

Proposed Rule 350 Greenhouse Gas (GHG) Program Fees



SMAQMD
April 29, 2010

Overview

- Board adopted Rule 250, Sacramento Carbon Exchange Program (SCEP), on March 25, 2010
 - Established a mechanism to bank voluntary GHG emission reductions and to sell, use, or retire certified carbon credits
 - No requirements for using credits (e.g. restrictions, discounting)
 - Governed by other laws or regulations (e.g. CEQA)
- Board held the first public hearing for proposed Rule 350, Greenhouse Gas Program Fees, on March 25, 2010
 - Establishes fees to recover the District's cost to implement proposed Rule 250
 - Costs include staff time plus actual cost of other items (public notices, contractors, etc.)
- Today's Meeting
 - Staff will address Board's comments from the March meeting
 - Second public hearing and consider adoption of proposed Rule 350

March Board Meeting

- Board member's questions/comments:
 - Have you analyzed any current projects that may use the bank, such as Easton?
 - It would be interesting for Staff to run an example case
 - Make the GHG Bank known to municipalities and jurisdictions

Project Plan Fees (Rule 350)

- Initial fee submitted with Project Plan
 - \$960
- Actual cost of publishing preliminary and final public notices in the newspaper (currently \$200 -\$250)
- Potential additional fees
 - If evaluation exceeds 5 hours, additional fees to recover costs (\$192 per hour)
 - Actual cost of contractor
 - Actual cost to prepare CEQA documents

Credit Verification Fees (Rule 350)

- Fee submitted annually with emissions data
 - Verified by the District, the initial fee is \$1920
 - Verified by a third-party verifier, the initial fee is \$960
- Potential additional fees
 - If work exceeds the 5-10 hours, additional fees to recover costs (\$192/hour)
 - Actual cost of third-party verifier or other contractor
 - Estimated third-party verifier costs is \$1475 - \$2500

Easton Project

- General Plan Amendment for 8,500 acres with variety of uses
 - 4,883 dwelling units
 - 4 million sq feet office and commercial uses
- Approved December 2008
- GHG Reduction Plan
 - On-site mitigation to reduce GHG emissions by 57% compared to “business as usual” emissions
 - 138,000 metric tons CO₂/year after mitigation

Example Project Fee Comparison

- Staff used a local dairy project that is being registered in Climate Action Reserve as the example project to illustrate the fees
- Compared fees to Chicago Climate Exchange (CCX), Climate Action Reserve (CAR)
- Major fee differences between programs
 - Program Structure:
 - SMAQMD and CAR are GHG banking programs only
 - CCX is more than a banking program; it is a cap-and-trade program
 - Membership Fees:
 - SMAQMD – no membership fees
 - CCX and CAR – membership required and annual renewal of membership fees
 - CCX and CAR only allow credit transfer among members
 - Transaction fees:
 - SMAQMD – flat fee (\$192)
 - CCX and CAR – based on number of metric tons of CO₂E

Example Project – Credit Generator

- Administrative Fee Comparison

Dairy Digester Project – 2116 metric tons of CO ₂ E credits per year			
Carbon Market	Chicago Climate Exchange	Climate Action Reserve	SMAQMD
Fees to Credit Generator/Seller	\$5.64-\$6.15 per metric ton	\$1.65-\$2.13 per metric ton	\$1.54-\$2.78 per metric ton
Fees to Buyer	\$4.79 -\$4.82 per metric ton	\$0.48 per metric ton	\$0.09 per metric ton

- Price of Credits – (April 2010)
 - CCX: \$0.12 per metric ton of CO₂E
 - CAR: \$4.70 per metric ton of CO₂E
 - Rule 250: Unknown

Example: Easton Project – Credit Buyer

Easton Project – mitigate 138,000 metric tons of CO ₂ E per year			
Carbon Market	Chicago Climate Exchange	Climate Action Reserve	SMAQMD
Fees to Buyer ¹	\$19,660 - \$23,800 ²	\$1,000	\$1,344
Cost of Credits	\$16,560	\$648,600	\$16,560 - \$648,600 ³
Total	\$36,220 - \$40,360	\$649,600	\$17,904 - \$649,944

¹ Assumes 1 credit transaction for CCX and CAR, and 7 transactions for SMAQMD

² Range depends on type of trade

³ Range uses CCX credit price (low end) and CAR (high end) in April 2010

Outreach - Briefing Jurisdictions

- As part of ongoing monthly/quarterly communication meetings
 - Sacramento County, Folsom, and Galt completed
 - Will return to brief the jurisdictions if credits are banked or if additional protocols are developed
 - Remaining jurisdictions will be briefed as the ongoing meetings occur

Staff Recommendations

- Conduct a public hearing on proposed Rule 350
- Determine that the proposed rule is exempt from CEQA
- Adopt the resolution approving the proposed rule