO<sub>2</sub> 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. CO<sub>2</sub> 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. CO<sub>2</sub>/gallon.

(b) Gasoline: 19.878 lbs. CO<sub>2</sub>/gallon.

(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. CO<sub>2</sub> 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.

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- (a) Diesel fuel: 0.131 lbs. CO<sub>2</sub> per ton-mile.
- (b) Gasoline: 0.133 lbs. CO<sub>2</sub> 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 CH<sub>4</sub> concentration. Annual monitoring and verification reports shall include monthly biogas volumetric flow rate and CH<sub>4</sub> 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 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 CH<sub>4</sub> 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

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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.

**Table 53: Input Monitoring Requirements**

<u>Input Parameter</u>	<u>Measurement Unit</u>	<u>Frequency of Sampling</u>	<u>Sampling Method(s)</u>
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)
Average monthly ambient temperature	Temperature °C	Monthly (based on farm averages)	Closest National Weather Service-certified weather station

(iv) The project sponsor shall verify biogas CH<sub>4</sub> 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;
- (v) Knowledge of information management systems;
- (vi) Knowledge of the requirements of this Subpart and

other applicable requirements of this Part; and

(viii) 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.

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(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

(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 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

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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; and

(7) 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 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.

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(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 requirements of this Subpart; and

(iv) Intentional misrepresentation of data or other intentional fraud.

## **XX-10.7 Award and Recordation of CO<sub>2</sub> offset allowances.**

(a) *Quantities of CO<sub>2</sub> offset allowances awarded, and subsequently recorded.*

(1) Award of CO<sub>2</sub> offset allowances.

(i) *CO<sub>2</sub> 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 CO<sub>2</sub> offset allowance for each ton of demonstrated reduction in CO<sub>2</sub> or CO<sub>2</sub> equivalent emissions or sequestration of CO<sub>2</sub>.

~~(ii) *CO<sub>2</sub> emissions credit retirement.* If a project sponsor received a consistency determination pursuant to paragraph XX-10.4(e)(2), one CO<sub>2</sub> offset allowance will be awarded for each ton of reduction of CO<sub>2</sub> or CO<sub>2</sub> equivalent or~~

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~~sequestration of CO<sub>2</sub>, 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 CO<sub>2</sub> offset allowances awarded shall be rounded down to the nearest whole ton.~~

(2) *Recordation of CO<sub>2</sub> offset allowances.* After CO<sub>2</sub> offset allowances are awarded under XX-10.7(a)(1), the [REGULATORY AGENCY] shall record such CO<sub>2</sub> offset allowances in the project sponsor's general account.

(d) *Deadlines for submittal of monitoring and verification reports.*

(1) For CO<sub>2</sub> 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.

(2) For CO<sub>2</sub> 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 CO<sub>2</sub> equivalent reductions or sequestration of CO<sub>2</sub> for which the project sponsor seeks the award of CO<sub>2</sub> offset allowances.

(e) *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 CO<sub>2</sub> emissions reduction or CO<sub>2</sub> 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

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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 CO<sub>2</sub> 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 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 and to make available to the REGULATORY AGENCY or its agent any and all documentation relating to the offset project at the REGULATORY AGENCY's request. 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 CO<sub>2</sub> Budget Trading Program in all participating states.

(8) 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 CO<sub>2</sub> emissions reductions or CO<sub>2</sub> sequestration pursuant to the applicable requirements at section XX-10.5.

(ii) The adequacy and consistency of methods used to quantify, monitor, and verify CO<sub>2</sub> emissions reductions and CO<sub>2</sub> 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.

(9) Disclosure of any voluntary or mandatory programs, other than the CO<sub>2</sub> Budget Trading Program, to which greenhouse gas emissions data related to the offset project has been, or will be reported.

(10) 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.

(f) Prohibition against filing monitoring and verification reports in more than one participating state. Monitoring and verification reports may only be filed under XX-10.7 for projects that have received consistency determinations under XX-10.4(e)(2). Monitoring and verification reports may not be filed under XX-10.7 for projects that have received consistency determinations in other participating states.

(g) *REGULATORY AGENCY action on monitoring and verification reports.* The REGULATORY AGENCY will approve or deny a complete monitoring and verification report, in a format approved by the REGULATORY AGENCY, filed with the REGULATORY AGENCY pursuant to XX-10.7(d), within 45 days following receipt of a complete report. A complete monitoring and verification report 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 monitoring and verification report. In no event shall a completeness determination prevent the REGULATORY AGENCY from requesting additional information in order to enable the REGULATORY AGENCY to approve or deny a monitoring and verification report submitted in a format approved by the REGULATORY AGENCY, and filed under XX-10.7.