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 ($192)
    - CCX and CAR – based on number of metric tons of CO$_2$E
Example Project - Credit Generator

- Administrative Fee Comparison

<table>
<thead>
<tr>
<th>Dairy Digester Project – 2116 metric tons of CO₂E credits per year</th>
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<tbody>
<tr>
<td>Carbon Market</td>
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<tr>
<td>Fees to Credit Generator/Seller</td>
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<td>Fees to Buyer</td>
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- 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

<table>
<thead>
<tr>
<th>Easton Project – mitigate 138,000 metric tons of CO₂E per year</th>
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<tr>
<td>Carbon Market</td>
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<tr>
<td>Fees to Buyer¹</td>
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<tr>
<td>Cost of Credits</td>
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<td><strong>Total</strong></td>
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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